

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 WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION  
(MMA/USPS-T22-59-64 AND 66-75)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of Major Mailers Association: MMA/USPS-T22-59 through 64 (filed on December 10, 2001) and 66 through 75, filed on December 13, 2001.

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

Interrogatory MMA/USPS-T22-65 has been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-59** Please refer to your response to MMA/USPS-T29-14 where you discussed your understanding of the two methodologies used to estimate CRA costs for automation letters. There you discuss a cost "shift" from automation letters to nonautomation letters. Please explain how this shift ended up more than tripling Automation carrier route cost savings, from .348 cents to 1.145 cents, as shown respectively, in Library Reference USPS LR-I-162A and USPS LR-I-477 from Docket No. R2000-1.

**RESPONSE:**

It is my understanding that the IOCS automation/nonautomation methodology used in the last case did not affect the automation carrier route presort letters mail processing unit cost estimate or savings estimate because the costs for that rate category were CRA-derived.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-60** Please refer to your response to Part A of interrogatory MMA/USPS-T22A where you were asked to show a crosswalk between the postal operations included in your simulated mail flow models and the CRA cost pools for which you have collected data.

- A. Please confirm that, on some occasions, the outgoing ISS consists of a retrofitted Advanced Facer Canceler System (AFCS-ISS). If you cannot confirm, please explain.
- B. Please confirm that on other occasions, the outgoing ISS consists of a retrofitted MLOCR (MLOCR-ISS) or a retrofitted DBCS (DIOSS). If you cannot confirm, please explain.
- C. If the outgoing ISS consists of an AFCS-ISS, what cost pool includes the costs of this operation?
- D. If the outgoing ISS consists of an MLOCR-ISS or DIOSS, what cost pool includes the costs of this operation?
- E. Please confirm that when deriving the CRA-based unit worksharing cost, you exclude mail preparation costs from the total costs that you deem to be worksharing-related and proportional. If you cannot confirm than please explain.
- F. Please confirm that, when deriving the model-based unit worksharing costs, you exclude mail preparation cost, but included outgoing ISS costs, even if this operation consists of an AFCS-ISS. If you cannot confirm, please explain.
- G. Please confirm that your CRA-based unit worksharing costs understate the outgoing ISS costs to the extent that this operation consists of an AFCS-ISS. If no, please explain.

**RESPONSE:**

- (A) It can be confirmed that the outgoing Input Sub System (ISS) for handwritten letters and cards is the Advanced Facer Canceler System Input Sub System (AFCS-ISS).
- (B) It can be confirmed that for metered mail and mail with machine printed addresses the ISS is either a Multi Line Optical Character Reader Input Sub System (MLOCR-ISS) or a Delivery Bar Code Sorter Input Output Sub System (DIOSS).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-60 (CONTINUED)**

- (C) The AFCS-ISS costs are mapped to the "1CANCMMP" cost pool.
- (D) The MLOCR-ISS and DIOSS costs are mapped to the "OCR/" cost pool.
- (E) It is unclear what is meant by the term "mail prep." If this interrogatory refers to tasks related to cancellation and mail preparation activities as defined in MODS operations 010C, 020, and 020B, then this statement can be confirmed. These costs are mapped to the "1CANCMMP" cost pool, which is classified as "worksharing related fixed."
- (F) Not confirmed. The only cost study in USPS LR-J-60 that would have involved the AFCS-ISS operation is the QBRM cost study. The AFCS-ISS operation was not included in that cost study because both QBRM mail pieces and handwritten reply mail pieces must be processed on the AFCS-ISS. The worksharing related savings estimates for the presort letters rate categories do contain costs for mail preparation tasks, as the "1CANCMMP" cost pool was classified as "worksharing related fixed."
- (G) Not confirmed. The CRA-based worksharing related cost estimates include the "1CANCMMP" cost pool, which contains costs for the AFCS-ISS operation.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-61** Please refer to your response to Parts A and B of interrogatory MMA/USPS-T43-19 where you take as a given that BMM are to be considered the most likely pieces to convert to worksharing.

