

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

**POSTAL RATE AND FEE CHANGES**

**Docket No. R2005-1**

**Major Mailers Association's First Set Of  
Interrogatories And Document Production Requests To United States  
Postal Service Witness Abdulkadir M. Abdirahman (MMA/USPS-T21-1-10)  
(April 26, 2005)**

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 (USPS) Witness Abdulkadir M. Abdirahman (**MMA/USPS-T21-1-10**). If the designated witness cannot answer part or all of any interrogatory, the witness and his counsel should redirect the request to another USPS witness who can respond.

Respectfully submitted,

**Major Mailers Association**

By: \_\_\_\_\_

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**Dated: Middleburg, Virginia  
April 26, 2005**

MMA/USPS-T21-1

Please refer to page 2 of your direct testimony where you state “[t]he cost methodology that was used in Docket No. R2001-1 has again been used in this docket to develop letter and card total mail processing unit cost estimates and worksharing related savings estimates by rate category.” Please refer also to USPS witness Miller’s testimonies in R2000-1 and R2001-1 and R2000-1, and Library References USPS-LR-I-162 and USPS-LR-J-60.

- A. Please confirm that you have made no methodological changes from the workshare cost savings methodology used by USPS witness Miller in R2001-1 and provided in R2001-1 Library Reference USPS-LR-J-60. If you cannot confirm, please identify separately each change in methodology that you made and the reason for such change.
- B. Please confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162. If you cannot confirm, please explain why not.
- C. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162, please confirm that the Commission did not approve any of the changes in methodology that USPS witness Miller made in his R2001-1 presentation. If you cannot confirm, please explain.
- D. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162, please list each of Mr. Miller’s R2001-1 methodological changes that you have adopted and used for your presentation of First-Class workshare cost savings in R2005-1.

- E. Please indicate where in your testimony or Library References you provide any additional reasons why the Commission should adopt the changes in methodology that you list in your response to Interrogatory MMA/USPS-T21-1 D.

MMA/USPS-T21-2

Please refer to pages 3-4 of your direct testimony where you discuss the different types of CRA mail processing costs and their relationship to worksharing.

- A. For each cost pool that is “worksharing related fixed”, please explain how such costs would be expected to vary with volume but not the degree of presort.
- B. For each cost pool that is “non-worksharing related fixed”, please explain what factors other than worksharing would affect these costs.
- C. For each cost pool that is “non-worksharing related fixed”, please explain why worksharing does not affect these costs.

MMA/USPS-T21-3

On page 5 of your testimony, you indicate that the entry profiles for each First-Class rate category were obtained from a R97-1 mail characteristics study.

- A. Please confirm that according to the entry profile the study conducted for R97-1, First-Class presorted volumes were as follows:

| <u>Degree of Presort</u> | <u>Percent of Pieces</u> |
|--------------------------|--------------------------|
| NonAuto                  | 16.7                     |
| Mixed AADC               | 5.3                      |
| AADC                     | 5.6                      |
| 3-Digit                  | 49.5                     |
| 5-Digit                  | <u>22.9</u>              |
| Total                    | 100.0                    |

Source: USPS- LR-K-48, page 53.

If you cannot confirm, please provide the correct percentages and provide the source(s) of such information.

- B. Please confirm that according to the entry profile projected for TY 2006 in R2005-1, First-Class presorted volumes are as follows:

| <u>Degree of Presort</u> | <u>Percent of Pieces</u> |
|--------------------------|--------------------------|
| NonAuto                  | 4.7                      |
| Mixed AADC               | 6.0                      |
| AADC                     | 5.5                      |
| 3-Digit                  | 49.1                     |
| 5-Digit                  | <u>34.7</u>              |
| Total                    | 100.0                    |

Source: USPS- LR-K-7, file First-Class Mail BD 2004, schedules A-2 and A-3.

If you cannot confirm, please provide the correct percentages and provide the source(s) of such information.

- C. Please explain how your results would be affected if you used the entry profile projected for TY 2006 rather than the 8 year old entry profile from the R97-1 mail characteristics study that you used.
- D. Please explain why the Commission should accept data from an 8-year old study in view of the fact that the Postal Service's mail processing flows and mailers worksharing operations have undergone significant changes during that time period.

MMA/USPS-T21-4

On page 6 of your testimony, you indicate that the mail flow densities for First-Class mail processing that you use in R2005-1 were updated in a field study conducted for the purposes of USPS witness Miller's presentation in R2000-1.

