

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

**AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF
PRESORT MAILERS ADDITIONAL JOINT INTERROGATORIES AND
REQUEST FOR PRODUCTION OF DOCUMENTS TO UNITED STATES
POSTAL SERVICE WITNESS MILLER (ABA&NAPM/USPS-T-22-15-35)
(December 10, 2001)**

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. If the witness to whom an interrogatory is directed is unable to answer the interrogatory or produce the requested documents and another person is able to do so, the interrogatory or request should be referred to such person.

If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material *whether prepared manually, mechanically or electronically, and without consideration to the type of paper used.* Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient workpapers so that it is possible for a third party to understand how he took data from a

primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

ABA&NAPM/USPS-T22-15

- a. See pages 3-4 of your Direct Testimony, and please confirm your view is that USPS mail processing automation efforts starting in 1988 focused on reducing the costs of First Class single piece mail because it "represented nearly 70% of the total First-Class letter mail volume." (page 4, line 2).
- b. Is it your view that most of the USPS efforts to reduce mail processing costs in First Class continue to focus on single piece mail?
- c. Please provide any data or information which you have which would indicate how much of the USPS automation efforts have been devoted to reducing costs of single piece mail as opposed to bulk entered mail in First Class, including pre-barcoded mail.
- d. Now that projected TY volumes for FCM workshared exceed that for single piece, do you believe the USPS should devote more efforts to reducing those costs, following the logic of part a. above?
- e. Please confirm that the TY2003 unit mail processing cost for F-C presort automation letters has fallen from TY2001 costs in R2000-1 from 4.06 cents to 3.63 cents (-11%), while for Standard (A) Regular letters automated, it has fallen from 5.17 cents to 3.82 cents (-26%).
- f. How many cost reduction efforts have been allocated to Standard A Regular letters? To First Class workshared letters?

ABA&NAPM/USPS-T22-16 - As between TY2001 from R2000-1 and TY2003 in this case, please confirm that the total unit mail processing costs for FCM single piece metered letters has increased from 10.77 cents to 10.83 cents.

ABA&NAPM/USPS-T22-17 - Please confirm that as between TY2001 from R2000-1 and TY2003 in this case, the MODS11 OCR cost pool has increased for FCM single piece (0.47 to 0.57 cents) and single piece metered (0.58 to 0.72 cents). Please explain the factors underlying this increase.

ABA&NAPM/USPS-T22-18 - Please confirm that as between TY2001 from R2000-1 and TY2003 in this case, the MODS17 1CANCMPP cost pool has increased for FCM

single piece (0.5 to 1.04 cents) and single piece metered (0.6 to 0.67 cents). Please explain the factors underlying this increase.

ABA&NAPM/USPS-T22-19 - Below is a basic comparison of your R2000-1 TY2001 “First Class Mail Presort Letters Summary” with its TY2003 counterpart in this case.

<u>Rate Category</u>	<u>MP</u>	<u>Worksharing</u>	<u>Related</u>
	<u>Total Unit Cost</u>	<u>MP</u>	<u>Delivery</u>
BMM TY2003	10.826	9.763	4.066 (5.933)
BMM TY2001	10.470	8.330	5.479
Auto 3D TY2003	3.897	3.585	3.98
Auto 3D TY2001	4.264	3.421	4.196
Auto 5D Other TY03	2.946	2.633	3.795
Auto 5D Other TY01	3.040	2.196	2.966

For each number, please explain to what degree the change in cost is due to a methodological change and to what degree it is due to other factors. Please list the other factors as well as the methodological factor and what part in cents each factor plays in the above differences. E. G. the number for TY2003 delivery costs for BMM would be the number in parentheses (5.933 cents) had you used the same nonautomation presort proxy in this case for BMM delivery costs that you used in R2000-1.

ABA&NAPM/USPS-T22-20 - For your metered letters cost sheet mail flow model, the RBCS pieces handled appear to be substantially different than their R2000-1 equivalents for the RCR, REC, OSS and LMLM operations. Please explain each such difference.

ABA&NAPM/USPS-T22-21 - For your metered letters cost sheet mail flow model, please confirm the basic wage has increased by 9% between TY2001 and TY2003.

- a. Is this the result of expected or actual collective bargaining agreements?
- b. What inflation or cost of living factor is used for these two estimates and for TY2001, how does your estimate compare to the actual CPI-U?