- A. Please provide all information, including record references and copies of other documents, that you relied on to reach this conclusion.
- B. Please confirm that an in-depth study of why BMM mailers do not engage in worksharing is "outside the scope" of your testimony and has never been performed by you or anyone that you know of. (See also your response to Part A(1) of interrogatory MMA/USPS-T22-6.
- C. Please fully explain whether you believe that the two examples of BMM letters that you discuss on page 19 of your testimony are likely to convert to worksharing. If so, please fully explain your answer.
- D. Do you believe that, if BMM mailers were likely to convert their mail to worksharing, such mailers would have been more likely to already have done so during the 20+ years that worksharing discounts have been in effect? Please explain your answer.

**RESPONSE:**

- (A) Please see the examples discussed in USPS-T-22, page 19 at 13-24. In addition, please see PRC Op. R2000-1 at [5089]. I would note that the Commission has expanded the definition concerning benchmarks to include not only the mail most likely to convert to worksharing, but the category current worksharing mail would most likely revert to if the discounts did not outweigh the costs incurred by mailers when performing worksharing activities.
- (B) I am not aware of any study that has been conducted where the singular goal was to determine why mailers do, or do not, engage in worksharing activities.
- (C) In the first example, it was my understanding that some government agencies that had not previously engaged in worksharing had pooled their resources to purchase an Optical Character Reader (OCR). Following that purchase, they began to prebarcode and/or presort their mailings. In

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-61 (CONTINUED)**

the second instance, residual single-piece mail from a presort bureau could have been entered as a worksharing mailing had the presort bureau been able to prebarcode and/or presort that mail and still meet the critical entry time.

- (D) As stated in the response to MMA/USPS-T22-61(B), I am not aware of any studies that have been conducted where the singular goal was to determine why mailers do, or do not, engage in worksharing activities. However, I have been given some indication as to why some mailers may not engage in worksharing. Please see the response to MMA/USPS-T22-16(A1). In addition, an earlier interrogatory asked a similar question, but in the context of 10 years. Please see the responses to MMA/USPS-T22-16(A3) and (B3).

This question seems to imply that the mailing industry of today is identical to that of 20 years ago. I do not believe that it is identical. First, the processing methods and equipment used today are completely different. The Postal Service did not rely on barcoding technology 20 years ago to the extent it does now. Second, the mail mix is different. For example, I do not have a cell phone and personally receive at least one or two solicitations to purchase a cell phone each month. Twenty years ago, such solicitations would not have existed. Consequently, I would not take it as a given that all BMM letters have converted to worksharing.

For some technologically sophisticated firms, the technological sophistication of the mailroom can lag behind other operations. One of the sources of BMM that I observed in one of my recent field visits is a nationally known telecommunications firm (please see the response to MMA/USPS-T22-1B). I was informed that this firm had a number of mail-generating offices in the city served by the plant I visited, but that they did

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-61 (CONTINUED)**

not yet coordinate and consolidate their mail to take advantage of worksharing discounts.

Finally, as stated in the response to MMA/USPS-T22-61(A), the Commission has expanded the definition concerning benchmarks to include not only the mail most likely to convert to worksharing, but the category current worksharing mail would most likely revert to if the discounts did not outweigh the costs incurred by mailers when performing worksharing activities.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-62** Please refer to your response to part C of interrogatory MMA/USPS-T43-19 where you discuss the difference between delivery costs for BMM letters and metered letters. You note that the DPS percentage for BMM letters was developed by you in Library Reference USPS LR-J-60, but you did not develop a DPS percentage for metered letters.

