

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS ABDIRAHMAN TO INTERROGATORIES
OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T21-11-15, 18-24, 27-32, 34-35)

The United States Postal Service hereby files the responses of witness Abdirahman to the above-listed interrogatories of the Major Mailers Association filed on April 28 2005.

The interrogatories are stated verbatim and are followed by the responses.

The following interrogatories have been redirected to the Postal Service for response: MMA/USPS-T21-16, 17, 25, 26 and 33.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 13, 2005

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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MMA/USPS-T21-11

In your autobiographical sketch, you indicate that you started working for the Postal Service as a letter carrier and later became a distribution and retail window clerk.

- A. Please explain specifically how your personal experience in the jobs you have held since joining the Postal Service relates to First-Class worksharing.
- B. Have you ever toured the mail preparation facilities of High Volume (HV) First-Class workshare mailers? If yes, please provide the locations and dates of any such tours, and any notes or reports you made regarding the workshare activities performed by such HV mailers. For purposes of this set of interrogatories, please assume that a "High Volume" First-Class workshare mailer is a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month.

Response:

- A. As a letter carrier, my responsibilities included sorting, casing and delivering all types of mail including workshared mail. As a distribution clerk, my responsibilities included receiving the dispatch at the delivery unit, distributing mail to clerks and carriers and preparing afternoon and evening dispatches to the Processing and Distribution Center (P&DC). As a Retail Clerk, I provided assistance to Business Mail Entry Unit (BMEU) clerks, explaining the DMM rules and guidelines on worksharing mail. In addition, I have conducted field observations and visits to Processing and Distribution Centers.
- B. In this docket, the purpose of my testimony was to develop estimates of worksharing related savings that accrue to the Postal Service. It was not necessary to be familiar with mailer operations. During recent field observations at a postal facility, I had the opportunity to tour one mailer facility in Boulder on 10/20/04. Management at the mailer's facility conducted a general tour. I did not receive any handouts and took no notes.

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MMA/USPS-T21-12

Please confirm that HV workshare mailers perform all or most of the following mail preparation operations:

- A. Traying letters
 - 1. Unloading empty trays provided by USPS, storing them, and distributing them to appropriate workstations;
 - 2. Removing old tray labels and printing and inserting new labels;
 - 3. Sleeving the trays;
 - 4. Banding the trays;
 - 5. Preparing and applying Destination and Routing (D&R) labels;
 - 6. Preparing and applying Air Contract Transportation (ACT) tags;
 - 7. Postage verification, including the use of Postal One;
 - 8. Electronic transmission of weight and volume data to Postal data centers, including the use of Postal One;
 - 9. Electronic transmissions of all postal paperwork, including the use of Postal One; and
 - 10. Presorting the trays of mail prior to placing them onto pallets, including the use of the Automated Mail Processing System (AMPS).

- B. Palletizing the trays
 - 1. Unloading, storing, and distributing to appropriate workstations empty pallets provided by the USPS;
 - 2. Stacking trays onto pallets;
 - 3. Shrinkwrapping full pallets to secure trays during transport by USPS;
 - 4. Labeling pallets; and
 - 5. Separating and presorting pallets prior to the point at which they are loaded onto trucks.

- C. Loading mail onto trucks
 - 6. Moving full labeled pallets to the workshare mailer's loading dock;
 - 7. Loading pallets onto USPS trucks;
 - 8. Meeting USPS scheduling requirements; and
 - 9. Presorting trucks with presorted pallets.

If you cannot confirm, please explain and indicate what operations such mailers do not perform or what additional operations HV mailers do perform.

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Response to MMA/USPS-T21-12 continued:

(A, B, C) I am not an expert on how HV workshare mailers perform their internal mail preparation operations, nor is it necessary for me to understand the mailer's activities. My responsibility is to consider the costs to the Postal Service of different types of mail prepared in accordance with postal regulations.

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MMA/USPS-T21-13

Please confirm that if HV mailers did not perform the functions described in Interrogatory MMA/USPS-T21-12, Postal Service employees would have to perform them. If you do not confirm, please identify the specific functions Postal Service employees would not have to perform and explain why such employees would not have to perform each function.

