

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES

Docket No. R2001-1

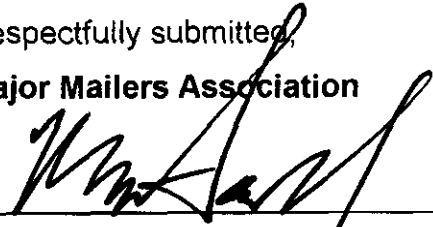
**Major Mailers Association's Third Set Of Interrogatories And Document
Production Requests To USPS Witness Leslie M. Schenk**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Leslie M. Schenk: **MMA/USPS-T43-11-19**. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

Major Mailers Association

By: _____


Michael W. Hall
34693 Bloomfield Road
Round Hill, Virginia 20741
540-554-8880
Counsel for
Major Mailers Association

Dated: Round Hill, VA
November 16, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with the Commission's Rules of Practice.

Dated this 16th day of November 2001.



Michael W. Hall

**Major Mailers Association's Third Set Of Interrogatories And Document
Production Requests For USPS Witness Leslie M. Schenk**

MMA/USPS-T43-11 Please refer Library Reference USPS-LR-J-117, specifically worksheet "letters 93".

- A. Please confirm that the number of letters delivered to a post office box is not a significant cost driver for delivery costs. If no, please explain the impact that a letter delivered to a post office box has on delivery costs?
- B. Please confirm that the titles in columns 6 and 7 should refer to \$FY00 and \$FY03, respectively? If no, please explain.
- C. Please consider your computed \$FY93, \$FY00 and \$FY 03 First-Class unit delivery costs as shown on line 8 in columns 5, 6 and 7.
 - 1. Please confirm that your computation of the \$FY 93 unit delivery cost of 2.13 cents is the total cost shown in column 3 divided by the total volume shown in column 4. If no, please explain how to compute that figure.
 - 2. For the 50,443,703 letters used to compute the \$FY93 unit cost, please confirm that you do not know what portion of the total was delivered by either rural or city delivery carriers, or what portion was delivered to post office boxes. If no, please provide those percentages.
 - 3. For the \$FY00 and FY03 unit costs, please confirm that you inherently assume that the portion of letters delivered to post office boxes is the same as for \$FY93. If no, please provide the percentage of letters delivered to post office boxes for each of the three unit costs.
 - 4. If you assume that the portion of letters delivered to post office boxes was the same for each of the three unit costs, please justify this assumption.
- D. In \$FY93, you show that the unit delivery nonDPS costs for single piece and presorted letters are 2.13 and 2.21 cents, respectively.
 - 1. According to those computed unit costs, are the nonDPS delivery costs for presorted letters really approximately .08 cents less than single piece presorted letters? Please explain your answer.
 - 2. Assume for purposes of this question that 33% of presorted letters were delivered to a post office box and that 13% of the single piece letters were delivered to a post office box. Assume also that the delivery cost for letters delivered to a post office box and collection costs were very close to zero. Under these circumstances, is it appropriate to compare nonDPS delivery costs as shown in the table below? If not, please explain why not?

Computation of \$FY93 nonDPS Delivery Costs Per Delivered Letter

	(1)	(2)	(3)	(4)	(5)
First-Class Category	Total Delivery Cost (\$000)	Total Volume (000)	% Delivered by Carriers	Total Volume Delivered (000)	Unit Cost per Delivered Letter (\$)
Single Piece	1,076,586	50,443,703	87%	43,886,022	0.0245
Presorted	652,975	29,486,424	67%	19,755,904	0.0331

Source: USPS-LR-J-117 "letters 3"
 Col 3 Col 4 Assumption (2) x (3) (1) / (4)

3. Assume that 13% of presorted letters were delivered to a post office box and that 33% of the single piece letters were delivered to a post office box. Assume also, for purposes of this question that the delivery cost for letters delivered to a post office box and collection costs were very close to zero. Under this circumstance, do you think it is appropriate to compare nonDPS delivery costs as shown in the table below? If not, why not?