- A. Please confirm that you used metered mail letters as a proxy to derive CRA BMM letters costs as shown on page 8 of Library Reference USPS LR-J-60.
- B. Please explain what changes you would make, if any, to your simulated mail flow model-derived BMM unit cost if it was used to estimate metered mail costs.
- C. Please confirm that, until you revised your prepared testimony for the first time on November 5, 2001, the title on page 15 of USPS LR-J-60 was "First-Class Mail Single-Piece Metered Letters." If you cannot confirm, please explain.
- D. Please confirm that, until you revised your prepared testimony for the first time on November 5, 2001, the mail flow model estimated the unit cost and DPS percentage for metered mail letters. If you cannot confirm, please explain.
- E. Please confirm that for BMM your model-derived unit cost (4.276 cents) is low by 34% compared to your CRA-derived unit cost ( 6.477 cents). If you cannot confirm, please explain.
- F. Assuming that you confirm part E, please explain why it is appropriate to use the DPS percentage from your BMM model, without any adjustment, as an accurate measure of the percent of BMM that will be DPSed in the test year.
- G. Please confirm that your use of the DPS percentage from your BMM model, to support your use of non-automation, mixed AADC delivery costs as a proxy for BMM, resulted in a reduction of automated cost savings of 1.86 cents. (Please see your response to interrogatory ABA&NAPM/USPS-T22-4).
- H. Please confirm that the amount of BMM processed by automation vs. manual operations, as simulated in your mail flow model, has no bearing on the fact that your model-derived cost is low. If you cannot confirm, please explain.
- I. Please confirm that the amount of BMM processed by automation vs. manual operations, as simulated in your mail flow model, has no bearing on the derived DPS percentage. If you cannot confirm, please explain.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE to MMA/USPS-T22-62:**

Please note that the first three parts of this interrogatory have been changed from "E," "F," and "G" to "A," "B," and "C" in order to avoid any confusion with subsequent parts of the interrogatory that contained the same designation.

- (A) Confirmed. Please see USPS-T-22, Section III.C.1.a.ii. In addition, please see the responses to MMA/USPS-T22-22(E), 24(A), 33(H), and 56(B).
- (B) In order to develop a metered letter model cost, it would be necessary to determine the percentage of nonmachinable metered letters, the package sorting cost for metered letters, the costs for unpackaging and traying metered letters, the productivity impacts related to the unpackaging of metered bundles if that task is performed directly at the feed stations of various equipment, and the mail characteristics for metered letters (percentage distribution of handwritten, machine printed, and prebarcoded mail pieces).
- (C) Confirmed. This title was incorrect. The 11/05/01 revisions corrected that error.
- (D) Not confirmed. The cost model has always represented Bulk Metered Mail (BMM) letters, as it did not model the tasks described in the response to MMA/USPS-T22-62(B).
- (E) It can be confirmed that the BMM letters model cost estimate is 34% lower than the sum of the CRA-derived mail processing unit cost estimates for the "worksharing related proportional" cost pools that represent all metered letters.
- (F) The cost model on pages 15 and 16 in USPS LR-J-60 represents BMM letters. Consequently, the DPS percentage from that model is the proper percentage to use.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-62 (CONTINUED)**

- (G) Not confirmed. Please see the response to MMA/USPS-T22-49(F).
  
- (H) Not confirmed. Had a CRA mail processing unit cost estimate for BMM letters been available, that cost would have likely been lower. Consequently, the BMM letters model cost estimate would have been closer to the CRA-derived mail processing unit cost estimate.
  
- (I) Not confirmed. Delivery Point Sequencing (DPS) can only be performed on letters and cards that contain 11-digit barcodes. Consequently, the amount of BMM letters processed in automation and manual operations has a direct bearing on the estimated DPS percentage.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-63** Please refer to your response to interrogatory ABA&NAPM/USPS-T22-7 where you indicate that metered mail packages are unpackaged and trayed by Postal Service employees at some delivery units. You note that mail processed as such would not be considered BMM when deriving your CRA-based worksharing cost.