- A. Please provide copies of all documents referenced directly or indirectly in footnote 10 of your testimony.
- B. When, prior to the referenced update resulting from the field study for R2000-1, were the mail flow densities for First-Class mail processing updated?
- C. Please explain why you have assumed that the mail densities from the field study used in R2000-1 would still be accurate in TY 2006, in view of intervening changes in mail processing, including but not limited to deployment by the USPS of new sorting equipment (with higher

numbers of possible sortations) and changes in the way mail is workshered.

MMA/USPS-T21-5

On page 7 of your testimony, you explain that you used the actual RBCS leakage rate of 6.1% in your models. Please provide the source of that leakage rate percentage.

MMA/USPS-T21-6

As discussed on page 10 of your testimony, you derive both delivery point sequence percentages (DPS %'s) and model unit costs for each First-Class rate category.

- A. Please explain why you adjusted the model-derived unit costs to reconcile to the actual CRA costs.
- B. Does the Postal Service have actual DPS %'s for BY 2004 that would allow you to reconcile your model-derived DPS %'s for automation letters and metered mail (either single piece or BMM)? If yes, please provide the actual DPS %'s. If the Postal Service does not have the actual DPS %'s, please explain why such information is not collected.
- C. Do you believe there is a relationship between the accuracy of the model-derived unit costs and the accuracy of the model-derived DPS %'s. Please explain your answer.
- D. Please confirm that (all other things being equal), as the DPS % increases, the model-derived unit cost decreases and alternatively, as the DPS % decreases, the model-derived unit cost increases. If you cannot confirm, please explain.
- E. Please confirm that if (all other things being equal), a derived unit cost is found to be too low then it is likely that the associated derived DPS % will be too high and, alternatively, if a derived unit cost is found to be too high, then it is likely that the associated derived DPS % will be too low. If you cannot confirm, please explain.

MMA/USPS-T21-7

As discussed on page 11 of your testimony, you have used bulk metered mail (BMM) as the benchmark from which to measure workshare cost savings. As a proxy for BMM, you have used the CRA costs for single piece metered mail.

- A. Is the purpose of the benchmark to estimate the cost savings due to worksharing on mail that is already clean and machinable, i.e., similar to workshared mail prior to workshared attributes? If not, please explain.
- B. Please explain how using BMM as the benchmark for non-automation presort letters isolates the impact of workshare cost savings, when a significant portion of these workshared letters are not clean or machinable.
- C. Please confirm that your use of BMM as the benchmark for non-automation presort letters incorporates a cost savings that results from worksharing that is entirely offset by the additional manual cost required to process nonmachinable letters. If you cannot confirm, please explain how your methodology removes the impact of machinability from the workshare cost savings analysis.
- D. Do you agree that the unit cost for First-Class single piece metered letters is a good proxy for BMM because First-Class processing costs are not affected by the manner in which metered mail is presented to the Postal Service? If you do not agree, please explain.
- E. Please describe in detail how you confirmed to your satisfaction that, in fact, there are significant volumes of BMM and that such BMM mailers pay the full First-Class single piece rate and voluntarily bring such mail to a local post office in Postal Service trays.

- F. Please explain why a First-Class mailer with 500 or more pieces would apply the single piece First-Class postage by meter, and then voluntarily tray his mail and voluntarily bring his mail to a local post office.

MMA/USPS-T21-8

In Table 1 on page 16 of your testimony, you show that nonautomation letters produce a negative savings of 1.4 cents per piece, i.e., they actually cost more to process because of worksharing.

- A. How much of these extra costs are due to the fact that almost half of nonautomation letters (which must be processed manually whether they are presorted or not) incur manual processing costs whereas very few of your benchmark BMM letters incur such costs? Please provide your computations.
- B. What percent of BMM is prebarcoded? Please provide the source(s) for this information. If you do not know what percent of BMM is prebarcoded, do you agree that it is likely to be zero or very close to zero? If you do not agree, please explain.
- C. What proportion of BMM is likely to be courtesy return mail, i.e., a prebarcoded envelope that is being sent back to the party who originally sent out the envelope to the mailer in the first place? Please explain your answer.
- D. What percent of single piece metered mail is prebarcoded? Please provide the source(s) for this information. If you do not know what percent of single piece metered mail is prebarcoded, do you agree that it is likely to be significantly greater than zero. If you do not agree, please explain.
- E. What proportion of single piece mail is likely to be courtesy return mail, i.e., a prebarcoded envelope that is being sent back to the party who originally sent out the envelope to the mailer in the first place? Please explain your answer.