Response:

Postal Service employees perform a variety of tasks for mail processing operations.

Please refer to Docket No. R2005-1, USPS-T-29 for the operations involved in letter and card processing, and Docket No. R2005-1, USPS-T-13 for descriptions of tasks included in cost pools.

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MMA/USPS-T21-14

Please confirm your understanding that Low Volume (LV) workshare mailers perform most or all of the following operations. For purposes of this set of interrogatories, please assume that a “Low Volume” First-Class workshare mailer is a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 500 pieces, but not more than 2,500 pieces in a given mailing.

- A. Traying the letters; and
- B. Dropping their letters off at a window, BMEU or Postal Service loading dock.

If you cannot confirm, please explain and indicate what operations such mailers do not perform or what additional operations LV mailers do perform.

Response:

(A B) I am not an expert on Low Volume workshare mailers' operations. Please see my response to MMA/USPS-T21-12.

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MMA/USPS-T21-15

Please confirm that, except for the functions listed in Interrogatory MMA/USPS-T21-14, postal employees have to perform all functions listed in Interrogatory MMA/USPS-T21-12 for the mailings made by LV mailers. If you do not confirm, please identify the specific functions Postal Service employees would not have to perform and explain why such employees would not have to perform each function.

Response:

Please see my response to MMA/USPST21-13.

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MMA/USPS-T21-18

Please describe your understanding of AMPS and explain how this form of worksharing saves the Postal Service money.

Response:

The Automated Mail Processing System is not something I am familiar with as it is not part of the mail processing cost models.

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MMA/USPS-T21-19

Please describe your understanding of plant loading and explain how this form of worksharing saves the Postal Service money.

Response:

My understanding is that plant loading occurs when the Postal Service sends trucks to a mailer's plant and the mail is loaded on the truck which then bypasses the local mail processing plant and travels directly to an airport facility or a distant postal facility. The savings likely would show up in transportation costs which are beyond the scope of my mail processing cost models.

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MMA/USPS-T21-20

Please describe your understanding of special pallet separations that the Postal Service now requires or strongly recommends that some mailers make in order to meet certain transportation requirements and explain how this form of worksharing saves the Postal Service money in terms of both reduced processing and transportation costs.

Response:

I am not familiar with the specifics your question is addressing. My models focus on piece handlings. It is my understanding that First Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letters and card mail processing network, despite the fact that First Class mailers do, on occasion, enter palletized mailings.

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MMA/USPS-T21-21

What other cost-saving operations are performed by HV First-Class mailers that are not identified in Interrogatories MMA/USPS-T21-12 and 16-20? Please be specific.

Response:

Please refer to my response MMA/USPST21-12. I am unaware of any study that distinguishes cost characteristics of mail pieces between high volume and lower volume bulk mailers.

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MMA/USPS-T21-22

Please state which of the worksharing functions identified in Interrogatories MMA/USPS-T21-12 and 16-18 and any that you identify in response to Interrogatory MMA/USPS-T21-21 are not reflected in your models for deriving workshare cost savings.

Response:

Due to the complexities and variations that exist among field operations, the cost models are simplified representations of the mail processing network. The tasks that have been included in the cost models represent piece and package distribution activities for MODS operation numbers mapped to the cost pools that have been classified as “worksharing related proportional”.

These tasks in MMA/USPS-T21-12 (A) items 7, 8, 9, 10 have not been modeled. With regard to MMA/USPS-T21-12 (B), please refer to my response to MMA/USPS-T21-20.

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MMA/USPS-T21-23

Do you agree that worksharing reduces postal transportation costs? If you do not agree, please explain.

Response:

Under certain circumstances, I agree. For relatively local mail, it is not clear that worksharing reduces transportation costs. However, transportation cost savings are captured as part of dropship cost saving analyses where appropriate. Under certain circumstances, the amount of mail in a mailer-prepared container that takes up a given amount of floor space in a truck may be less than the amount of mail in a postal-prepared container that requires the same amount of floor space in a truck.