- A. Please confirm that your CRA-derived unit BMM worksharing cost uses metered mail CRA costs as a proxy for BMM. If no, please explain.
- B. Please indicate precisely which CRA cost pool, if any, includes the costs for postal employees to unpackage and tray metered mail at postal delivery units.
- C. Assuming that your answer to part B is that such costs are not included in any CRA cost pool, please confirm that the mail preparation costs for single piece metered mail, as shown in MODS 17 1CANCMPP, are understated. If no, please explain.

**RESPONSE:**

- (A) Confirmed. Please see USPS-T-22, Section III.C.1.a.ii. In addition, please see the responses to MMA/USPS-T22-22(E), 24(A), 33(H), 56(B), and 62(A).
- (B) By definition, in-office Delivery Unit costs would be classified as "delivery" costs. Consequently, there is no mail processing cost pool representing this task.
- (C) Not confirmed. The CRA mail processing unit cost estimate for metered letters represents the costs for processing metered letters in the current mail processing environment.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-64** Please refer to Part B of interrogatory MMA/USPS-T43-22 where the DPS unit cost to process machinable presorted letters from your mail flow models are provided. Those computations are reproduced in the table below.

**Computation of Unit DPS Costs For Presorted Letter Categories From  
USPS Witness Miller Models (Cents)**

<b>Model</b>		<b>Total Pcs Handled (TPH)</b>	<b>Total Cents Per Piece</b>	<b>DPS %</b>	<b>Unit DPS Cost</b>
BMM	Auto 3-Pass	3,205	0.187	75.73%	0.0793
	Auto 2-Pass	13,536	0.594	75.73%	1.0624
	Avg DPS Cost				1.1416
Mach MAADC-AADC	Auto 3-Pass	3,182	0.187	75.17%	0.0793
	Auto 2-Pass	13,436	0.594	75.17%	1.0624
	Avg DPS Cost				1.1416
Mach 3D-5D	Auto 3-Pass	3,276	0.187	77.40%	0.0793
	Auto 2-Pass	13,835	0.594	77.40%	1.0624
	Avg DPS Cost				1.1416
Auto MAADC	Auto 3-Pass	3,122	0.187	73.76%	0.0793
	Auto 2-Pass	13,184	0.594	73.76%	1.0624
	Avg DPS Cost				1.1416
Auto AADC	Auto 3-Pass	3,232	0.187	76.35%	0.0793
	Auto 2-Pass	13,646	0.594	76.35%	1.0624
	Avg DPS Cost				1.1416
Auto 3D	Auto 3-Pass	3,258	0.187	76.98%	0.0793
	Auto 2-Pass	13,759	0.594	76.98%	1.0624
	Avg DPS Cost				1.1416

**Source: USPS LR-J-60 (Revised 11/15/01)**

**Note that Unit DPS Cost = (TPH x Total Cents Per Piece) / DPS % / 10,000**

- A. Is the 1.14 cents for each level of presort shown an accurate derivation of unit test year cost for the DPS operation for presorted letters? If not please provide the correct unit test year cost and show all your computations and sources.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-64 (CONTINUED)**

- B. Why didn't you offer USPS witness Schenk your derivation of DPS unit costs, enabling her to forego the use of a methodology that indirectly derives DPS unit costs from updated FY 1993 nonDPS cost and volume data?
- C. Below are the DPS unit costs that are derived from two machinable single piece mail flow models that you present in Library Reference USPS LR-J-60. Please confirm that the test year unit DPS cost of 1.14 cents is correct. If not, please provide corrected costs.

