

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
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-5-7)

The United States Postal Service hereby provides the response to the following interrogatories of Major Mailers Association: MMA/USPS-5-7, filed on November 29, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE
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MMA/USPS-5 Please refer to your response to Part O of Interrogatory MMA/USPS-T22-33. You were asked if it was reasonable to estimate the amount of bulk metered mail (BMM) that was undeliverable-as-addressed (UAA) by multiplying the percentage of UAA for all First-Class single piece letters by the percentage of single piece UAA mail that was sent from businesses. If your answer was "no", you were asked to explain why not. You answered no, because actual data for quantifying the percentage of BMM that was UAA was not available.

- A. Does the description above correctly state the original question and answer? If no, please explain.
- B. How does the fact that the Postal Service does not have the requested information make it unreasonable to estimate that data in the fashion suggested?
- C. Please confirm that the Postal Service has no way of estimating the amount of BMM letters that are UAA?

RESPONSE:

- (A) The question and answer are a matter of record. Please see the response to MMA/USPS-T22-33(O).
- (B) The mail characteristics of single-piece letters and Bulk Metered Mail (BMM) letters are not identical.

Single-piece letters can consist of mail pieces within either handwritten or machine printed addresses. These mail pieces can be prebarcoded and may or may not be machinable. The mail pieces are entered as "loose" collection mail and can be submitted by all mailers.

In contrast, BMM letters are generally regarded to be machinable, non-barcoded mail pieces with "clean," machine printed addresses. These mail pieces are entered in trays by a smaller subset of mailers.

- (C) Confirmed. Please see the response to MMA/USPS-T22-33(P).

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MMA/USPS-6 Please confirm that the Postal Service does not know the following information concerning bulk metered mail (BMM) for either the base year or test year in this case from any data collection sources or from a special, in-depth study.

- A. Total volume;
- B. Average weight;
- C. Whether or not BMM is accepted by a window clerk;
- D. Average number of pieces per mailing;
- E. Average number of trays per mailing;
- F. Average number of pieces per tray;
- G. Volume or percentage that is machinable;
- H. Volume or percentage that is automation-compatible;
- I. Volume or percentage that has handwritten addresses;
- J. Volume or percentage that is delivery point sequenced;
- K. Volume or percentage that is delivered to a post office box;
- L. Volume or percentage that is barcoded by the Postal Service;
- M. Volume or percentage that is brought to a post office in trays;
- N. Volume or percentage that is plant loaded;
- O. Volume or percentage that is prebarcoded;
- P. Average unit cost for acceptance;
- Q. Average unit cost for mail processing;
- R. Average unit cost for delivery;
- S. Average unit cost for window service;
- T. Average unit cost for transportation;
- U. Average unit cost for recycling trays to BMM mailers;

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RESPONSE TO MMA/USPS-6 (CONTINUED)

- V. Average unit cost for processing and delivering BMM letters that are UAA;
- W. Whether the average unit UAA delivery cost for BMM letters is higher or lower than the unit UAA delivery cost for an Automation letters;
- X. Why BMM mailers do not take advantage or workshare discounts;
- Y. The accuracy, completeness and reliability of BMM addresses;
- Z. Likely sources for BMM;
- AA. The reasons why the average delivery cost for First-Class single piece letters is 50% more than the Postal Service's estimated BMM delivery cost in this case;
- BB. Whether trucks of plant loaded BMM can bypass intermediary postal facilities and go directly to a HASP;
- CC. Whether the proportion of prebarcoded BMM is higher or lower than the proportion of prebarcoded metered letters;
- DD. Whether BMM is, in fact, the most likely type of mail that will shift from the single piece category to the workshare category; and
- EE. What volume or portion of the letters that can be expected to shift from single piece to workshare between the base and test years that are BMM.

RESPONSE:

- (A) Confirmed.
- (B) Confirmed.
- (C) Notwithstanding the absence of a data collection system or a special study, field observations suggest that the overwhelming bulk of BMM letters is deposited at either a loading dock or a Bulk Mail Entry Unit (BMEU). DMM regulations, however, place no restrictions on the BMM letters point of entry.
- (D) Confirmed. In addition, the Postal Service does not maintain this data for any presort letters rate categories.
- (E) Confirmed. In addition, the Postal Service does not maintain this data for any presort letters rate categories.

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RESPONSE TO MMA/USPS-6 (CONTINUED)

- (F) Confirmed. In addition, the Postal Service does not maintain this data for any presort letters rate categories.
- (G) Not confirmed. Notwithstanding the absence of a data collection system or a special study, field observations suggest that the overwhelming bulk of BMM letters is machinable.
- (H) Not confirmed. Notwithstanding the absence of a data collection system or a special study, field observations suggest that the overwhelming bulk of BMM letters is not barcoded, similar to the sample mail pieces included in the response to MMA/USPS-T22-15, Attachment 4.
- (I) Not confirmed. Notwithstanding the absence of a data collection system or a special study, field observations suggest that the overwhelming bulk of BMM letters contain a "clean," machine printed address, similar to the sample mail pieces included in the response to MMA/USPS-T22-15, Attachment 4.
- (J) Not confirmed. The actual Delivery Point Sequencing (DPS) percentages for all First-Class rate categories, as well as BMM letters, are not known. Estimates can be found in USPS LR-J-60.
- (K) Not confirmed. The actual percentages of post office box addresses for all First-Class rate categories, as well as BMM letters, are not known. Estimates can be found in USPS LR-J-60.
- (L) Not confirmed. An estimate can be found in USPS LR-J-60, page 15.
- (M) Not confirmed. BMM letters, by definition, are entered in trays.
- (N) Not confirmed. The term "plant load" does not apply to BMM letters.
- (O) Not confirmed. Please see the response to MMA/USPS-6(H).
- (P) Not confirmed. BMM letters are not subject to formal acceptance and verification procedures.
- (Q) Confirmed.
- (R) Confirmed.

