

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 MAILERS ASSOCIATION  
(MMA/USPS-T22-1-33(A-J L-N, Q) 34 through 38(C-D, F-K), 39(A-B, E-J) AND 40)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of Major Mailers Association: MMA/USPS-T22-33(A-J, L-N, Q) 34 through 38(C-D, F-K), 39(A-B, E-J) and 40, filed on November 5, 2001.

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

Interrogatories MMA/USPS-T22-33(K,O,P), 38(A,B,E) and 39(C,D) have been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

\_\_\_\_\_  
Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2998; Fax -5402  
November 23, 2001

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

**MMA/USPS-T22-33** Please consider two mailings of 600,000 pieces each and identical in all respects except the following: Mailing A is sent by one large First-Class presort mailer whereas Mailing B is sent by 1,000 BMM mailers. For purposes of this Interrogatory, please assume that the First-Class presort mailer conforms to all of the requirements that apply to design, preparation, and acceptance of Automation letters and that the BMM mailers all conform to the requirements that are applicable to BMM letters. Assume further that each tray of BMM letters contains 600 letters whose addresses are machine printed.

- A. Please confirm that the large First-Class presort mailer will have his mail accepted by a postal employee located at either a bulk mail entry unit or at the mailer's plant. If you cannot confirm, please explain.
- B. Please confirm that the BMM letters will be trayed and be accepted either by a postal employee during his collection route or by a window service clerk at a local post office. If you cannot confirm, please explain.
- C. Please confirm that in your CRA-derived unit costs for metered letters, you include no costs to reflect BMM letters accepted by (1) a postal employee during his collection route, or (2) a window service clerk at a local post office. If you do not confirm, please explain.
- D. Please confirm that in your CRA-derived unit costs for Automation letters, you include MODS 79 LD79 costs that reflect the letters being accepted by Postal employees. If no, please explain.
- E. Please confirm that your mail flow model-derived unit costs do not include any acceptance costs for either Automation letters or BMM letters. If no, please explain.
- F. Please estimate the cost for a Postal Service employee to accept one tray of BMM from 1,000 separate mailers (1) during his collection run, and (2) at the window of a postal facility. Please support your answer.
- G. Please confirm that the large First-Class presort mailer prepares his mail by performing all the steps and operations listed in Interrogatory MMA/USPS-T22-1C.
- H. Please estimate the total cost for the Postal Service to perform all of the same operations listed in Interrogatory MMA/USPS-T22-1C for the 1,000 BMM trays from the time the letters are accepted, sent through the mail prep operation and RBCS (where they are barcoded and sorted), and until the letters are re-trayed, palletized and packed into trucks. Please support your answer.

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

**RESPONSE TO MMA/USPS-T22-33 (CONTINUED)**

- I. When the BMM is finally packed into outgoing trucks as described in Part E, will the letters be sorted to a greater degree, lesser degree or about the same degree as the letters that were prepared by the large presort mailer? Please support your answer.
- J. Please confirm that while the BMM letters are being processed in the outgoing RBCS, outgoing BCS primary and outgoing BCS secondary operations of the originating SCF, the nonlocal Automation letters mailed by the large presort mailer will either be stored near the dock waiting to be packed into trucks, or will bypass the SCF completely, going directly to a HASP or airport. If you cannot confirm, please explain.
- K. Please estimate the transportation costs for the (1) Automation letters and (2) the BMM letters? If you cannot estimate these costs, please state whether the transportation costs for the Automation letters would be higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.
- L. Please confirm that neither your CRA-derived or your mail flow model-derived unit costs include transportation costs for Automation or BMM letters. If no, please explain.
- M. Please refer to the Undeliverable-As-Addressed Study filed as Library Reference USPS-LR-I-82 in Docket No. R2000-1 ("UAA Study"). Please confirm that according to pages 12 and 27 of the UAA Study, 3.09% of all First-Class letters are UAA and 87.67% of those UAA letters are sent by business. If you cannot confirm, please explain.
- N. Please confirm that BMM is mailed exclusively by businesses (as opposed to households). If you cannot confirm, please explain.
- O. Is it reasonable to conclude that on average, 2.7% of all BMM ( $3.09\% \times 87.67\%$ ) will be UAA? If no, please explain.
- P. Please estimate the UAA (mail processing and delivery) costs for (1) the 600,000 Automation letters and (2) the 600,000 BMM letters? If you cannot estimate these costs, please state whether the UAA costs for the Automation letters would be higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.