**Computation of Unit DPS Costs For Single Piece Letter Categories From  
USPS Witness Miller Models (Cents)**

<b>Model</b>		<b>Total Pcs Handled (TPH)</b>	<b>Total Cents Per Piece</b>	<b>DPS %</b>	<b>Unit DPS Cost</b>
BMM	Auto 3-Pass	3,205	0.187	75.73%	0.0793
	Auto 2-Pass	13,536	0.594	75.73%	1.0624
	Avg DPS Cost				1.1416
S.P. Mach	Auto 3-Pass	3,209	0.187	75.81%	0.0793
	Auto 2-Pass	13,550	0.594	75.81%	1.0624
	Avg DPS Cost				1.1416

**Source: USPS LR-J-60 (Revised 11/15/01)**

**Note that Unit DPS Cost = (TPH x Total Cents Per Piece) / DPS % / 10,000**

- D. Please confirm that the DPS unit costs is not dependent upon whether a letter is mailed at the single piece or workshare rates and, therefore, should be the same. If you cannot confirm, please explain.
- E. Please confirm that the nonDPS unit cost is not dependent upon a letters is mailed at the single piece or workshare rates and, therefore, should be the same. If you cannot confirm, please explain.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE to MMA/USPS-T22-64:**

- (A) It can be confirmed that the "Total Cents Per Piece" figures are accurate. Some of the data contained in the table shown above are not specifically calculated in the cost studies found in USPS LR-J-60. The costs for Delivery Point Sequencing (DPS) processing are calculated using the same productivity figures, regardless of the specific cost model. Consequently, the costs for any mail piece processed in a DPS operation would be identical.
- (B) I provide witness Schenk with the DPS percentages from my cost models because it is my understanding that she uses those percentages to de-average delivery unit costs to reflect various levels of carrier casing savings related to DPS processing.
- (C) Please see the response to MMA/USPS-T22-64(A).
- (D) This can be confirmed if the mail characteristics for a given single-piece letter and presort letter are identical.
- (E) This can be confirmed if the mail characteristics for a given single-piece letter and presort letter are identical.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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 trays 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.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-66 (CONTINUED)**

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.

**RESPONSE:**

- (A) These data are summarized in USPS LR-J-155.
- (B) In USPS LR-J-155, the use of the terms "collection" or "collected" referred to BMM letters that were submitted to a plant with collection mail. This entry method would cover those mailers that submitted trays of BMM letters to a nearby Delivery Unit, rather than submitting the mail directly to the plant. That mail would be brought to a plant with other collection mail from the Delivery Unit.
- (C) Please see the response to MMA/USPS-T22-13(C1).
- (D) Please see the response to MMA/USPS-T22-13(C1).
- (E1) It can be confirmed that this was true in FY 1999.
- (E2) The meter belt bypass volume for FY 2000 is nearly identical to that shown for FY1999 in Docket No. R2000-1 (please see Tr. 45/19649). The MODS meter belt volume, however, has increased. Consequently, the percentages have changed. The FY 2000 MODS volumes are as follows:

<u>MODS Op No.</u>	<u>Operation</u>	<u>Volume</u>	<u>Percent</u>
020B	Meter Belt Bypass	14,588,876,800	41.4%
020	Meter Belt	20,688,319,400	58.6%

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-66 (continued):**

- (E3) It can be confirmed that the exact percentage of 020B mail that is comprised of BMM letters is unknown.
- (E4) Confirmed. To the best of my knowledge, no studies have been conducted to determine the exact percentage.
- (E5) Not confirmed. I confirm in the response to MMA/USPS-T22-66(E4) that no studies have been conducted. I also confirm in the response to MMA/USPS-T22-66(E3) that the exact percentage is unknown.
- (E6) Please see the response to MMA/USPS-T22-66(E5).
- (E7) My understanding is that BMM letters are machinable, metered mail pieces that have "clean" machinable addresses. BMM letters are not prebarcoded and are already trayed when they enter postal facilities.

Metered letters, in general, are not trayed and are often bundled. They can contain machine printed addresses, handwritten addresses, or can be prebarcoded. Metered letters are not necessarily machinable. Some of the metered bundles described above are unpackaged, faced, and trayed by postal employees at Delivery Units according to local agreements made with the plant. In addition, please see the response to MMA/USPS-T22-62(B).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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?