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MMA/USPS-T21-24

Do you agree that, to the extent worksharing reduces postal transportation costs, you have not accounted for such savings in your derivation of workshare cost savings? If you do not agree, please explain.

Response:

I agree that transportation costs are not in my models. Please refer to my responses to MMA/USPS-T21-22.

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MMA/USPS-T21-27

In R2001-1, USPS witness Kingsley stated that the following attributes could cause an otherwise machinable letter to become nonmachinable:

10. aspect ratio of less than 1.3 or more than 2.5;
11. closure device;
12. non-square corners;
13. rigid or odd-shaped contents;
14. stiffness;
15. flimsiness;
16. misplacement of address;
17. self mailer whose folded edge not parallel to longest dimension;
18. booklet whose spine is not the longest edge; and
19. unreadable or improper address.

Source: Docket No. R2001-1, USPS-T-39, pages 9-10.

- A. Do you agree or disagree with the above statements of USPS witness Kingsley? If you disagree with USPS witness Kingsley, please explain.
- B. Is it your understanding that USPS regulations require First-Class automation letters to be machinable by definition, that USPS acceptance personnel can and do strictly enforce postal qualification regulations, and that such acceptance personnel can and do deny workshare discounts to automation letters that do not meet all applicable machinability standards? If this is not your understanding, please identify the basis for your disagreement and explain it in detail.
- C. Is it your understanding that there are no regulations whatsoever that prevents mailers of First-Class single piece letters, including BMM, from mailing letters that have any or all of the nonmachinable attributes identified by USPS witness Kingsley and listed above? If this is not your understanding, please explain.
- D. In your BMM cost model, did you assume that BMM would exhibit none of the nonmachinable attributes shown above, and that fully 100% of the pieces would be sent to the Outgoing RBCS for immediate processing? If no, please explain. If yes, please explain why, according to your BMM cost model, the Postal Service's culling operators never remove any BMM pieces before they reach the Outgoing RBCS.

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Response to MMA/USPS-T21-27 continued:

- A. I agree.
- B. It is my understanding that USPS Acceptance personnel and workshare mailers follow the Domestic Mail Manual regulations to the extent possible.
- C. Please refer to my response to MMA/USPST21-27(B)
- D. BMM are generally defined. Please refer to my response to MMA/USPST21-7(A). BMM letters would not incur the cost of isolating, sorting, and traying. BMM letters would therefore be directly sent to RBCS. The costs used in my models for BMM are actually the costs for all metered letters, some of which are nonmachinable.

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MMA/USPS-T21-28

This is the third consecutive rate case in which the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service mail flow models have understated the unit workshare-related costs for single piece metered mail (and BMM by assumption) compared to the CRA-derived costs.

- A. Please confirm the unit costs (cents) and CRA Proportion Factors as shown in the following table.

| Docket No. | Bulk Metered Mail | | |
|----------------|-------------------|------------|-------------|
| | CRA Cost | Model Cost | Prop Factor |
| R2000-1 (1998) | 6.979 | 5.269 | 1.325 |
| R2000-1 (1999) | 6.856 | 5.407 | 1.268 |
| R2001-1 | 6.447 | 4.276 | 1.508 |
| R2005-1 | 6.576 | 4.461 | 1.474 |

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

- B. Please confirm that the model-derived unit costs for BMM understated the actual CRA unit costs by 50.8% in Docket No. R2001-1 and by 47.4% in R2005-1. If you cannot confirm, please explain.
- C. What measures, if any, has the Postal Service taken to determine why its models consistently and significantly understate the actual costs to process single piece and, by assumption, BMM? If the Postal Service has not taken measures to improve the accuracy of the models, please explain why not?

Response:

The model cost is only for BMM letters but the CRA cost includes BMM letters and metered bundles. Therefore, one would not expect to see a CRA proportional adjustment factor of 1.0.

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Response to MMA/USPS-T21-28 continued:

A. Not confirmed. The R2005-1, worksharing CRA proportional cost pool unit costs is 6.476 cents and the proportional factor is 1.4539. I anticipate filing errata to reflect these corrections next week.