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

**RESPONSE TO MMA/USPS-T22-33 (CONTINUED)**

Q. Please confirm that delivery unit costs that you obtained from USPS witness Schenk do not include any specific impact of UAA letters that have to be either forwarded or returned. If no, please explain.

**RESPONSE:**

- (A) Confirmed.
- (B) BMM letters do not typically incur "verification and acceptance costs." In my field observations, I have seen BMM letters enter facilities in the following ways: (1) the mail is submitted to employees at the back dock, (2) the mail is submitted to clerks at the BMEU, or (3) the mail is submitted with other collection mail. I have not personally observed BMM letters being submitted to window clerks.
- (C1) Transportation costs are not defined as "mail processing" and are not included in the CRA mail processing unit cost estimates. However, the mail processing costs incurred when BMEU employees or dock employees are given this mail would be included.
- (C2) Window service costs are also not defined as "mail processing" and are not included in the CRA mail processing unit cost estimates.
- (D) Confirmed.
- (E) It can be confirmed that the actual mail flow cost models do not include acceptance and verification costs.
- (F) I am not aware of any analyses that have been conducted to determine these costs.

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

**RESPONSE TO KE/USPS-T22-33 (CONTINUED)**

- (G) For purposes of responding to questions, I can assume factual assertions about hypothetical mailers, but I cannot confirm them. See the response to MMA/USPS-T22-1(C).
- (H) As stated in USPS-T-22 on page 19 at 27, a cost estimate for BMM letters is difficult to quantify. Consequently, the mail processing unit costs for all metered letters are used as a proxy. To the best of my knowledge, cost estimates at the level of detail requested are not available. In addition, please see the response to MMA/USPS-T22-1(E).
- (I) Subpart (E) makes no reference to such a phenomenon. To my knowledge, BMM letters are not "packed into outgoing trucks." They are routed directly to automation where they are processed and mixed with other letters.
- (J) Confirmed.
- (K) Redirected to the Postal Service.
- (L) Confirmed. In addition, please see the response to MMA/USPS-T22-1(G).
- (M) Confirmed.
- (N) It can be confirmed that BMM letters mailers would likely represent businesses.
- (O) Redirected to the Postal Service.
- (P) Redirected to the Postal Service.

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

**RESPONSE TO MMA/USPS-T22-33 (CONTINUED)**

- (Q) To the extent that UAA issues affect in-office delivery unit costs, I would imagine they are imbedded in witness Schenk's figures.

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

**MMA/USPS-T22-34** Please refer to your answer to POSTCOM/USPS-T24-1 where you explain that your mail flow models do not include missorts where mail pieces are initially routed to the incorrect delivery address.

- A. Please confirm that you believe that CRA adjustment factors that have been applied to the rate category models account for the fact that some tasks, such as missorting, have not actually been modeled. If no, please explain.
- B. Please confirm that other tasks not included in your cost models include:
  - 1. Mail preparation operations;
  - 2. Platform operations;
  - 3. Allied labor;
  - 4. Pouching;
  - 5. Package sorting;
  - 6. Tray sorting; and
  - 7. Sack sorting.
- C. Please list any other tasks, not included in part B, that your cost models do not reflect.
- D. Is it your position that the CRA adjustment factors that you have applied to the rate category cost models do account for the fact that some tasks have not actually been modeled. If no, please explain.
- E. Please confirm that, for First-Class Automation letters and Standard Automation letters, the unit mail processing costs derived by your cost models is greater than the CRA-derived unit mail processing costs. If you cannot confirm, please explain.
- F. Please confirm that for First-Class Automation letters and Standard Automation letters, application of your CRA adjustment factors reduces the model-derived unit costs in order to reconcile them to the CRA unit cost. If no, please explain.
- G. If you confirm part F of this interrogatory, please explain how the CRA adjustment factor, which reduces the model-derived unit cost, accounts for the fact that some tasks have not actually been modeled.

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

**RESPONSE TO MMA/USPS-T22-34 (CONTINUED)**

- (A) CRA adjustment factors are applied to account for the following: (1) the fact that average data are used, (2) the fact that all tasks are not modeled, and (3) the fact that the cost models are, by definition, a simplified representation of reality.
- (B) These tasks are not included in the cost models. With the exception of sack sorting, these tasks are included in the worksharing related savings estimates.
- (C) The cost models include piece and package distribution costs. Any costs not related to piece or package distribution would not be included.
- (D) CRA adjustment factors are applied to the model costs for the reasons specified in the response to MMA/USPS-T22-34(A). This form of "hybrid" cost methodology has been endorsed by the Commission since MC95-1.
- (E) Confirmed.
- (F) Confirmed.
- (G) CRA adjustment factors are applied for the reasons listed in response to MMA/USPS-T22-34(A) which includes the fact that some tasks are not actually modeled. In addition, CRA adjustment factors are obviously affected by the CRA mail processing unit cost estimates and involve analyses performed by multiple witnesses. Please see the response to MMA/USPS-T22-10(C) and (D).