Computation of \$FY93 nonDPS Delivery Costs Per Delivered Letter

	(1)	(2)	(3)	(4)	(5)
First-Class Category	Total Delivery Cost (\$000)	Total Volume (000)	% Delivered by Carriers	Total Volume Delivered (000)	Unit Cost per Delivered Letter
Single Piece	1,076,586	50,443,703	67%	33,797,281	0.0319
Presorted	652,975	29,486,424	87%	25,653,189	0.0255

Source: USPS-LR-J-117 "letters 3"
 Col 3 Col 4 Assumption (2) x (3) (1) / (4)

4. Please explain whether one can tell which incurs more nonDPS delivery cost for FY93, single piece or presorted, unless you know how many pieces are actually delivered by rural and city carriers?
5. Assume that during FY 93, 33% of presorted letters were delivered to a post office box and that 13% of the single piece letters were delivered to a post office box, similar to the situation asked in Part 2. Assume further that for FY00, 13 % of presorted letters were delivered to a post office box

and that 33% of single piece letters were delivered to a post office box. Assume also, for purposes of this question that the delivery cost for letters delivered to a post office box and collections costs were very close to zero. Under this circumstance, would not the \$FY00 unit nonDPS delivery cost for all destinating letters be more appropriately computed as shown in the table below than the way you computed it in column 5 of worksheet "letters 93"? Please explain your answer.

Computation of \$FY00 nonDPS Delivery Costs Per Originating Letter

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
First-Class Category	FY93 Total Volume (000)	FY93 Unit Cost per Delivered Letter	FY93 Labor Rate	FY00 Labor Rate	ratioed unit cost \$FY00	FY00 % Delivered by Carriers	FY00 Total Volume Delivered (000)	FY00 Total Delivery Cost (\$000)	FY00 Unit Cost for all letters
Single Piece	50,443,703	0.0245	23.1880	27.7445	0.0294	67%	33,797,281	992,014	0.0197
Presorted	29,486,424	0.0331	23.1880	27.7445	0.0395	87%	25,653,189	1,014,505	0.0344

Source: USPS-LR-J-117 "letters 3" Part D(2) Col 4 Fn 8 Fn 9 (2) x (4) / (3) Assumption (1) x (6) (5) x (7) (8) / (1)

6. Please explain the differences between the \$FY00 unit nonDPS delivery costs computed in Part 5 and your derived unit delivery costs of 2.55 cents and 2.65 cents for single piece and presorted letters, respectively.

MMA/USPS-T43-12 Please refer to your response to Part J of Interrogatory MMA/USPS-T43-1, where you confirmed that you believe you have isolated the impact of presortation on delivery costs, and Part B of your response to Interrogatory MMA/USPS-T43-9.

- A. Please confirm that in deriving all of your unit costs for the various levels of worksharing, you implicitly assumed that 13% of the pieces are addressed and delivered to post office boxes. If you cannot confirm, please explain
- B. Please confirm that the 2.65-cent unit cost derived for nonDPSed presorted letters, as derived on worksheet "letters 93", is used to derived the DPS unit cost of .5 cents shown on worksheet "summary BY", as shown in column A, lines 32-34. If you cannot confirm, please explain.
- C. Please confirm that for the derivation of the 2.65-cent non-DPS unit cost for presorted letters, you have no information as to what percentage of pieces were implicit as being addressed and delivered to post office boxes. If you cannot confirm, please provide the percent of letters implicitly delivered to post office boxes that is implicit in that derived 2.65 unit cost.

MMA/USPS-T43-13 Please refer to your response to Part N of Interrogatory MMA/USPS-T43-1. There you compute unit delivery costs separately for First-Class metered, stamped, and other letters.

- A. Please show exactly how you computed each of those unit costs.
- B. Please explain why metered letters cost 5.92 cents to deliver while BMM letters cost only 4.066 cents, almost 2 cents less.
- C. Please confirm that metered letters (5.92 cents) cost virtually the same to deliver as single piece letters (6.04 cents). If no, please explain.
- D. Do single piece letters and metered mail letters have a similar DPS percentage? Doesn't your answer indicate that? Please support your answer.
- E. Are the percentages of single piece letters and metered mail letters delivered to a post office box similar? Please support your answer.
- F. Do metered mail letters and BMM letters have a similar DPS percentage? Please support your answer.
- G. Are the percentages of metered mail letters and BMM letters delivered to a post office box similar? Please support your answer.
- H. Doesn't USPS witness Miller's assumption that non-automation machinable mixed AADC letters can be used as a proxy for BMM letters implicitly assume that non-automation machinable mixed AADC letters and BMM letters have a similar DPS percentage and a similar percentage of pieces delivered to a post office box. If no, please explain.

MMA/USPS-T43-14 Please refer to your response to Part U of Interrogatory MMA/USPS-T43-1. There you compute the unit delivery cost for presorted letters that you claim is overstated because it includes collection costs associated with pieces delivered to post office boxes. Please explain what collection costs are incurred by presorted letters that are associated with letters delivered to a post office box.