B. Not confirmed. The proportional adjustment factor in R2005-1 is 1.4539.

C. The IOCS system cannot be used to isolate BMM letters mail processing unit costs. That is why we used CRA derived costs for all metered mail as a proxy for BMM. As a result the modeled costs will never perfectly equal the CRA costs.

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MMA/USPS-T21-29

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service mail flow models have overstated the unit workshare-related costs for First-Class automated letters compared to the CRA-derived costs.

- A. Please confirm the unit costs (cents) and CRA Proportion Factors as shown in the following table.

| Docket No. | Bulk Metered Mail | | |
|----------------|-------------------|------------|-------------|
| | CRA Cost | Model Cost | Prop Factor |
| R2000-1 (1998) | 2.553 | 2.866 | 0.891 |
| R2000-1 (1999) | 2.630 | 2.923 | 0.900 |
| R2001-1 | 2.138 | 2.683 | 0.797 |
| R2005-1 | 1.892 | 2.661 | 0.711 |

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

- B. Please confirm that the model-derived unit costs for Automation letters understated the actual CRA unit costs by 20.3% in Docket No. R2001-1 and by 28.9% in R2005-1. If you do not confirm, please make any corrections you think appropriate, explain each correction and specify the information you believe supports your correction.
- C. Please confirm that the accuracy of the model-derived unit costs for Automation letters has decreased considerably from R2000-1 to R2005-1. If you cannot confirm, please explain.
- D. What measures, if any, has the Postal Service taken to determine why its models consistently and significantly overstate the actual costs to process First-Class automation letters? If the Postal Service has undertaken measures to improve the accuracy of these models, please

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MMA/USPS-T21-29 continued:

describe all such measures and provide all documents that discuss such measures. If the Postal Service has not taken any measures to improve the accuracy of these models, please explain why not.

- E. Please confirm that the most significant difference in your models between the costs of processing of BMM and the costs of processing Automation letters is attributable to the fact that BMM letters are processed through the RBCS whereas Automation letters completely bypass that operation. If you cannot confirm, please explain.

Response:

Your table refers to BMM. I assume you meant automation letters. Please refer to the response to POIR 1, question (a).

- A. Not confirmed. The worksharing proportional unit cost is 1.886 cents, automation model cost is 2.668 and CRA proportional adjustment factor is 0.707 cents. I anticipate filing revised numbers next week.
- B. Not confirmed. The revised CRA proportional adjustment factor is 0.707.
- C. Please refer to the May 9, 2005, responses to POIR 1. I confirm that the CRA proportional adjustment factor has declined.
- D. Please see the response to POIR 1, question (a).
- E. Confirmed.

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MMA/USPS-T21-30

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service seems to have treated cancellation and mail preparation differently on worksharing's impact on that cost pool.

- A. Please confirm that in Docket No. R2000-1, USPS witness Miller assumed a zero cost for the mail preparation operation costs related to BMM and that this was shown in the cost pool entitled 1CANCMMP. If you cannot confirm, please explain.
- B. Please confirm that in Docket No. R2000-1, USPS witness Miller treated the costs for 1CANCMMP as non-workshare related. If you cannot confirm, please explain.
- C. Please confirm that in Docket No. R2001-1, USPS witness Miller assumed that the single piece metered mail cost for the mail preparation operation could be used, without modification, as a proxy for BMM, and that this was shown in the cost pool entitled 1CANCMMP. If you cannot confirm, please explain.
- D. Please confirm that in Docket No. R2001-1, USPS witness Miller treated the costs for 1CANCMMP as workshare-related but fixed. If you cannot confirm, please explain.
- E. Please explain the relationship between the cost pool entitled 1CANCEL that you incorporate in this case, and the cost pool entitled 1CANCMMP that was used in the previous two cases.
- F. Please confirm that in this case, you have treated the costs associated with 1CANCEL as non-workshare related. If you cannot confirm, please explain.
- G. How did the Commission handle this cost pool in its Docket No. R2000-1 Opinion?
- H. Please explain why your handling of this cost pool is (1) different from the way the Commission handled 1CANCMMP in Docket No. R2000-1 and (2) different from the way USPS witness Miller handled 1CANCEL in Docket No. R2001-1.