**RESPONSE:**

- (A) It is my understanding that some mailers do have access to the Remote Bar Coding System (RBCS). I believe the Remote Computer Read (RCR) system is proprietary. I was simply stating a fact related to this specific presort bureau in my response to MMA/USPS-T22-15(A).
- (B) The mail pieces were metered by the presort bureau customers at the 3-digit automation presort letters rate. The bureau adjusted the postage paid by its clients based on whether it was able to prebarcode and/or

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-67 (CONTINUED)**

presort that mail. It is my understanding that the postage the bureau paid to the Postal Service was paid using the PERMIT system.

- (C) In my testimony, I stated that the survey I conducted indicated that BMM letters, as defined by the Commission, entered postal facilities in two ways (please see USPS-T-22, page 19, at 3-6). I will leave it to the Commission to determine whether they feel this mail falls under the umbrella of "BMM letters." I would also point out, however, that if this mail had not been submitted to a presort bureau it is possible that it would have been entered at a postal facility as BMM letters using the methods described in USPS-T-22, page 19 at 7-12.
- (D) I don't understand this question as presented.
- (E) The mail was already trayed and loaded into rolling stock.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.

**RESPONSE:**

- (A) Confirmed. I interpreted the original question as referring to postal collection procedures.
- (B) It can be confirmed that this mail would not require acceptance and verification.  
However, based on my response to MMA/USPS-T22-68(A), I cannot confirm that it would not be submitted to the Postal Service directly as BMM letters in trays.
- (C) Not confirmed. Please see my response to MMA/USPS-T22-33(B).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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 ).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-69**

- (A) In absence of an actual BMM letters unit delivery cost, I use the delivery cost for nonautomation machinable mixed AADC letters, due to the similarities in mail piece characteristics and processing methods associated with both categories.
- (B) The Delivery Point Sequencing (DPS) percentages found in my cost models are the only aspect of my testimony that relates to delivery unit cost calculations. Please see the response to MMA/USPS-T22-19(B).
- (C) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for First-Class single-piece metered letters. Consequently, a DPS percentage for all metered letters is not available.
- (D) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for all First-Class single-piece letters. Consequently, a DPS percentage for that category is not available.
- (E) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for all First-Class single-piece machinable letters. Consequently, a DPS percentage for that category is not available.
- (F) Please see the response to MMA/USPS-T22-69(B).
- (G) Please see the response to MMA/USPS-T22-69(B).
- (H) Please see the response to MMA/USPS-T22-49(E).
- (I) I can confirm that \$ 0.0185 multiplied by 4,023 billion is equal to \$870 million. I feel, however, that my response to MMA/USPS-T22-49(F)

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-69 (CONTINUED)**

adequately answered this interrogatory in the context that this figure should be viewed as worksharing related savings.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-70 (CONTINUED)**

- 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.

**RESPONSE:**

- (A) Cost model differences related to First-Class single-piece metered letters are discussed in the response to MMA/USPS-T22-62(B).
- (B) Not confirmed. It is my understanding that DPS percentages for all the presort letters cost models have been used by witness Schenk to de-average the delivery unit costs for presort letters. If the cost models could overstate the BMM letters and nonautomation mixed AADC presort letters DPS percentages, then the DPS percentages in all the presort letters cost models could be overstated. The revised figures would then have to be used to de-average the delivery unit cost for presort letters.  
Consequently, the specific outcome is unknown.
- (C) It can be confirmed that the CRA proportional adjustment factors for BMM letters and nonautomation presort letters are 1.493 and 1.508 cents, respectively.
- (D) Confirmed.
- (E) Confirmed. In addition, please see the response to MMA/USPS-T22-70(B).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-70 (CONTINUED)**

- (F) Not confirmed. If a productivity value for a specific operation were understated, the costs would be overstated. This overstatement of costs would not affect the DPS percentages.
- (G) It can be confirmed that the CRA adjustment factor for First-Class automation presort letters is 0.797. In addition, please see the response to MMA/USPS-T29-14.
- (H) Not confirmed. Please see the response to MMA/USPS-T22-70(B).
- (I) Not confirmed. Please see the response to MMA/USPS-T22-70(B).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.

