

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

Docket No. R2001-1

**Major Mailers Association's First Set Of Follow Up  
Interrogatories And Document Production Requests  
To USPS Witness Michael W. Miller**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to United States Postal Service witness **Michael W. Miller: MMA/USPS-T22-66-75**. 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  
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540-554-8880

Counsel for  
**Major Mailers Association**

**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 13th day of December 2001.

  

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Michael W. Hall

**Major Mailers Association First Set Of Follow Up Interrogatories And Document Production Requests For USPS Witness Michael W. Miller**

**MMA/USPS-T22-66** Please refer to your response to Interrogatory MMA/USPS-T22-45. There you referred to your BMM questionnaire, particularly question 4, that asked how BMM was accepted.

- A. Please provide the specific answers for each respondent that answered this question.
- B. Please explain how BMM is accepted if such mail comes in from associated offices or is "collected."
- C. Did you obtain volumes associated with each of the BMM acceptance methods? If so, please provide those volume figures. If not, why not?
- D. Did you obtain BMM volumes as part of your survey? If so, please provide those volume figures. If not, why not?
- E. Please refer to page 4 of your Rebuttal Testimony, USPS-RT-15, in Docket No. R2000-1 where you testified that almost 51% of all metered mail bypassed MODS operation 020 and went directly to MODS operation 020B.
  1. Please confirm that metered mail trayed either by postal employees or by mailers will make up the 51% of metered mail that bypasses the MODS 020 operation. If no, please fully explain.
  2. Do you believe that 51% is an appropriate estimate of the amount of metered mail that bypasses the MODS 020 operation in this case? If not, please explain and provide an appropriate estimate.
  3. Please confirm that neither you nor the Postal Service as an institution knows what portion of the metered mail that bypasses the MODS 020 operation is comprised of BMM that is brought to post offices in trays that have been prepared by mailers. If no, please explain and provide the portion comprised of BMM.
  4. Please confirm that neither you nor the Postal Service as an institution have ever studied, and therefore cannot provide an opinion, as to what portion of the metered mail that bypasses the MODS 020 operation is comprised of BMM. If no, please explain and provide what portion is comprised of BMM.
  5. Please confirm that it is possible, in fact probable, that, of the amount of metered mail that bypasses the MODS 020 operation, less than 10% is BMM. If you cannot confirm, please explain and provide the

percentage of metered mail bypassing the MODS 020 operation that is BMM.

6. Please confirm that it is possible, in fact probable, that the amount of metered mail that bypasses the MODS 020 operation that is comprised of BMM is less than 5%. If you cannot confirm, please explain.
7. Please explain any and all differences, in terms of (1) mail processing characteristics and (2) delivery cost characteristics, between BMM and other metered mail that is trayed by postal service employees such that it can bypass the MODS 020 operation.

**MMA/USPS-T22-67** Please refer to your response to Interrogatory MMA/USPS-T22-46 which discusses the BMM mailings that you observed during your field observations to see if BMM existed.

- A. In Part A you indicate that the statements provided in Attachment 5 as part of your response to Interrogatory MMA/USPS-T22-15 originated from a presort bureau's residual mail, and that the mailer did not have access to either the RCR system or the RBCS. Please explain how mailers would have access to either the RCR system or RBCS, and how such mailers utilize access to such systems.
- B. In Part B you were asked how the postage was paid on these mailings. You stated that the postage statements are printouts from the PERMIT system. Was the postage paid by meter imprint or permit imprint?
- C. If your answer to Part B is permit imprint, please explain the relevance of this mailing to your use of BMM as the benchmark for measuring workshare cost savings.
- D. Please confirm that this mail would be provided to the Postal Service in the exact same manner, including being loaded by nonpostal employees as stated in your response to Part G, if that presort bureau went out of business. For purposes of this question, assume that the Automation discounts were so low that no other presort bureaus were available as an alternative. Please explain your answer.
- E. When the mail was unloaded from the trucks by postal personnel, as you mentioned in your response to Part G, was the mail packed in trays and loaded onto pallets or rolling stock?

**MMA/USPS-T22-68** Please refer to your response to Part B of Interrogatory MMA/USPS-T22-47. You were asked to define "normal collection procedures"

for mail that originated through a business but was sent through a presort bureau. You failed to answer this question.