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RESPONSE TO MMA/USPS-6 (CONTINUED)

- (S) Confirmed.
- (T) Confirmed.
- (U) Not confirmed. The meaning of this phrase is unclear.
- (V) Confirmed. Please see the response to MMA/USPS-T22-33(P).
- (W) Confirmed. Please see the response to MMA/USPS-T22-33(P).
- (X) Not confirmed. The Postal Service has been given some indication as to why. Please see the response to MMA/USPS-T22-16(A1).
- (Y) Confirmed. The Postal Service does not have data related to BMM letters address quality. However, BMM letters are generally considered to have "clean," machine printed addresses. In addition, the Postal Service does not maintain this data for any presort letters rate categories.
- (Z) Not confirmed. Please see USPS-T-22, page 19 at 3-24. In addition, please see USPS LR-J-155.
- (AA) Confirmed.
- (BB) Not confirmed. The term "plant load" does not apply to BMM letters.
- (CC) Not confirmed. Please see the response to MMA/USPS-6(H).
- (DD) Not confirmed. The Postal Service shares the Commission's view expressed in PRC Op. R2000-1 at [5089]:

The Commission also views a benchmark as a "two-way street." It represents not only the mail most likely to convert to worksharing, but also to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities.

In addition, please see USPS-T-22, page 19 at 10-26.

- (EE) Confirmed.

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MMA/USPS-7 Please consider the following statements (1) the Postal Service uses bulk metered mail (BMM) as the benchmark to support rates that affect 50 billion pieces and will contribute over \$10 billion to institutional costs under its rate proposals in this case, and (2) workshare letters is the largest category of First-Class mail and, with the exception of workshare cards, is the most profitable.

- A. Do you agree with those statements? If no, please restate them and explain why you made each change in the statements.
- B. Please confirm that for purposes of measuring workshare cost savings in this case, the Postal Service attempted to estimate the following about BMM.
1. The average BMM mail processing costs that relate to mail processing worksharing by using CRA-derived costs for metered mail letters as a proxy;
 2. The average BMM delivery cost by using the delivery cost of non-automation mixed AADC letters (in itself, an estimate) as a proxy;
 3. The percentage of BMM letters that are delivery point sequenced, which is derived from a simulation model that *understated* the CRA-based BMM unit processing cost estimate by more than 50%.
 4. The delivery characteristics of BMM letters, which the USPS assumed are more similar to presorted letters than to single piece letters, in terms of being addressed and delivered to a post office box.
- C. Please provide all other information that you know about BMM or have estimated about BMM in this case, in addition to that listed in Part B.

RESPONSE:

(A) As indicated in the testimony of witness Miller (USPS-T-22) “Bulk Metered Mail (BMM) letters [are used] as the benchmark for First-Class Mail nonautomation presort letters, automation mixed AADC presort letters, automation AADC presort letters, automation 3-digit letters, and automation 5-digit presort letters.” USPS-T-22 at 18 (footnote omitted).

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RESPONSE TO MMA/USPS-7 (CONTINUED)

The total test-year-after-rates volume for these rate categories is 49,732,242 (000) pieces. USPS-T-29, Attachment D at 1.

The Postal Service has not estimated the contribution from a sub-grouping of First-Class Mail rate categories comprised of nonautomation presort letters, automation mixed AADC presort letters, automation AADC presort letters, automation 3-digit letters, and automation 5-digit presort letters.

The First-Class Mail Letters and Sealed Parcels subclass can be divided into two parts, single-piece Letters (including QBRM) and workshared Letters (Nonautomation Presort, Automation Letters, Automation Flats and Carrier Route Letters). The volume of workshared Letters is greater than the volume of Single-Piece Letters and greater than the volume of the First-Class Mail Cards subclass. Compare USPS-T-7 Table 2A to USPS-T-7 Table 3A and Table 4A.

Although not a measure of “profitability”, the contribution to institutional cost of First-Class Mail workshared Letters (as measured by the implicit cost coverage) is higher than that of single-piece Letters and higher than that of single-piece Cards. The contribution to institutional cost of First-Class Mail workshared Letters is lower than that of workshared Cards. USPS-T-29 Attachment A.

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RESPONSE TO MMA/USPS-7 (CONTINUED)

- (B1) Confirmed. Please see USPS-T-22, page 20 at 6-7.
- (B2) Confirmed. Please see USPS-T-22, page 20 at 20-23.
- (B3) Not confirmed. An actual BMM letters CRA mail processing unit cost estimate does not exist. As confirmed in response to MMA/USPS-7(B1), the CRA mail processing unit cost estimate for all metered letters has been used as a proxy.
- (B4) Not confirmed. Post office box addressing was not the basis used for choosing the delivery unit cost estimate for BMM letters. Please see the response to MMA/USPS-T22-19(B).
- (C) Please see USPS LR-J-155. In addition, please see the response to MMA/USPS-T22-15.

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.

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