- F. Do you agree that, to the extent that single piece metered mail is prebarcoded more often than BMM, using single piece metered mail costs as a proxy for BMM is likely to understate the actual CRA\*\*\* BMM costs? If you do not agree, please explain.

MMA/USPS-T21-9

On page 11 of your testimony, you indicate that you have adopted USPS witness Miller's assumption that the delivery cost of nonautomation machinable mixed AADC (NAMMA) presort letters is a good proxy for BMM delivery cost.

- A. Please confirm that you have included delivery cost savings as part of your overall derivation of First-Class workshare cost savings. If not, please explain.
- B. Is the purpose of including delivery cost savings in your derivation of total First-Class workshare cost savings to derive delivery cost savings that can be specifically tied to worksharing? If not, please explain.
- C. Have you studied the actual impact worksharing has upon delivery costs? Please explain your answer.
- D. Do you agree with USPS witness Schenk testimony in R2001-1 that the unit cost to process presorted DPSed letters by city carriers could not be assumed to be the same as the unit cost to process nonpresorted DPSed letters? See R2001-1, TR 5/666, 817. If not, please explain.
- E. Do you agree with USPS witness Schenk's testimony in R2001-1 that, if two letters are able to be DPSed, while one is presorted and the other is not, that presortation favorably impacts the delivery cost? See R2001-1, TR 5/859. If not, please explain.
- F. Do you agree that if two letters are unable to be DPSed, while one is presorted and the other is not, that presortation favorably impacts the delivery cost? If not, please explain.

- G. Could you have derived unit delivery costs for single piece metered mail and used that as a proxy for the unit delivery costs of BMM? If not, why not? If you can derive the unit delivery costs for single piece metered mail, please provide that calculation with appropriate data source(s) and footnotes.
- H. Please confirm that you compared the delivery unit costs for a workshared rate category (automation letters) to the delivery unit costs of another workshared rate category (NAMMA), which was a proxy for a non-workshared rate category (BMM), in order to measure delivery cost savings that result from worksharing. If you cannot confirm, please explain.
- I. Please explain the logic of using a workshared rate category (NAMMA) as a proxy for a non-workshared rate category (BMM) in order to isolate and estimate the impact of worksharing.

MMA/USPS-T21-10

Please refer to the testimony of USPS witness Hatfield in R97-1 and the testimony of USPS witness Miller in R2000-1.

- A. Please confirm that USPS witness Hatfield in R97-1 and USPS witness Miller in R2000-1 both assumed that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery costs. If you cannot confirm, please explain.
- B. Please confirm that the Commission accepted the Postal Service's assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery costs in R97-1 and again in R2000-1. If you cannot confirm, please explain.
- C. Please confirm that in R2001-1 the Commission did not reach a different conclusion as to assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery cost. If you cannot confirm, please explain.
- D. Please confirm that the only support USPS witness Miller offered in R2001-1 for departing from the Service's and the Commission's

assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery cost was in his response to Interrogatory MMA/USPS-T22-49G, as follows:

Q. Please confirm that the only explanation that you provide in your Direct Testimony and Library References for changing the assumption from the last case concerning BMM delivery costs is found on page 20 of your Direct Testimony. There you state:

In this docket, I have refined that assumption and have assumed that delivery unit costs for BMM letters are the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters.

If you cannot confirm, please provide all other record citations where you explain the rationale for your “refined” assumption.

A. Confirmed.

If you do not confirm, please provide citations to any other support USPS witness Miller provided for departing from the Commission’s approved methodology on this issue.

E. Please confirm that the impact of USPS witness Miller’s new assumption in R2001-1 that the unit delivery costs of for BMM were the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters reduced derived workshare savings by an average of 1.86 cents per pieces in that case. If you cannot confirm, please provide your estimate of by how much derived workshare savings was reduced as a result of USPS witness Miller’s “refined” assumption that delivery unit costs for BMM letters are the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters.

F. Please confirm that your adoption in R2005-1 of USPS witness Miller’s “refined” assumption in R2001-1, namely that the unit delivery costs of BMM are the same as the unit delivery costs for First-Class machinable mixed AADC nonautomation presort letters, reduced derived workshare savings by 3.01 cents for each rate category within First-Class

workshare letters. If you cannot confirm, please provide your own computations that derive the specific quantitative impact of this particular assumption that you have adopted from R2001-1.