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Response to MMA/USPS-T21-30:

- A. Confirmed. Witness Miller followed the PRC approach from R97-1.
- B. Confirmed.
- C. Confirmed. For more details, please refer to Docket No. R2001-1, USPS-T22.
- D. Confirmed.
- E. The 1CANCMMP cost pool has been separated into two, 1CANCEL and 1MTRPREP cost pools.
- F. I anticipate filling errata next week which will, among other things, reclassify this cost pool as worksharing related fixed.
- G. In R2000-1, the PRC classified 1CANCMMP as worksharing related fixed.
- H. Please see my response to part F.

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MMA/USPS-T21-31

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service has eliminated certain cost pools because such cost pools allegedly do not vary as a result of worksharing.

- A. Please confirm the non-workshare related unit costs presented by the Postal Service for the last three rate cases, as shown in the table on the following page.

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify all information of record in R2005-1 you believe supports your correction, and specify and provide a copy of any information not in the R2005-1 record that you believe supports your correction.

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| First Class Non-Worksharing Related CRA Mail Processing Costs (Cents) (USPS Costing Method) | | | | | | | | | | |
|--|--|---|---------------|--|---|---------------|--|---|---------------|--------------|
| Cost Pools | Docket No. R2005-1 | | | Docket No. R2001-1 | | | Docket No. R2000-1 | | | |
| | BMM Non Work- Sharing Related | Auto Non Work- Sharing Related | BMM - Auto | BMM Non Work- Sharing Related | Auto Non Work- Sharing Related | BMM - Auto | BMM Non Work- Sharing Related | Auto Non Work- Sharing Related | BMM - Auto | |
| MODS 12 | FSM 100 | 0.037 | 0.003 | 0.034 | | | | | | |
| MODS 12 | FSM/ | 0.000 | 0.000 | 0.000 | 0.027 | 0.006 | 0.021 | | | |
| MODS 12 | FSM/1000 | 0.027 | 0.004 | 0.023 | 0.012 | 0.002 | 0.011 | 0.040 | 0.009 | 0.031 |
| MODS 13 | MECPARC | 0.000 | 0.000 | 0.000 | 0.001 | 0.001 | 0.000 | 0.001 | 0.000 | 0.001 |
| MODS 13 | SPBS OTH | 0.026 | 0.001 | 0.024 | 0.016 | 0.005 | 0.010 | 0.016 | 0.008 | 0.007 |
| MODS 13 | SPBSPRIO | 0.002 | 0.001 | 0.001 | 0.006 | 0.002 | 0.005 | 0.001 | 0.001 | 0.000 |
| MODS 13 | 1SACKS_M | 0.000 | 0.012 | -0.012 | 0.038 | 0.015 | 0.023 | 0.035 | 0.019 | 0.016 |
| MODS 13 | 1TRAYSRT | 0.166 | 0.157 | 0.009 | | | | | | |
| MODS 14 | MANF | 0.021 | 0.002 | 0.019 | 0.022 | 0.003 | 0.019 | 0.020 | 0.002 | 0.017 |
| MODS 14 | MANP | 0.014 | 0.005 | 0.010 | 0.005 | 0.001 | 0.004 | 0.003 | 0.002 | 0.001 |