**RESPONSE:**

- (A) The answer I provided in response to MMA/USPS-T22-49(H3) is correct. Each cost model consists of two spreadsheets: a mail flow spreadsheet and a cost spreadsheet (please see USPS-T-22, page 10 at 14-15). For example, if any of the productivity values were overstated, the BMM letters model cost would be understated, as would the model costs for all rate categories. This understatement of costs, however, would not impact the DPS percentages calculated in the cost models because the productivity values are used in the cost spreadsheets and are not used to flow mail through the mail flow spreadsheets. The DPS volumes are calculated in the mail flow spreadsheets.
- (B) I would agree that the extent to which mail is processed in automation operations or in manual operations is a cost driver for Postal Service costs. In regard to how this statement might apply to the cost models in USPS LR-J-60, it depends on the context in which this statement is being made. In addition, I would delete the word "simulation" as it generally refers to activities not performed by the cost models in this docket.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.

**RESPONSE:**

- (A) Not confirmed. Prebarcoded mail pieces that are not FIM mail pieces isolated by the Advanced Facer Canceler System Input Sub System (AFCS-ISS) would be processed on the automation outgoing secondary operation, not the automation outgoing primary operation. This change would result in a model cost of 4.280 cents. However, the cost models are not intended for such analyses, as explained in the response to MMA/USPS-T22-38(K).
- (B) Not confirmed. Prebarcoded mail pieces that are not FIM mail pieces isolated by the Advanced Facer Canceler System Input Sub System (AFCS-ISS) would be processed on the automation outgoing secondary operation, not the automation outgoing primary operation. Such a

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**RESPONSE TO MMA/USPS-T22-72 (CONTINUED)**

change, would result in a DPS percentage of 73.76 percent. However, the cost models are not intended for such analyses, as explained in the response to MMA/USPS-T22-38(K).

- (C) If mail pieces required RBCS processing, the revisions I made would affect the volumes of mail flowing to specific downstream operations, were such operations included in a given cost study.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-73** Please refer to your response to Part H6 of Interrogatory MMA/USPS-T22-49. There you failed to confirm that applying the CRA proportional adjustment factory 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.

**RESPONSE:**

- (A) Confirmed.
- (B) It can be confirmed that this is one reason that CRA adjustment factors are applied. Please see the response to KE/USPS-T22-8(F).
- (C) The CRA proportional adjustment factors and DPS percentages are not completely independent because the specific values for both statistics in a given cost study are dependent on the data inputs used to develop that cost study.
- (D) The use of average data would affect both the CRA proportional adjustment factors as well as the DPS percentages in a given cost study.
- (E) No.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.

**RESPONSE:**

The response to MMA/USPS-T22-49(H1) did not reference MMA/USPS-T22-43(O).

The response stated:

Confirmed. However, BMM letters and nonautomation machinable mixed AADC presort letters follow identical processing paths. If the amount of BMM letters processed on automation were overstated, then the amount of nonautomation machinable mixed AADC presort letters processed on automation would also be overstated.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

**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.”

**RESPONSE:**

The response to MMA/USPS-T22-54(A) did not simply state "not necessarily." The response indicated that mailers are free to change their specific mail piece designs after making the decision to presort and/or prebarcoding their mailings. Postal Service equipment can accommodate a certain amount of variation in mail piece design (e.g., barcodes can be located in the lower right hand corner, below the address block, or above the address block). Consequently, a mailer would be free to change the design of their mail pieces, within limits.

## 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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Michael T. Tidwell

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December 26, 2001