

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2001-1

POSTAL RATE AND FEE CHANGES

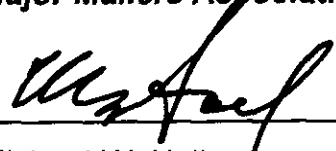
**Major Mailers Association's Third Set of Follow Up Interrogatories And
Document Production Requests To USPS Witness Leslie M. Schenk**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Leslie M. Schenk: **MMA/USPS-T43-23-28**. 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

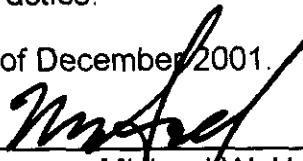
By: _____


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.



Michael W. Hall

Major Mailers Association's Third Set of Follow Up Interrogatories And Document Production Requests For USPS Witness Leslie M. Schenk

MMA/USPS-T43-23 Please refer to your response to Interrogatory MMA/USPS-T43-11, where you confirm that letters delivered to a post office box is not a significant cost driver for the delivery costs that you derive in USPS-LR-J-117, worksheet "letters 93". You have also stated that you do not know the number of letters that were delivered to a post office box in FY 93 for either First-Class single piece or presorted letters, except to the extent that volume figures have been provided in response to Interrogatory MMA/USPS-3.

- A. Please refer to the derivation of your FY 93 unit non-DPS presorted letter processing cost of 2.11 cents as shown in worksheet "letters 93".
1. Please confirm that, at the time you prepared this estimate, you did not know how many First-Class presorted letters were delivered to a post office box, how many were delivered by city carriers, and how many were delivered by rural carriers. If you cannot confirm, please explain.
 2. Please confirm that, for the most part, the total non-DPS costs listed in column 3 of that worksheet refer to the non-DPS costs for sorting and processing letters that were delivered by city carriers. If you cannot confirm, please explain.
 3. Please confirm that at the time you prepared this estimate, you did not know the unit non-DPS cost per city carrier delivered letter. If you cannot confirm, please explain.
 4. Please confirm that the number of letters delivered by city carriers in FY 93 directly affects the total non-DPS costs to process those letters, as shown in column 3 of that worksheet. If you cannot confirm, please explain.
- B. Please confirm that, inherent in your derivation of non-DPS unit costs for presorted city carriers, is the assumption that the percentage of letters delivered on city delivery routes "remains constant." If you cannot confirm, please explain.
- C. Assuming you confirm part B, please provide the time period for which you assume that the percentage of letters delivered on city delivery routes remains constant.
- D. Please provide the time frame during which you determined that it would be necessary to conclude that the percentage of letters delivered on city delivery routes would remain constant between FY 93 and TY 03.

- E. Is it your assumption that percentage of letters delivered on city delivery routes would remain constant over time, constant between single piece and presorted (that is, the percentage would be the same for both single piece and presorted), or both? Please explain your answer.
- F. Please provide, separately, the percentage of single piece and presorted letters that were delivered by city carriers for the past 10 USPS fiscal years. If the requested data are not available for the past ten USPS fiscal years please provide the data for as many years as such data are available. Be sure to include FY 93 and FY 00 as part of this analysis. Please be sure to also include the volume figures from which those percentages were computed.
- G. Please confirm that, compared to FY 93, the projected test year volume of single piece letters is expected to decrease by 14.7%, from 50,443,703,000 to 43,018,465,000 letters.
- H. Please confirm that, compared to FY 93, the projected test year volume of presorted letters is expected to increase by 71.7%, from 29,486,424,000 to 50,463,785,000 letters.
- I. Please explain the basis for your assumption that the percentage of letters delivered on city delivery routes will remain constant between FY 93 and TY 03.
- J. Why didn't you simply use in column [4], the volume delivered on city carrier routes in FY 93, so that you would not have to rely on an unsupported assumption that the percentage of letters delivered on city carrier routes would remain constant.

MMA/USPS-T43-24 Please refer to your response to Part D of Interrogatory MMA/USPS-T43-11, where you state that it is appropriate to compare your derived non-DPS unit delivery cost for single piece letters (2.13 cents) with the non-DPS unit delivery cost for presorted letters (2.08 cents). You conclude that it costs approximately .08 cents per piece less for presorted letters than for nonpresorted letters.

- A. In the derivation of these two unit costs, do you assume that the percentage of letters delivered on city delivery routes is the same for single piece letters as it is for presorted letters? If no, please explain.
- B. If you do not confirm Part A, please explain how you can conclude that the unit non-DPS unit costs that you have derived are comparable.

1. Please confirm that your methodology computes the test year non-DPS unit costs as shown in the table below. If you cannot confirm, please explain.

**Computation of BY 00 Non-DPS Unit Delivery Costs
for Single Piece and Presorted Letters**

	(1)	(2)	(3)	(4)	(5)	(6)
First-Class Category	FY93 Originating Volume (000)	FY 93 Non-DPS Costs for City Delivery	FY93 Unit Cost per Originating Letter	FY93 Labor Rate	FY00 Labor Rate	Ratioed unit cost \$FY00 per Originating Letter
Single Piece	50,443,703	\$ 1,076,586	0.0213	23.188	27.7445	0.0255
Presorted	29,486,424	652,975	0.0221	23.188	27.7445	0.0265
Source:			(2) / (1)			(3)x(5)/(4)
USPS-LR-J-117 "letters 3"	Col 4	Col 3		Fn 8	Fn 9	

2. Please confirm that the percentage of letters that are delivered on city carrier routes is not a variable in your methodology. If you cannot confirm, please explain.
3. Please explain why it would not be more appropriate to compute the ratioed BY 00 unit non-DPS costs as shown in the table below.