| MODS 14 | PRIORITY | 0.005 | 0.007 | -0.002 | 0.006 | 0.002 | 0.005 | 0.004 | 0.001 | 0.003 |
| MODS 17 | 1CANCEL | 0.270 | 0.013 | 0.256 | | | | | | |
| MODS 17 | 1DISPATCH | 0.159 | 0.074 | 0.085 | | | | | | |
| MODS 17 | 1FLATPRP | 0.007 | 0.001 | 0.007 | | | | | | |
| MODS 17 | 1OPTRANS | 0.086 | 0.033 | 0.053 | | | | | | |
| MODS 17 | 1SACKS_H | 0.006 | 0.012 | -0.006 | 0.103 | 0.043 | 0.060 | 0.103 | 0.053 | 0.050 |
| MODS 17 | 1SCAN | 0.046 | 0.038 | 0.008 | 0.040 | 0.018 | 0.022 | 0.041 | 0.021 | 0.020 |
| MODS 18 | BUSREPLY | 0.014 | 0.002 | 0.012 | 0.012 | 0.001 | 0.010 | 0.007 | 0.004 | 0.003 |
| MODS 18 | EXPRESS | 0.007 | 0.001 | 0.005 | 0.007 | 0.001 | 0.006 | 0.0013 | 0.000 | 0.001 |
| MODS 18 | MAILGRAM | 0.003 | 0.002 | 0.001 | 0.000 | 0.000 | 0.000 | 0.0000 | 0.000 | 0.000 |
| MODS 18 | REGISTRY | 0.013 | 0.001 | 0.012 | 0.013 | 0.001 | 0.012 | 0.0143 | 0.001 | 0.014 |
| MODS 18 | REWRAP | 0.015 | 0.001 | 0.014 | 0.015 | 0.002 | 0.013 | 0.008 | 0.003 | 0.005 |
| MODS 18 | 1EEQMT | 0.030 | 0.010 | 0.019 | 0.026 | 0.005 | 0.021 | 0.031 | 0.012 | 0.018 |
| MODS 19 | INTL ISC | 0.017 | 0.001 | 0.016 | 0.017 | 0.004 | 0.014 | 0.006 | 0.002 | 0.004 |
| MODS 19 | PMPCS | 0.006 | 0.002 | 0.004 | | | | | | |
| MODS 48 | LD48 EXP | | | | 0.000 | 0.000 | 0.000 | | | |
| MODS 48 | LD48_SSV | | | | 0.020 | 0.010 | 0.010 | 0.022 | 0.009 | 0.013 |
| MODS 99 | 1SUPP_F1 | | | | 0.131 | 0.040 | 0.091 | | | |
| MODS 99 | 1SUPP_F4 | | | | 0.311 | 0.062 | 0.249 | | | |
| | 1CANCMMP | | | | | | | 0.000 | 0.025 | -0.025 |
| | 1PLATFRM | | | | | | | 0.761 | 0.293 | 0.468 |
| | 1SUPP F1 | | | | | | | 0.116 | 0.039 | 0.077 |
| | 1SUPP F4 | | | | | | | 0.290 | 0.070 | 0.221 |
| | ALLIED | | | | | | | 0.435 | 0.185 | 0.250 |
| MODS Subtotal | | 0.977 | 0.385 | 0.593 | 0.829 | 0.224 | 0.606 | 1.955 | 0.760 | 1.195 |
| NON MODS | MANF | 0.027 | 0.005 | 0.022 | 0.008 | 0.002 | 0.006 | 0.006 | 0.000 | 0.006 |
| NON MODS | MANP | 0.006 | 0.003 | 0.003 | 0.003 | 0.001 | 0.002 | 0.001 | 0.000 | 0.000 |
| NON MODS | MISC | 0.450 | 0.123 | 0.326 | 0.197 | 0.080 | 0.117 | 0.171 | 0.079 | 0.093 |
| NON MODS | REGISTRY | 0.072 | 0.003 | 0.070 | 0.023 | 0.006 | 0.017 | 0.008 | 0.003 | 0.005 |
| Non MODS Subtotal | | 0.555 | 0.134 | 0.421 | 0.231 | 0.088 | 0.142 | 0.186 | 0.082 | 0.104 |
| Total | | 1.532 | 0.519 | 1.014 | 1.060 | 0.312 | 0.748 | 2.141 | 0.842 | 1.299 |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

| | | | |
|--|----------------------|----------------------|----------------------|
| | Source: USPS LR-K-53 | Source: USPS LR-J-53 | Source: USPS LR-I-81 |
|--|----------------------|----------------------|----------------------|