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

**MMA/USPS-T22-35** Please refer to USPS-LR-J-60, page 16 where you model the mail flow for First-Class metered letters.

- A. Please confirm that you show that 890 of 10,000 letters, or 8.9% of the letters will be addressed and delivered to a post office box. If you cannot confirm, please explain.
- B. What is the source of this number?
- C. Please confirm that USPS witness Schenk imputed that 33% of First-Class single piece and 13% of workshare letters were addressed and delivered to a post office box. (Please refer to USPS-LR-J-117, worksheet "Delivery Volumes".)
- D. Please reconcile your 8.9% with the figures derived by USPS witness Schenk.
- E. Would metered mail letters exhibit the delivery address characteristics (of being addressed to a post office box) of a single piece letter or a workshare letter? Please explain your answer.

**RESPONSE:**

- (A) Confirmed.
- (B) Please see USPS LR-J-60, page 53.
- (C) Please see the response to MMA/USPS-T43-1(R) and MMA/USPS-T43-1(S).
- (D) The cost methodologies employed by witness Schenk and myself differ. The figure I used has been applied equally to all rate category cost models in a given cost study that are being used to de-average a CRA mail processing unit cost estimate. CRA adjustment factors should account for any variation that may result were the actual values for some data inputs to vary from those used in the models.

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

**RESPONSE TO MMA/USPS-T22-35 (CONTINUED)**

- (E) To the extent that BMM letters are the most likely mail pieces to convert to worksharing, it stands to reason that they are more likely to be addressed similarly to worksharing letters.

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

**MMA/USPS-T22-36** Please refer to USPS-LR-J-60, pages 14 and 16 where you model the mail flow for First-Class of QBRM and metered letters.

- A. Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform with postal guidelines and requirements to ensure machinability. If no, please explain.
- B. Please confirm that none of the metered letters is pre-barcoded and none have been specifically designed to conform with postal guidelines or requirements to ensure machinability. If no, please explain.
- C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.
- D. Please confirm that for metered letters you assume that .19% of the letters will be rejected in the outgoing ISS/RCR primary, .07% of the letters will be rejected in the outgoing OSS primary, and .16% will be rejected in the outgoing BCS primary, for a total of .42%. If no, please explain.
- E. Please explain how the percentage for QBRM letters that are rejected from automation in the outgoing primary can be more than 11 times that same percentage for metered letters.

**RESPONSE:**

- (A) Please see the response to KE/USPS-T22-10(A).
- (B) This can be confirmed for BMM letters.
- (C) Please see the response to KE/USPS-T22-10(C).
- (D) Not confirmed. Please see the revisions filed on 11/15/01.
- (E) Please see the revised cost methodology filed on 11/05/01 and the subsequent revisions filed on 11/15/01. The processing of rejects is no longer included in the QBRM analysis.

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

**MMA/USPS-T22-37** Please refer to USPS-LR-J-60, page 8 where you list the CRA cost pools for First-Class metered, automation letters.

- A. Does cost pool MODS 79 LD79 include costs associated with accepting workshare letters and verifying the postage paid? If no, please explain.
- B. Please confirm that you have included these costs as workshare-related but fixed, i.e., related to worksharing but not related to the degree of presort. If no, please explain.
- C. Please confirm that of all the cost pools that you deem are workshare related, the MODS 79 LD 79 costs are the only costs where automation costs are greater than the benchmark metered letter costs.
- D. What is the comparable cost pool for the following rate categories where the mail is accepted by the Postal Service and postage is verified? If such a cost pool exists, please quantify such costs under the Postal Service's costing methodology and the Commission's costing methodology. If no cost pools exist, please explain how the benchmark letters are accepted, with postage verified, without a cost being incurred by Postal Service.
  - 1. Metered letters, and
  - 2. Bulk metered letters.
- E. If you have included in your derivation of workshare cost savings the costs associated with either category listed in part B, please explain precisely where on page 8 of USPS-LR-J-60 those costs are shown? If you have not included those costs, please explain why such costs are not relevant?

