

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

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: POSTAL RATE AND FEE CHANGES, 2001 :

Docket No. R2001-1

UNITED STATES POSTAL SERVICE THIRD NOTICE OF ERRATA
TO THE DIRECT TESTIMONY OF WITNESS MICHAEL MILLER (USPS-T-22)

The United States Postal Service hereby gives notice that it is filing the
following changes to the direct testimony of witness Michael Miller (USPS-T-22):

<u>Page</u>	<u>Line</u>	<u>Change</u>
5	fn. 7	"some cases" to "one case"
6	fn. 14	"some cases" to "one case"
7	fn. 16	"some cases" to "one case"

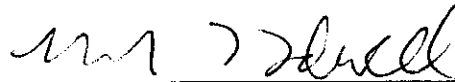
Copies of the revised pages are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking



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November 29, 2001

1 separate these three machinable mail types. The fact that the three mail types can be
 2 separated on the AFCS-ISS ensures that each mail type will be routed to the most
 3 efficient "downstream" operation. As a result, this piece of equipment alone has
 4 affected the mail processing costs for the three machinable mail types.

5 The AFCS-ISS is also now linked to the Remote Bar Code System (RBCS),
 6 which includes various hardware and software components that are designed to apply
 7 barcodes to the machine printed and handwritten mail pieces. The Multi-Line Optical
 8 Character Reader Input Sub System (MLOCR-ISS) and the Remote Computer Read
 9 (RCR) system are two such components. During the past five years, the Postal Service
 10 has continuously upgraded these systems, in order to enhance the aggregate MLOCR-
 11 ISS/RCR finalization rate.

12 As a result of these efforts, the mail processing cost differences that have
 13 existed among the three single-piece machinable mail types have been shrinking over
 14 time, all else equal.⁷ I discussed this cost "convergence" issue at length in Docket No.
 15 R97-1.⁸ This phenomenon is especially evident in the case of Qualified Business Reply
 16 Mail (QBRM).⁹

17 The QBRM cost study compares the mail processing costs for a preapproved,
 18 prebarcoded QBRM mail piece to the mail processing costs for the same reply mail
 19 piece were it to have a handwritten address as an alternative. The savings measured
 20 for QBRM letters and cards decreased from 4.016 cents in Docket No. R97-1 to 1.541
 21 cents in Docket No. R2000-1.¹⁰ This fact is not surprising, given that the RCR 2000
 22 project was designed to improve the RCR finalization rate to 69%.¹¹ In May 2001, the
 23 Board of Governors again approved a Decision Analysis Request (DAR) for the Letter
 24 Recognition Enhancement Program that will boost the aggregate MLOCR-ISS/RCR

⁷ It is possible that increased wage rates could offset the impact letter recognition enhancement programs have had on these cost differences, but, at least in one case, they do not appear to have done so.

⁸ Docket No. R97-1, Tr.33/17477-17480.

⁹ The QBRM cost study can be found in section IV in my testimony.

¹⁰ The Docket No. R2000-1 figure has been adjusted to correct an error made by witness Campbell. This correction will be discussed in detail in Section IV of this testimony.

¹¹ This figure was an improvement over the initial RCR finalization rate of 25% when the system was first deployed. The updated RCR 2000 information can be found in Docket No. R2000-1, USPS LR-i-164.

1 finalization rate to 93.2%.¹² Consequently, the QBRM worksharing related savings
 2 estimate measured in this docket is now 1.647 cents.¹³

3 **2. FIRST-CLASS AND STANDARD NONAUTOMATION PRESORT**
 4 **LETTERS AND CARDS**

5 The costs for First-Class Mail and Standard Mail nonautomation presort letters
 6 and cards have also been affected by enhanced letter mail processing technologies.
 7 The machinable nonautomation presort mail pieces exhibit characteristics that are
 8 similar to the First-Class single-piece "machine printed" mail. They have machine-
 9 printed addresses and are not prebarcoded. Therefore, the costs for nonautomation
 10 presort mail pieces would have been affected in a similar manner as the single-piece
 11 machine printed mail pieces described above. As the aggregate MLOCR-ISS/RCR
 12 finalization rate has improved over time, the mail processing costs for machinable
 13 nonautomation presort letters and cards have decreased, all else equal.¹⁴