ABA&NAPM/USPS-T22-22 - For the FCM auto 3-digit presort letters cost sheet, please confirm that total pieces handled per hour for the auto 3-Pass DPS have more than doubled to 32,363/hour compared to the TY2001 counterpart in R2000-1, which was 14,898/hour.

ABA&NAPM/USPS-T22-23 - Please confirm that the modeled MP cost for auto 5-digit “other” sites has dropped between TY2001 and TY2003 from 1.719 cents to 1.540 cents. Confirm it has dropped for auto 3-digit from 3.093 cents to 3.017 cents.

ABA&NAPM/USPS-T22-24 - Please explain all the different mail flow model results in TPH for auto 5-digit “other” sites as between TY2001 and TY2003, e.g. 0 auto carrier route TPH in TY2003 versus 9,340 in TY2001. Especially in light of the fact that you used the entry profile data from the R97-1 mail characteristics studies.

ABA&NAPM/USPS-T22-25 - Please reference your statement on page 7, lines 3-4, that “a reduction in the benchmark costs over time could, in turn, reduce the measured savings for the First-Class automation presort letters...”

- a. Do you agree in principle that the Postal Service has discretion in how and where it chooses to enhance mail processing productivity?
- b. Hypothetically, if the USPS were attempting to bring more workshared mail into its own plants at the expense of the private sector, would it make sense that it would concentrate its efforts in such a way as to reduce cost avoidances between single piece mail and workshared mail?
- c. Please confirm that had the Postal Service concentrated more resources on reducing the costs associated with Incoming Secondaries sorts, and Incoming SCF/Primary sorts, it is possible that the MP cost differences between 3 digit auto and 5 digit auto on the one hand, and metered and other single piece letters on the other hand would have grown by even more between TY2001 and TY2003.

ABA&NAPM/USPS-T22-26 - You state on page 8, lines 16-17, that “In some cases, the IOCS provides relevant mail processing unit costs at the rate category level.”

Please explain why the IOCS does not provide unit MP costs at all rate category levels, in particular justify fully your statement on page 10, line 6 that “it is not possible to isolate CRA mail processing unit costs” for several rate categories. Do you mean not possible or not desirable in a mission oriented analysis to reduce measurement of cost avoidances?

ABA&NAPM/USPS-T22-27 - On page 16, line 7, of your testimony you state that “In general” FCM is processed during premium pay time periods. Please state all other times FCM is processed or could be processed.

ABA&NAPM/USPS-T-22-28

Please refer to your response to interrogatory MMA/USPS-T43-10. You have "...confirmed that letter recognition enhancement programs will increase the percentage of First-Class single-piece merchantable letters and cards..." between the base year and test year.

- a. Do you believe that USPS will be able to continue with enhancement programs as proposed in this Docket between the base year and test year despite its current financial conditions, namely at a time that it is trying to cut costs even at the expense of productivity improvements?
- b. In your opinion how does this affect your model costs?

ABA&NAPM/USPS-T-22-29

Please refer to your revised testimony page 12 line 11 and your response to Part H of interrogatory KE/USPS-T22-20. You state that for accept and upgrade rates you have relied on the Docket No. R97-1 study.

- a. Are you saying that since R97-1 there have been no additional studies conducted that would allow for an update in these rates?
- b. Hasn't USPS been able to enhance or improve the current technology in this regard, and if so why are you relying on an R97-1 study?
- c. Are you aware of any attempts made by USPS to improve the productivity in this regard or conduct new studies to update the rates as it did in the case of Input Sub Systems (ISS)?

ABA&NAPM/USPS-T22-30

Please refer to your responses to part H of interrogatory of KE/USPS-T22-33 and to interrogatory of ABA&NAPM/USPS-T22-3. You responded that since it is difficult to find an estimate for the unit cost for BMM letters you use the mail processing unit costs for all metered letters as a proxy.

- a. In your opinion do the mail processing unit costs for all metered letters used as a proxy for cost of BMM letters, overestimates or underestimates the true unit cost of BMM letters. Please explain your answer in detail why it might overestimate or underestimate it.
- b. How can you justify using cost of all metered letters as a proxy for BMM letters?

- c. Please explain in detail why it is difficult for you or USPS to finally provide an estimate of the unit cost for BMM letters rather than using a proxy.

ABA&NAPM/USPS-T22-31

Please refer to your response to part D of interrogatory of MMA/USPS-T22-32. You state, "In general, First-Class Mail letters and Standard Mail letters are processed using the same MODS operations number. 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."