- A. Please confirm that you do not know how this mail, collected by a presort bureau from local firms, would have been entered into the Postal Service. If no, please explain.
- B. Please confirm that this mail would most likely not be brought in trays to the Postal Service for postage acceptance and verification. If you cannot confirm, please explain.
- C. Please confirm that if this mail had not been brought to the Postal Service in trays for postage acceptance and verification, it most likely would have been accepted by a window service clerk. If you cannot confirm, please explain.

**MMA/USPS-T22-69** Please refer to your responses to Parts A, B, E and F of Interrogatory MMA/USPS-T22-49. There you were asked several questions regarding your derived BMM unit delivery cost used in your derivation of savings due to worksharing.

- A. You seem to conclude that using non-automation, machinable mixed AADC letters as a proxy for estimating BMM delivery costs is reasonable because it is the best data available. Is that a fair statement of your position? If not, please explain what your position is.
- B. Please explain the differences, if any, between BMM and non-automation, machinable mixed AADC letters, insofar as delivery cost incurrence is concerned.
- C. Please explain the differences, if any, between BMM and single piece metered letters, insofar as delivery cost incurrence is concerned.
- D. Please explain the differences, if any, between BMM and single piece First Class letters, insofar as delivery cost incurrence is concerned.
- E. Please explain the differences, if any, between BMM and single piece First Class machinable letters, insofar as delivery cost incurrence is concerned.
- F. Please explain how, if at all, the manner in which metered mail letters are provided to the Postal Service (bulk or single piece) will affect delivery costs.
- G. Please explain how, if at all, the manner in which machinable letters is provided to the Postal Service (bulk or single piece) will affect delivery costs.
- H. Please confirm that the test year after rates Automation letter volume is 47.023 billion pieces. If no, please provide the correct volume figure. (Please

refer to your response to Part E where you erroneously confirmed the figure to be 47.743 billion, which includes automated flats.)

- I. Please confirm that your assumption concerning BMM delivery costs reduced potential workshare savings by  $.0185 \times 47.023$  billion or \$870 million. If you do not agree, then please provide the correct amount, and explain the reason for such correction. (Please refer to your response to Part F where you failed to confirm a similar question because non-automation presort letters, which are not part of the automation letter volume, somehow was relevant to your answer. You also failed to provide the requested correct estimate of the amount of cost savings potentially affected by your proposed modification to estimating BMM costs ).

**MMA/USPS-T22-70** Please refer to your response to Part H of Interrogatory MMA/USPS-T22-49. There you discuss the relationship in your models among the percentage of letters processed by automation, the unit mail processing cost, and the DPS percentage.

- A. In response to Parts H 1 and H 2, you indicate that BMM and non-automation machinable, mixed AADC letters follow identical processing paths in your models. Please explain how, in your model, the flow for single piece metered letters would differ, if at all, from the flow for BMM letters.
- B. In response to Parts H 1 and H 2, you indicate that the DPS percentages for both BMM and non-automation machinable, mixed AADC letters are likely to be overstated if the model-derived costs are understated. Please confirm that if the costs are in fact understated, and the DPS % is in fact overstated, then the delivery costs for both BMM and non-automation machinable, mixed AADC letters are likely to be understated. If you cannot confirm, please explain.
- C. Please confirm that, based on your BMM and non-automation, machinable mixed AADC letters models, your unit cost estimates understate the CRA-derived unit costs by approximately 50%, according to your derived CRA-adjustment factors. If you cannot confirm, please explain.
- D. Please confirm that, as your automation letter mail models are constructed, if you have understated the percentage of letters processed by automation through the incoming secondary, then the very likely result would be an overstatement of the true automation letter unit costs. If you cannot confirm, please explain.
- E. Please confirm that, as your automation letter mail models are constructed, if you have understated the percentage of letters processed by automation through the incoming secondary, then the very likely result would be an

understatement of the true automation letter DPS percentage. If you cannot confirm, please explain.

- F. Please confirm that, as your automation letter mail models are constructed, if you have overstated the true automation letter unit costs, then the very likely result would be an understatement of the true automation letter DPS percentage. If you cannot confirm, please explain.
- G. Please confirm that, based on your automation letter models, your model-derived unit cost estimates overstate the CRA-derived by an average of 20%, according to your derived CRA-adjustment factor. If you cannot confirm, please explain.
- H. Please confirm that, if you have understated the true automation letter DPS percentages, then the very likely result would be an overstatement of the automation delivery unit costs. If you cannot confirm, please explain.
- I. Please confirm that, if your model-derived unit costs overstate the true automation letter DPS percentages and overstate the true non-automation machinable, mixed AADC DPS percentage, then the very likely result is that you have understated the differences between the delivery unit costs. If you cannot confirm, please explain.

