

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, 1997)
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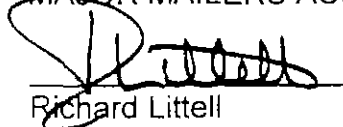
Docket No. R97-1

THIRD SET OF INTERROGATORIES
OF MAJOR MAILERS ASSOCIATION
TO UNITED STATES POSTAL SERVICE WITNESS
PHILIP A. HATFIELD (USPS-T-25)

Major Mailers Association asks the United States Postal Service to answer the following interrogatories pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure. In answering these interrogatories, the witness is requested to follow the General Instructions that are set forth in the Attachment to the First Set of Interrogatories to this witness. Requests for data or documents are to be interpreted in accordance with General Instructions G and H. If the designated witness is unable to respond to any interrogatory, the Postal Service is asked to redirect the question to another Postal Service witness who can answer it.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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September 16, 1997

**MMA INTERROGATORIES TO USPS WITNESS
(Philip A. Hatfield: Set Three)**

MMA/USPS-T25-12.

In response to MMA/USPS-T25-2 you state that "heavier pieces may lead to lower throughputs on automated equipment and cause more jams and damage."

- A) What is the basis for this conclusion?
- B) What do you mean by "heavier" pieces in terms of an actual weight measurement? Please support your answer.

MMA/USPS-T25-13.

In response to MMA/USPS-T25-3(E) you note that if you had assumed that labor costs were 100% variable in your cost models, it is likely that the unit mail processing costs would increase. You do not, however, agree that the computed cost differences would increase.

- A) Isn't it absolutely true that if you were to assume that labor costs were 100% variable in you models, the unit costs would increase?
- B) Do you agree given the nature of the mathematical computations that comprise your cost models, it is more than likely that the differences between the unit costs would also increase? Please explain any no answer.
- C) Please explain how an intervenor in this proceeding can reproduce your cost models under the assumption that labor costs are

100% variable.¹

MMA/USPS-T25-14.

In response to MMA/USPS-T25-4 you provide the reasons for rejects from the MPBCS OSS operation. Please confirm that none of the problems provided can be directly tied to the weight of a letter.

MMA/USPS-T25-15.

Please refer to your response to MMA/USPS-T25-5.

A) Please confirm that it is the unit cost differences that you derive in your cost models (between the various presort/automation categories and the benchmarks discussed by witness Fronk (see his response to ABA/USPS-T32-2(D)), that are the bases for the proposed First-Class presort/automation discounts in this proceeding. If you cannot confirm, please explain.

B) Please confirm that the specific changes in mail preparation and entry requirements that were implemented after re-classification are in no way taken specifically into account in your cost models. If you cannot confirm, please explain.

C) Please confirm that the specific changes in mail preparation and entry

¹ Recognizing the Presiding Officer has not yet ruled on MMA's September 8 Motion to Compel, MMA is agreeable to having the Postal Service defer its Response or Objection to Subpart (C) of this Interrogatory until the Presiding Officer rules.

requirements that were implemented after re-classification are taken into account by the Postal Service, as far as you know, in the determination of the volume variable costs for the test year before and after rates. If you cannot confirm, please explain.

D) In part D) to your answer you indicate that you believe that your methodology does take into account differences in mail preparation costs. Compared to the mail preparation costs required to process single piece stamped mail, doesn't your methodology omit any cost savings that presorted letters provide? Please explain any no answer?

MMA/USPS-T25-16.

Please refer to your response to MMA/USPS-T25-8(C). There you note that your models do take into account the stricter address requirements that have been implemented for First-Class Automation mail since re-classification.

A) Isn't it true that as a result of re-classification, the addresses for First-Class Automation mail are required to be more accurate and current? Please explain any no answer.

B) Isn't it true that more accurate and current addresses will result in fewer pieces being forwarded and returned? Please explain any no answer.

C) Please confirm that any cost savings due to reduced forwarding and return of First-Class Automation letters, resulting from the stricter address requirements that were implemented since re-

classification, are not taken into account in your cost models. If you cannot confirm, please explain and provide data showing the numerical value given to those savings in your testimony and exhibits.

MMA/USPS-T25-17.

Please refer to your response to MMA/USPS-T25-8(D).

A) Do you agree that there are cost savings associated from the new requirement that reply envelopes included with First-Class Automation outgoing letters be pre-barcoded and automation-compatible? Please explain any no answer.

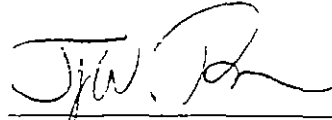
B) Since your testimony does not estimate these cost savings, please confirm that any cost savings due to the requirement that all reply envelopes included with First-Class Automation letters be pre-barcoded and automation-compatible, that was implemented since re-classification, are not taken into account in your cost models. If you cannot confirm, please explain and provide data showing the numerical value given to such savings in your testimony and exhibits.

C) Is it your position that these cost savings be credited to First-Class single piece mailers rather than First-Class automation mailers? Please explain.

(End of this set of Interrogatories)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, by First-Class Mail,
upon the participants requesting such service in this proceeding.



Jeffrey Plummer

September 16, 1997