- a. When you say "...it is not always possible..." do you mean it is sometimes possible to collect the required data? If your answer is yes, please explain in detail why then it is not always possible to collect the data.
- b. Isn't it desirable that for designing rates and discounts in regard to two of the most important and competing mail categories for the USPS to always collect data so that one can obtain a better estimate of these costs rather than using CRA adjustment factor?
- c. Isn't it possible for the USPS to design its data collection in such a way that to attach an additional code number to each MODS number to represent the mail type? If you cannot answer this question, please refer it to a party, who is able to provide reasons why USPS cannot or has not been able or will not do this.
- d. In your opinion, does the use of CRA adjustment factors "...to compensate for the fact that disaggregated data are not available" result in the same unit costs as if USPS had collected the disaggregated data. If your answer is no, please explain why using CRA adjustment factors results in overestimation or underestimation of the costs.

ABA&NAPM/USPS-T-22-32

Please refer to the interrogatory of MMA/USPS-T29-6 and your response.

- a. Please explain why when certain cost is avoided on a certain task performed by the mailers, it implies that USPS will no longer perform that task.
- b. If USPS is encouraging worksharing, which requires mailers to perform tasks that otherwise would have been performed by USPS, would this imply that USPS would eliminate the associated costs, thus, leading to a reduction in USPS total costs. If your answer is no, please explain whether it is due to contractual obligations or some other considerations that the cost of avoided tasks cannot be eliminated by USPS.

ABA&NAPM/USPS-T22-33 - Please refer to the response of Patelunas, filed November 29, 2001, to Interrogatory ABA&NAPM/USPS-T39-8, redirected from witness Kingsley, where Mr. Patelunas confirms that the cost saving effects of Postal Automated Redirection System ("PARS") have been included in the USPS projection of UAA costs and that USPS-LR-J-49, Exhibit E, page 1 shows Test Year 2003 PARS savings of \$81,478,000. Please also see the Postal Service response filed November 29, 2001 to Interrogatory ABA&NAPM/USPS-T22-11, where the Postal Service states that it has no cost figures, since the 1995 Price Waterhouse UAA Study, which cost figures would provide recent costs per piece of Forwarded First-Class UAA Mail and Returned First-Class UAA Mail. Please explain how the Postal Service can calculate UAA cost savings due to PARS, if it has no recent figures on cost per piece of Forwarding First-Class UAA Mail and Returning First-Class UAA Mail. What UAA cost studies, if any, did the Postal Service use in this case?

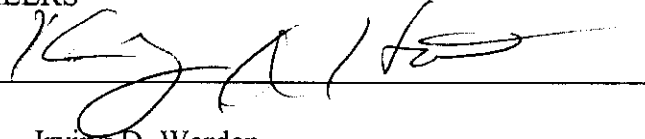
ABA&NAPM/USPS-T22-34- In your response to Interrogatory ABA&NAPM/USPS-T22-8, you were asked to identify cases where increased wage rates did not appear to have offset the impact of Letter Recognition Enhance Programs, and you responded that "it is difficult to engage in a similar analysis for the First-Class Presort Worksharing Categories because of cost methodology changes." Please identify which cost methodology changes you are referring to in this response, and why they make it difficult to engage in such an analysis for First-Class Presort Worksharing Categories.

ABA&NAPM/USPS-T22-35- At page 15, line 23 of your testimony revised 11/16/01, you state that you used two separate wage rates to calculate model cost, one being that for employees working at REC sites and the other being an aggregate rate for all other mail processing employees who do not work at REC sites. Please provide an aggregate wage rate for all Postal Service mail processing employees, including both those who work at REC sites and those who do not. Please provide the average wage rate for all Postal Service mail processing employees, regardless of whether they work at REC sites, for each Postal Service fiscal year from Fiscal Year 1984/1985 through Fiscal Year 2000/2001, and provide this figure as a projected figure for Fiscal Year 2001/2002.

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION
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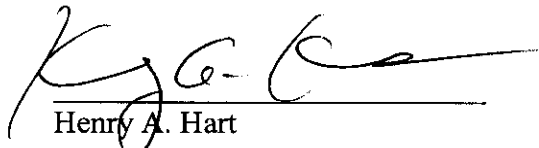
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December 10, 2001
Washington, D.C.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all
participants of record in this proceeding in accordance with Section 12 of the Rules of
Practice.


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December 10, 2001