**RESPONSE:**

- (A) Yes.
- (B) Confirmed.
- (C) Not confirmed. The "1BULKPR" cost pool for automation presort letters is also greater in value than that for BMM letters.
- (D1) To the extent that any costs were incurred by employees charging their time to acceptance and verification operations, the costs would also be

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

**RESPONSE TO MMA/USPS-T22-37 (CONTINUED)**

found in the "LD79" and "BULKPR" cost pools.

(D2) Please see the response to MMA/USPS-T22-37(D1).

(E) It is assumed that this question actually refers to part D, and not part B. Please see the response to MMA/USPS-T22-33(B). The areas where I have seen BMM letters being submitted to the Postal Service involved employees who were charging their hours to MODS operations that have been mapped to worksharing related cost pools.

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

**MMA/USPS-T22-38** Please refer to page 8 of Library Reference USPS-LR-J-60 where you derive the unit cost for BMM letters.

- A. What proportion of BMM letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- B. What proportion of metered letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- C. Do you agree that it is more likely that single piece metered letters are more likely to be a courtesy reply enveloped than a BMM letter? Please explain your answer.
- D. In your derivation of workshare cost savings, do you assume that none of your benchmark letters are prebarcoded by mailers? If no, please explain how you isolate the impact of worksharing, which includes barcoding, when some of your benchmark letters are prebarcoded by mailers and reflected in the costs. If yes, please show how you have adjusted the benchmark BMM costs to remove the impact of prebarcoding by mailers.
- E. Please provide the proportion of letters that are prebarcoded by mailers for (1) metered letters and (2) BMM letters. Please provide the sources for your answers.
- F. Please confirm that in your model for metered letters, you assume that none of the letters is prebarcoded. If no, please explain.
- G. Please confirm that in your model, if you had assumed that some portion of the letters were prebarcoded, such letters would bypass the RBCS and go directly to the outgoing BCS primary. If no, please explain.
- H. Please confirm that in your model, if you had assumed that 10% of the letters had been prebarcoded by mailers, your derived unit metered letter would go up by .044 cents, or 1%. If you cannot confirm, please explain.
- I. Please confirm that in your model, for every 10% increase in the number of letters assumed to be prebarcoded, your derived unit metered letter cost increases by an additional .044 cents or 1%. If no, please explain.
- J. Please confirm that in your model, if you assume that 100% of letters were prebarcoded, your derived unit metered letter cost increases by an additional .437 cents or 10.4%. If no, please explain.

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

**RESPONSE TO MMA/USPS-T22-38 (CONTINUED)**

K. Please justify the reasonableness of a cost model such as the one you present to the Commission for metered letters that results in increased costs when mailers provide a prebarcode on their outgoing letters.

**RESPONSE:**

Please note that the BMM letters cost sheet and mail flow model are not on page 8, but are on pages 15 and 16, respectively

- (A) Redirected to the Postal Service.
- (B) Redirected to the Postal Service.
- (C) I have not studied this issue and therefore have no basis for forming such an opinion.
- (D) No. The BMM letters cost estimate is the average unit cost for all metered mail letters. I made no such adjustments to reflect the possibility that some letters may be prebarcoded, just as I made no such adjustment to reflect the possibility that some letters may contain handwritten addresses.
- (E) Redirected to the Postal Service.
- (F) The cost models assume that the BMM letters have machine printed addresses and are not prebarcoded. I did not assume any mail pieces were prebarcoded. I also did not assume that any mail pieces contained handwritten addresses.
- (G) Confirmed.

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

**RESPONSE TO MMA/USPS-T22-38 (CONTINUED)**

- (H) Not confirmed. Please see the revisions filed on 11/15/01.
- (I) Not confirmed. Please see the revisions filed on 11/15/01.
- (J) Not confirmed. Please see the revisions filed on 11/15/01.
- (K) The actions described in parts (H) through (J) seek to use the cost model for a purpose other than that intended. The BMM letters cost model is used solely to develop a CRA adjustment factor for use in the QBRM and nonstandard surcharge cost studies. The BMM letters cost model and the automation presort letters cost models are not interdependent in any way.

Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition, some of the data inputs would likely change if large volumes of mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.



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

**MMA/USPS-T22-39** Please refer to pages 41 and 43 of USPS-LR-J-60 where you derive the unit cost estimate for nonstandard single piece and nonstandard presort letters.

