

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

POSTAL RATE AND FEE CHANGES

Docket No. R2005-1

**Major Mailers Association's Sixth Set Of
Interrogatories And Document Production Requests To United States
Postal Service Witness Abdulkadir M. Abdirahman (MMA/USPS-T21-55-71)
(May 18, 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 Witness Abdulkadir M. Abdirahman (MMA/USPS-T21-55-71).

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
May 18, 2005**

MMA/USPS-T21-55

Please refer to your response to Interrogatory MMA/USPS-T21-12, which sought information regarding your knowledge of specific enumerated workshare activities performed by a High Volume (HV) First-Class workshare mailer (defined as a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month). In your response, you state “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 [sic] activities.”

- A. Please explain how you can possibly provide accurate estimates of postal cost savings due to worksharing if you do not understand nor are you familiar with the specific requirements, in addition to those listed in postal regulations, that comprise worksharing?
- B. Please explain your view of how changes in technology have changed the nature and extent of mailer worksharing over the past ten years.
- C. Please explain how your workshare cost savings methodology focuses on the appropriate cost drivers that are affected by worksharing as it existed in FY 2004 or will exist in TY 2006.

MMA/USPS-T21-56

Please refer to your response to MMA/USPS-T21-13. Your answer does not seem responsive to the original question MMA posed to you. For **each** of the activities listed in Interrogatory MMA/USPS-T21-12, please state whether the task would have to be performed by Postal Service employees if HV First-Class mailers did not perform the task. For purposes of this interrogatory, please assume that HV First-Class mailers do in fact perform all of the tasks listed in Interrogatory MMA/USPS-T21-12. For purposes of clarity, please reproduce all the activities listed in Interrogatory MMA/USPS-T21-12 A-C. Please place a check mark before each task that Postal Service employees would have to perform if HV First-Class mailers did not perform the task. If there are any tasks that you do not check, please explain separately for each specific task why Postal Service employees would not have to perform that task.

MMA/USPS-T21-57

In your response to Interrogatory MMA/USPS-T21-12, you state “[m]y responsibility is to consider the costs to the Postal Service of different types of mail prepared in accordance with postal regulations.” In your responses to Interrogatories MMA/USPS-T21-14 and 33, you claim that you are not familiar with the manner in which Low Volume (LV) First-Class mailers prepare their mail. (Note that Interrogatory MMA/USPS-T21-14 defined a LV First-Class workshare mailer as 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. According to Postal regulations, are LV First-Class mailers required to present their letters in trays? If no, please explain.
- B. According to Postal regulations, are LV First-Class mailers required to bring their letters to the local post office for acceptance at a window, BMEU or postal loading dock? If no, please explain.
- C. Do you have any reason to believe that LV First-Class mailers are not meeting the requirements necessary to qualify for workshare discounts? If yes, please explain.
- D. In view of your work experience described in response to Interrogatory MMA/USPS-T21-11A and your apparent knowledge of postal regulations, please explain why you do not have the necessary expertise to answer the original question posed to you in Interrogatory MMA/USPS-T21-14, which asked you to confirm that LV First-Class mailers trayed their mail and tendered it to the Postal Service.

MMA/USPS-T21-58

Please refer to your response to MMA/USPS-T21-15 where you claim that you are not familiar with the manner in which workshare First-Class mailers prepare their mail. Please assume hypothetically that HV First-Class mailers perform all

of the tasks listed in Interrogatory MMA/USPS-T21-12 and that LV First-Class mailers performed only those tasks listed in Interrogatory MMA/USPS-T21-14.

- A. Is it reasonable that Postal Service employees would have to perform all of the tasks listed in Interrogatory MMA/USPS-T21-12, except those listed in Interrogatory MMA/USPS-T21-14 for letters sent out by LV First-Class workshare mailers? If not, please explain.
- B. Do you have any reason to suspect that the assumptions you were asked to make do not represent the real world operations of HV and LV First-Class workshare mailers? If yes, please explain.