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-31 continued:

- B. For each the following cost pools, please explain why the unit costs are always higher for BMM (single piece metered mail), compared to workshare letters for each of the three rate cases:
1. FSM/1000
 2. SPBS OTH
 3. MANF
 4. MANP
 5. 1OPTRANS
 6. 1SCAN
 7. BUSREPLY
 8. REGISTRY
 9. REWRAP
 10. 1EEQMT
 11. INTL ISC
 12. Non MODS MANF
 13. Non MODS MISC
 14. Non MODS REGISTRY

Response:

- A. I anticipate filing revisions to my model next week which will move the MODS 17 1CANCEL cost pool from nonworksharing to worksharing fixed.
- B. We do not actually have costs for BMM letters at the cost pool level. The costs are for all metered letters and may be overstated.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-32

The following questions concern the effect that volume has on workshare cost savings. Please answer the questions based on your experience and knowledge of Postal worksharing operations. Please assume that a High Volume workshare mailer sends out at least 5 million pieces per month, whereas a small workshare mailer sends at least 500 pieces, but not more than 2,500 pieces in a given mailing.

- A. Do you agree that the volume presented to the Postal Service for any given mailing impacts the cost savings realized by the Postal Service? If you do not agree, please explain.
- B. Please confirm that a small workshare mailer performs only the workshare functions listed in MMA/USPS-T21-14 and does not perform any of the worksharing functions listed in Interrogatory MMA/USPS-T21-12 (Parts A-C) that are performed by a High Volume workshare mailer. If you cannot confirm, please explain.
- C. Please confirm that plant loading saves the Postal Service more money on a per-piece basis than the Postal Service would save if the High Volume mailer brought all its mail to the USPS' loading dock or BMEU. If you cannot confirm, please explain why the Postal Service would offer plant loading service if it did not save money on a per piece basis.
- D. Please confirm that the deployment of Postal One saves the Postal Service more money than the Postal Service saves by having mailers fill out paperwork necessary to qualify for workshare discounts. If you cannot confirm, please explain.
- E. Please confirm that current rates for High Volume workshare mailers and Low Volume workshare mailers are identical (as long as the degree of presort is the same) and that such rates are unrelated to volume. If you cannot confirm, please explain.

Response:

A-E. I cannot agree or disagree nor confirm or not confirm these statements. Please refer to my response to MMA/USPS-T21-21.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-34

Please refer to your model-derived unit costs for BMM and Automation Mixed AADC Automation Letters (MAADC), as shown in Library Reference LR-USPS-K-48, file LR-K-48FCLTRS, pages 3,4,7,8.

- A. Does it seem reasonable to you that compared to BMM, Workshared MAADC letters should have more readable addresses (addresses in the correct location, no conflict with colors, simple font), more reliable addresses (fewer UAA pieces), better addresses (full and correct), more likely to be machinable, (correct stiffness, not flimsy, square corners, no enclosures), and are prebarcoded so as to completely bypass the RBCS operation? If not, please explain.
- B. Does it seem reasonable to you that the unit costs for the Postal Service to process non-workshared BMM should be more than to process Workshared MAADC letters? If not, please explain.
- C. Please confirm that, according to your models (before application of the CRA Proportional Factors), the unit costs to process BMM and MAADC letters are 4.461 and 4.532, respectively? If you cannot confirm, please explain.
- D. Please confirm the following unit cost figures in cents, as taken from your library reference.

| Operation Category | BMM | MAADC | BMM - MAADC |
|---------------------------|--------------|--------------|--------------------|
| Outgoing RBCS | 1.153 | | 1.153 |
| Other Outgoing | 0.368 | 0.932 | -0.564 |
| Incoming Primary | 0.970 | 1.472 | -0.502 |
| Incoming Secondary | 1.971 | 2.128 | -0.158 |
| Total | 4.461 | 4.532 | -0.070 |

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

- E. Please explain why, according to your model, MAADC letters incur (1) higher incoming primary sortation costs, and (2) higher incoming secondary sortation costs than BMM letters?
- F. Please confirm that after applying your CRA Proportional Factor, your BMM model-derived unit cost is increased from 4.461 to the CRA-derived unit cost of 6.5756. If you cannot confirm, please explain.
- G. Please confirm that after applying your CRA Proportional Factor, your MAADC model-derived unit cost is decreased from 4.532 to the CRA-derived unit cost of 3.2213. If you cannot confirm, please explain.
- H. Do you believe that the cost of the outgoing RBCS operation, as depicted in your model for BMM letters, is understated? If so, by how much? If not, why not?