- A. Please confirm that your CRA-adjusted unit costs for single piece nonstandard and presorted nonstandard letters are 18.934 cents and 16.545 cents, respectively. If no, please explain.
- B. Do you agree that letters weighing up to one ounce are processed no differently from letters weighing between 1.1 and 2.0 ounces? If no, please explain.
- C. Please explain why the Postal Service proposes to charge nonstandard single piece letters less than 2-ounce single piece letters, when your cost analysis indicates that the nonstandard letters cost the Postal Service more to process.
- D. Please explain why the Postal Service proposes to charge nonstandard presort letters less than 2-ounce presorted letters, when your cost analysis indicates that the nonstandard letters cost the Postal Service more to process.
- E. Please confirm that you assumed that for nonstandard single piece letters, 7,500 of 10,000 letters could be sent to the RBCS for barcoding, and that 7,459 of those letters (99.45%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.
- F. Please confirm that if you had assumed that all of those 7,500 pieces discussed in Part E were prebarcoded by the mailer, your resulting CRA-adjusted unit cost would increase by 12.3% from 18.934 cents to 21.269 cents. If you cannot confirm, please explain.
- G. Please confirm that you assumed that for nonstandard presort letters, 1,181 of 10,000 letters could be sent to the outgoing RBCS for barcoding, and that 1,174 of those letters (99.43%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.
- H. Please confirm that you assumed that for nonstandard presort letters, 4,486 of 10,000 letters could be sent to the incoming RBCS for barcoding, and that 4,461 of those letters (99.46%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.

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

**RESPONSE TO MMA/USPS-T22-39 (CONTINUED)**

- I. Please confirm that if you had assumed that all of those 5,567 pieces discussed in Parts G and H were prebarcoded by the mailer, your resulting CRA-adjusted unit cost would increase by 4.7% from 16.545 cents to 17.320 cents. If you cannot confirm, please explain.
- J. Please justify the reasonableness of a cost model such as the ones you present to the Commission for nonstandard letters that result in increased costs when mailers provide a prebarcode on their outgoing letters.

**RESPONSE:**

- (A) It can be confirmed that the mail processing unit cost estimate for a nonstandard single-piece letter-shaped mail piece is 18.678 cents. It can be confirmed that the mail processing unit cost estimate for a nonstandard presort letter-shaped mail piece is 16.254 cents. Please see the revisions filed on 11/15/01.
- (B) In general, yes.
- (C) Redirected to the Postal Service.
- (D) Redirected to the Postal Service.
- (E) It can be confirmed that it was assumed that 75% of the letters would be machinable and processed in RBCS. It cannot be confirmed that the result was as described. Please see the revisions filed on 11/15/01.
- (F) Not confirmed. Please see the revisions filed on 11/15/01.
- (G) Not confirmed. Please see the revisions filed on 11/15/01.
- (H) Not confirmed. Please see the revisions filed on 11/15/01.

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

**RESPONSE TO MMA/USPS-T22-39 (CONTINUED)**

- (I) Not confirmed. Please see the revisions filed on 11/15/01.
  
- (J) The action described in part (I) seeks to use the cost model for a purpose other than that intended. The nonstandard surcharge cost models and automation presort letters cost models are not interdependent in any way.

Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition, some of the data inputs would likely change if large volumes of mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.

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

**MMA/USPS-T22-40** Please refer to pages 17-21 of USPS-LR-J-60 where you derive the unit cost estimate for non-automation machinable letters.

- A. Please confirm that for the machinable mixed AADC-AADC model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the outgoing BCS primary operation (bypassing the outgoing RBCS), the unit cost increases by 10.5% from 4.192 cents to 4.630 cents. If you cannot confirm, please explain.
- B. Please confirm that for the machinable 3-Digit - 5-Digit model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the incoming MMP Auto operation (bypassing the incoming RBCS), the unit cost decreases by 14.7% from 3.933 cents to 3.368 cents. If you cannot confirm, please explain.
- C. Please discuss the reasonableness of your models whereby allowing mailers to prebarcode their outgoing mail increases postal costs for mixed AADC or AADC letters, but reduces postal costs for 3-Digit or 5-Digit letters.

**RESPONSE:**

- (A) Not confirmed. Please see the revisions filed on 11/15/01.
- (B) Not confirmed. Please see the revisions filed on 11/15/01.
- (C) The actions described in parts (A) and (B) seek to use the cost model for a purpose other than that intended. The nonautomation presort letters cost models and automation presort letters cost models are not interdependent in any way.

Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are many limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition some of the data inputs would likely change if large volumes of

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

**RESPONSE TO MMA/USPS-T22-40 (CONTINUED)**

mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.

## **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.

---

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
November 23, 2001