**Computation of BY 00 Non-DPS Unit Delivery Costs
for Single Piece and Presorted Letters**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First-Class Category	FY93 Total Volume (000)	FY93 % Delivered by City Carriers	FY93 Total Volume Delivered (000)	Non-DPS Costs for City Delivery	FY93 Unit Cost per CC Delivered Letter	FY00 to FY 93 Labor Rate Ratio	Ratioed unit cost \$FY00 per CC Delivered Letter	Ratioed unit cost \$FY00 per CC Originating Letter
Single Piece	50,443,703	47.213%	23,815,756	\$1,076,586	\$0.0452	1.1966	\$0.0541	\$0.0255
Presorted	29,486,424	75.712%	22,324,833	652,975	\$0.0292	1.1966	\$0.0350	\$0.0265
Source:		Assumed	(1) x (3)		(4) / (3)		(5)x(6)	(3)x(7)/(1)
USPS-LR-J-117 Letter 93	Col 4			Col 3		Fn 9 / Fn 8		

4. Please confirm that under the assumptions provided in Part 3, the difference between the BY 00 non-DPS unit delivery cost for single piece letters (5.41 cents) and non-DPS unit delivery cost for presorted letters (3.49 cents) is 2.86 cents. If you cannot confirm, please explain.
 5. Please confirm that the derived non-DPS unit costs for single piece and presorted letters, as well as the difference between the two figures as computed in Part 4, would change depending upon the assumed percentage of letters delivered on city carrier routes, as shown in column 2 of the table. If you cannot confirm, please explain.
 6. Please confirm that, under your methodology, you would have concluded that the difference between the BY 00 non-DPS unit delivery cost for single piece letters (2.55 cents) and the non-DPS unit delivery cost for presorted letters (2.65 cents) is -0.10 cents. Please see your response to Part 4(D)(1) of Interrogatory MMA/USPS-T43-11 where you have already agreed to a comparable comparison for FY 93. If you cannot confirm, please explain.
- D. Please indicate whether you would expect the non-DPS unit costs for single piece and presorted letters *per letter delivered on city carrier route* to be similar. If you do not expect that the unit costs would be similar, please explain.
- E. If your answer to Part D is that you do expect that non-DPS unit costs for single piece and presorted letters *per letter delivered on city carrier route* would be similar, please confirm that **your** derivation of non-DPS unit costs for single piece and presorted letters does not prove or disprove that contention. If you cannot confirm, please explain how your analysis shows that the non-DPS unit costs for single piece and presorted letters are similar, notwithstanding your computed .08-cent difference for FY 93 and your computed .1-cent difference for BY 00.
- F. Please confirm that for FY 93, the non-DPS unit costs for First-Class single piece and presorted letters per letter delivered on city carrier routes are 4.52 cents and 2.92 cents, respectively. If you do not confirm, please provide the correct unit cost figures.
- G. Please explain the reasons why in FY 93, presort letters cost 1.60 cents less than single piece letters for non-DPS processing.

MMA/USPS-T43-27 Please refer to your response Interrogatory MMA/USPS-T43-12, where you did not confirm that you implicitly assumed that, for each presort category, 13% of the letters were addressed to and delivered to post office boxes.

- A. Please confirm that for each category within presorted First-Class letters, you implicitly assumed that the same percentage of letters would be delivered on city carrier delivery routes. If you cannot confirm, please explain.
- B. Assuming that you confirm Part A, please provide all facts and considerations that support your conclusion.

MMA/USPS-T43-28 Please refer to your response to Part B of Interrogatory MMA/USPS-T43-13, where you were asked to explain why metered letters cost almost 2 cents more than bulk metered letters. Your answer does not explain how it is possible that single piece metered letters can cost so much more than bulk metered letters, other than to say that they are not necessarily equivalent.

- A. Please confirm that USPS witness Miller utilizes single piece metered letters as a proxy for BMM mail processing costs. If you cannot confirm, please explain.
- B. Please confirm that you do not believe that single piece metered letters can be used as a proxy for BMM delivery costs. If you cannot confirm, please explain.
- C. Please explain all the differences between single piece metered letters and BMM letters, if you can, when each reaches the incoming secondary operation where the letters are sorted to carrier sequence prior to delivery.
- D. Please confirm that there were 25,512,201,000 metered letters mailed at First-Class single piece rates in BY 00, and that some unknown, probably very small percentage, consisted of BMM. If you cannot confirm, please explain.
- E. Please refer to USPS witness Miller's response to Part C of Interrogatory MMA/USPS-T43-19 where he notes that it is likely that more metered letters than BMM letters are addressed to post office boxes. Assume for purposes of the next two questions that Mr. Miller contention is correct, and that this also means that more BMM letters than single piece metered letters are delivered on city carrier routes.
 - 1. If all other cost-causing factors, including the number of pieces, were equal, wouldn't the total delivery cost for BMM be greater than the total delivery cost for metered mail letters not mailed in bulk? If no, please explain.

2. If all other cost-causing factors were equal, wouldn't the unit delivery cost for BMM be greater than the unit delivery cost for metered mail letters not mailed in bulk? If no, please explain.