**MMA/USPS-T22-71** Please refer to your response to Part H 3 of Interrogatory MMA/USPS-T22-49. There you failed to confirm that if, using your BMM model results in an overstatement of the DPS percentage, then the result would be an understatement of the true BMM unit cost. Your explanation was that it depends on what costs are being understated.

- A. Assuming that your BMM model understates the true BMM unit cost, please explain precisely how the *very likely* impact would not be an overstatement of the DPS percentage.
- B. Please explain whether or not you agree with the following paragraph. If you do not agree please precisely explain why not.

A major cost driver reflected by the simulation mail flow models is the extent to which the letters can be processed by automation versus manually. As more mail is processed by automation, the resulting unit costs will decrease. As more mail is processed by automation, the DPS percentage will increase. As more mail is processed by automation, the delivery unit costs will decrease.

**MMA/USPS-T22-72** Please refer to your responses to Part H 4 and H 5 of Interrogatory MMA/USPS-T22-49. There you confirmed the questions posed to

you, but adjusted the numbers to reflect revisions you had made in your testimony.

- A. In your response to Part H 4 you stated that, mathematically, the BMM unit costs would increase from 4.276 cents to 4.280 cents, had you assumed in your models that all 10,000 were prebarcoded and able to bypass the RBCS. The original question asked you to confirm that the resulting BMM unit cost would become 4.630 cents. Please confirm that by using your revised BMM model, if the entry point for all 10,000 pieces is "OUT PRIM AUTO" rather than "OUT ISS RCR", then the resulting BMM unit cost is 4.280 cents and not 4.630 cents. If you can confirm, please explain exactly how you computed the resulting unit cost of 4.280 cents.
- B. In your response to Part H 5 you stated that, mathematically, the BMM DPS percentage would decrease from 75.73% to 73.76%, had you assumed in your models that all 10,000 were prebarcoded and able to bypass the RBCS. The original question asked you to confirm that the resulting BMM DPS percentage would become 72.97%. Please confirm that by using your revised BMM model, if the entry point for all 10,000 pieces is "OUT PRIM AUTO" rather than "OUT ISS RCR", then the resulting BMM DPS percentage is 73.76% and not 72.97%. If you can confirm, please explain exactly how your computed the resulting DPS percentage of 73.76%.
- C. Please explain in detail how, if at all, your revisions affected operations not included as part of the RBCS.

**MMA/USPS-T22-73** Please refer to your response to Part H 6 of Interrogatory MMA/USPS-T22-49. There you failed to confirm that applying the CRA proportional adjustment factor is unrelated to your model-derived DPS percentage. You explain that revisions to your model-derived unit costs affect both your CRA adjustment factors as well as the derived DPS percentages. ***That was not the question posed to you.***

- A. Please confirm that, as shown in Column 11 on page 4 of Library Reference USPS-LR-J-60 (Revised 11/14/01), you apply the CRA adjustment factors to the model-derived unit costs ***after*** the model derived unit costs are computed.
- B. Please confirm that application of your CRA proportional adjustment factor to the model-derived unit costs is designed to compensate for the use of aggregated data and reconciles the model-derived unit costs to the CRA-derived unit cost. If you cannot confirm, please explain.
- C. Please explain precisely how, if at all, application of your CRA proportional adjustment factor to the model-derived unit costs impacts the model-derived DPS factor.

- D. Does application of your CRA proportional adjustment factor to the model-derived unit costs compensate, in any way, for the use of aggregate data or any other possible infirmity, on the derived DPS percentage? If yes, please explain your answer.
- E. Were the model-derived DPS percentages, which you provided to USPS witness Schenk, modified in any way, because of application of the CRA proportional adjustment factors, the model-derived unit costs were modified? If yes, please explain how the DPS percentages were so modified.

**MMA/USPS-T22-74** Please refer to your response to Part H 1 of Interrogatory MMA/USPS-T22-49. There you refer to your response to Part O of Interrogatory MMA/USPS-T-22-43. That interrogatory only goes up to Part B. Please provide the proper reference for your answer.

**MMA/USPS-T22-75** Please refer to your response to Part A of Interrogatory MMA/USPS-T22-54. Your general answer to the question is "not necessarily". By that do you mean to say generally yes, but that you can think of some exceptions? If that is not the case, please explain precisely what you mean by "not necessarily."