14 The nonmachinable nonautomation presort mail pieces, however, must be
 15 processed manually. Therefore, the mail processing costs for these mail pieces have
 16 likely increased over time. As a result, the Postal Service has proposed basing the
 17 nonautomation discount on the machinable worksharing related savings and applying a
 18 nonmachinable surcharge to the nonmachinable mail pieces.¹⁵

19 **3. FIRST-CLASS AND STANDARD AUTOMATION PRESORT**
 20 **LETTERS AND CARDS**

21 Because First-Class Mail and Standard Mail presort mail pieces are
 22 prebarcoded, their total mail processing unit costs have been affected to a lesser extent
 23 by enhanced letter and card mail processing technologies than have nonautomation
 24 presort mail pieces. However, there are components of the automation program that
 25 have affected the costs for all mail pieces. Namely, the widespread usage of the
 26 Delivery Bar Code Sorter (DBCS) for non-incoming secondary operations has helped
 27 reduce the average handlings per piece.

28 The worksharing related savings estimates for automation presort mail pieces,
 29 however, have been affected. For example, the benchmark for First-Class Mail letters

¹² Docket No. R2001-1, USPS LR-J-62.

¹³ The QBRM cost study can be found in Section IV of this testimony.

¹⁴ It is possible that increased wage rates could offset the impact letter recognition enhancement programs have had on mail processing costs, but, at least in one case, they do not appear to have done so.

1 is Bulk Metered Mail (BMM) letters. BMM letters are a subset of the First-Class Mail
 2 single-piece mail stream and consist predominantly of mail pieces with machine printed
 3 addresses. Therefore, the mail processing costs for BMM letters would be affected by
 4 letter and card mail processing technologies in a manner similar to that for machine
 5 printed single-piece and machinable nonautomation presort First-Class Mail.
 6 Consequently, a reduction in the benchmark costs over time could, in turn, reduce the
 7 measured savings for the First-Class automation presort letters and cards rate
 8 categories, all else equal.¹⁶

9 **4. FUTURE IMPACTS**

10 In today's mail processing environment, mail pieces with prebarcoded
 11 addresses, machine-printed addresses, and handwritten addresses are not processed
 12 through all of the same operations. Despite this fact, it has been shown that the
 13 worksharing related savings estimates, in some cases, have decreased.

14 In the future, it is likely that two of these three mail types will be processed
 15 through the same operations. The Direct Connect System (DCS) being tested in Ft.
 16 Myers, Florida merges the mail from two of the three AFCS-ISS separations into a
 17 series of transport modules that will ultimately feed a DBCS with Output Sub System
 18 capabilities (DBCS-OSS).¹⁷ This change could further reduce the cost differences that
 19 might exist between prebarocoded, machine printed, and handwritten mail pieces.

20 The enhanced letter and card mail processing technologies implemented by the
 21 Postal Service do indeed affect the costs for all letters and cards. These
 22 enhancements could also result in worksharing related savings estimates that shrink
 23 over time, if the impact of these changes are not offset by increased wage rates. As
 24 the Postal Service continues to invest in improved sortation technologies, the costs
 25 and/or worksharing related savings measured for those mail pieces being sorted will
 26 continue to change as well.

¹⁵ The nonmachinable surcharge cost study can be found in Section VI of this testimony.

¹⁶ It is possible that increased wage rates could offset the impact letter recognition enhancement programs have had on the worksharing related savings estimates, but, at least in one case, they do not appear to have done so.

¹⁷ The machine printed and handwritten mail pieces will be routed to an automation outgoing secondary operation performed on a DBCS-OSS. The prebarcoded mail pieces will be routed to an automation outgoing primary operation performed on a DBCS-OSS that is designed to efficiently sort and finalize reply mail pieces.

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.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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