MMA/USPS-T43-15 Please refer to your response Interrogatory MMA/USPS-T43-2. There may have been some confusion with the original question because you did not explain your methodology for deriving sub-segment 6.1 costs for each category within presorted letters.

A. For single piece letters, please confirm that you were provided the total sub-segment 6.1 costs by shape from another witness. If you cannot confirm, please explain. If you confirm, please identify the witness.

B. For presorted letters, please confirm that you were provided the total sub-segment 6.1 costs by shape from another witness. If you cannot confirm, please explain. If you confirm, please identify the witness

C. For each category within presorted letters, please confirm that you used the following steps to derive the sub-segment 6.1 costs. If no, please explain.

1. You obtained the nonDPSed presorted unit cost from FY93 and ratioed that cost to up to FY00.
2. You obtained the weighted average DPS percent for all presorted letters by obtaining DPS percentages and volumes for each rate category from USPS witness Miller.
3. You computed the average presorted DPS unit cost by solving the following equation:

$$\text{Average DPS Cost} = \% \text{ nonDPS} \times \text{nonDPS unit cost} + \% \text{ DPS} \times \text{DPS unit cost}$$

4. You computed the average 6.1 sub-segment unit cost for each category by using the following equation:

$$\text{Unit Cost} = \% \text{ DPS} \times \text{Average DPS Cost} + \% \text{ nonDPS} \times \text{nonDPS unit cost}$$

5. You computed the total 6.1 sub-segment cost for each category by multiplying the unit cost computed in step 4 by the appropriate volume for each category.

- D. Please confirm that in step 1 of Part C, the nonDPSed presorted unit cost is not the nonDPS cost per letter processed and delivered by carriers, but is the nonDPS cost per letter delivered, including letters delivered to a post office box. If no, please explain.
- E. Please confirm that in your derivation of the presorted nonDPS unit cost referred to in step 1 of Part C, you do not know the volume of actual letters that were processed and delivered by carriers using the nonDPS methods.

MMA/USPS-T43-16 Please refer to your response to Part E of Interrogatory MMA/USPS-T43-3. Is it your testimony that the volume of letters delivered to a post office box has no impact on your derivation of nonDPS costs? If no, please explain your position. If yes, please explain how you can properly estimate the nonDPS unit cost if you do not know how many pieces were processed and delivered by carriers using nonDPS methods, as computed on worksheet "letters 93" of Library Reference USPS-LR-J-117?

MMA/USPS-T43-17 Please refer to your response to Part D of Interrogatory MMA/USPS-T43-5 where you indicate that your analysis does not, in general, assume that the delivery characteristics are identical for each of the presorted categories.

- A. Are the delivery characteristics not identical because you use different, independently derived, DPS percentages for each category? If no, please explain.
- B. Don't you assume that 13% of the letters from each category will be delivered to post office boxes? If no, please explain.
- C. If your answer to Part B is yes, what is your basis for assuming that the 13% of total presorted letters that are delivered to post office boxes can be broken down proportionally to each of the 14 separate rate categories, particularly when the volumes for most of those categories are quite small compared to Automation 3-digit and 5-digit? Please explain why this assumption is appropriate for each of the 8 subcategories you list for non-automation letters.

MMA/USPS-T43-18 Please refer to your response to Interrogatory MMA/USPS-T43-6.

- A. Please provide the derivation of the 9.57 cents that you indicate is the First-Class single piece city carrier delivery unit cost, excluding collection costs.

- B. Please provide the derivation of the 3.71 cents that you indicate is the First-Class single piece city carrier delivery unit cost, excluding collection costs.
- C. Please provide the total collection costs incurred by the Postal Service for BY00.

MMA/USPS-T43-19 Please refer to your response to Part H of Interrogatory MMA/USPS-T43-8.

- A. Please confirm that BMM letters have no prerequisite requirements or regulations that require them to be machinable, yet the Postal Service estimates that DPS percentage for BMM letters is virtually the same as non-automation machinable letters, automation mixed AADC, automation AADC, and automation 3-Digit letters. If you cannot confirm, please explain.
- B. Please confirm that BMM letters have no prerequisite requirements or regulations that require the addresses to be complete, reliable, machine readable and up-to-date, yet the Postal Service estimates that the delivery cost for BMM letters is virtually the same as automation mixed AADC, automation AADC, and automation 3-Digit letters. If you cannot confirm, please explain.
- C. Please explain if, and to what extent, BMM letters and metered letters have different delivery characteristics in terms of (1) DPS percentage and (2) percent of letters delivered to a post office box. Please support your answer.