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-34 continued:

- I. Please confirm that the DPS percentages that you derived for BMM and MAADC letters are 82.14% and 79.57%, respectively. If you cannot confirm, please provide the correct percentages and explain how they were derived or obtained.
- J. Please explain why it is reasonable that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters, in view of the fact that MAADC must be machinable by definition whereas BMM letters are not required to be machinable.
- K. Please confirm that the model-derived DPS percentages are based entirely upon the mail flow depicted in the derivation of your model-derived unit costs. If you cannot confirm, please explain what the model-derived DPS percentages are based upon.
- L. Please explain why you adjusted the BMM model-derived unit cost upward and the MAADC model-derived unit cost downward, according to your derived CRA Proportional Factors, but made no attempt to adjust model-derived DPS percentages.
- M. Please confirm that it is important to derive accurate DPS percentages because the DPS percentages were provided to USPS witness Kelley, who, in turn, relied upon your DPS percentages to compute the unit delivery cost savings due to worksharing. If you cannot confirm, please explain.

Response:

- A. BMM has been used as the benchmark because of its similarities to workshared mail. Mixed AADC mail would be more likely to be barcoded.
- B. These two types of mail go through different processes so I would not expect the costs to be identical. That is why the hybrid cost approach to the cost model is used.
- C. Not confirmed. The BMM revised model cost is 4.454 cents and MAADC revised model cost is 4.543 cents. I anticipate filing errata revising my model next week.
- D. Not confirmed. The revised BMM model cost is now 4.454 cents. I anticipate filing errata revising my model next week.
- E. This comparison is not meaningful in the context of hybrid cost model. Furthermore, the BMM cost model is not used to calculate the worksharing related savings estimates.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS-T-34 continued:

- F. Not confirmed. The BMM CRA unit cost is now 6.476 cents. I anticipate filing errata revising my model next week. I do not use the CRA proportional adjustment factors in my analysis.
- G. Not confirmed. The decrease will be 3.2119.
- H. No. The cost models are a simplified representation of reality and reflect the best data available.
- I. Confirmed.
- J. Please refer to my responses to parts A and B. These figures reflect the full array of inputs into the cost models and are very similar.
- K. Confirmed, however, the various other inputs are what affect the model cost estimates. The DPS percentages are only the results of those inputs.
- L. I am not familiar with any data that I could use to make such adjustments.
- M. Confirmed that these percentage estimates are the best available and are used to deaverage delivery costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-35

Please refer to your Automation Letter summary, as shown in Library Reference LR-USPS-K-48, file LR-K-48FCLTRS, and page 5.

- A. Please confirm that, in order to derive the CRA Proportional Cost Factor for First-Class Automation letters, you have assumed that 7.82% of the letters destinate at “CSBCS/Manual offices.” If you cannot confirm, please explain.
- B. Please confirm that letters requiring an incoming secondary sortation at “CSBCS/Manual offices” incur additional costs not because of reduced worksharing, but because the Postal Service does not have the necessary automation equipment in place to capture possible cost savings. If you cannot confirm, please explain.
- C. What percent of BMM letters destinate at “CSBCS/Manual offices”?
- D. What percent of single piece metered letters destinate at “CSBCS/Manual offices”?
- E. What percent of BMM letters do you assume will destinate at “CSBCS/Manual offices” in your BMM

Response:

- A. Confirmed.
- B. Confirmed that CSBCS offices have different equipment than do non-CSBCS offices.
- C. This data are not available.
- D. This data are not available
- E. This data are not available.