MMA/USPS-T21-59

Please refer to your response to Interrogatory MMA/USPS-T21-23 where you agree that worksharing saves transportation under certain circumstances. You did not mention whether transportation costs are saved when (1) mailers presort pallets of letters destined to a particular area, or (2) mailers presort trucks of letters destined to a particular area, and the plant loaded trucks are then sent directly to a HASP or airport, bypassing intermediate facilities where cross docking might be necessary.

- A. When HV First-Class mailers perform the tasks described above, are transportation costs saved? If not, please explain.
- B. In your response to Interrogatory MMA/USPS-T21-24, you have already confirmed that your workshare cost savings methodology does not include any such savings. Please explain why the Postal Service in general, and you specifically, did not take such savings into account in determining workshare cost savings.

MMA/USPS-T21-60

Please refer to your response to MMA/USPS-T21-27C where you were asked about regulations that require BMM to meet machinability requirements.

- A. Please explain how the machinability requirements for BMM differ, if at all, from the machinability requirements for First-Class automation letters.

- B. Is it your testimony that 100% of BMM is machinable by definition? If so, please provide all information you believe supports that claim.
- C. In your answer, you indicate that you use the costs for metered mail as a proxy for BMM, some of which are not machinable. Please provide your best estimate as to the percentage of metered mail that is not machinable.
- D. Please confirm that in BY 2004, 509 million or only about 1% of First-Class single piece letters paid the nonmachinable surcharge. If you cannot confirm, please explain.

MMA/USPS-T21-61

Please refer to your response to Interrogatory MMA/USPS-T21-30 where you indicate that the old cost pool 1CANCMMP was replaced by two new cost pools, 1CANCEL and 1MTRPREP.

- A. Please confirm that the BMM cost pool for 1CANCMMP for TY 2003 in R2001-1 was .668 cents, yet the TY 2006 BMM costs for 1CANCEL and 1MTRPREP combined in this case are only .37 cents. If you cannot confirm, please provide the correct costs and the sources for them.
- B. What is the reason for this decline?
- C. Please confirm that the automation cost pool for 1CANCEL in this case is .013 cents. If you cannot confirm, please explain.
- D. Please explain why Automation letters should incur any costs reported by the 1CANCEL cost pool.

MMA/USPS-T21-62

Please refer to your response to MMA/USPS-T21-31B where you were asked to explain why in the last three cases the unit costs for “BMM (single piece metered mail)” for the following cost pools are always higher than the unit costs for workshare letters:

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

You failed to answer the original interrogatory claiming that the Postal Service does not actually have costs for BMM letters at the cost pool level, even though you use single piece metered mail costs as a proxy for BMM. Please answer the original question with respect to the costs of single piece metered mail letters, the costs of BMM letters, or however you prefer to characterize the costs.

MMA/USPS-T21-63

Please refer to your response to MMA/USPS-T21-34A. You failed to confirm 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). Please provide the specific basis for your conclusion that, as compared with workshared MAADC letters, BMM will not suffer from any of the extra cost-causing deficiencies described above. Please cite all regulations that BMM must meet to ensure that BMM suffers from none of these deficiencies.

MMA/USPS-T21-64

Please refer to your response to MMA/USPS-T21-34B. You failed to answer the question posed: “[d]oes 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?” In your response, you stated your belief that the costs for BMM and workshared MAADC letters should not be identical because

they go through different operations but you failed to indicate whether BMM letters should have a *higher* unit processing cost than workshared MAADC letters. Please provide your expert opinion on the specific question posed to you.

MMA/USPS-T21-65

Please refer to your response to MMA/USPS-T21-34E. In your response you claim that it is “not meaningful in the context of hybrid cost model” to compare your model results for BMM letters with the results for workshare MAADC letters. You also state that the BMM cost model is not used to calculate the worksharing related savings estimates.

- A. Please explain what you mean by a “hybrid cost model”.
- B. Please confirm that, notwithstanding any errata that you may file, the BMM model-derived unit cost is less than the MAADC model-derived unit cost and that such a result is the opposite of what you might expect. If you cannot confirm, please explain.
- C. Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you did provide a CRA Proportional Factor, based on that BMM cost model, to USPS witness Hatcher. If you cannot confirm, please explain.
- D. Please confirm that USPS witness Hatcher utilized the CRA Proportional Factor that you provided to adjust her model-derived unit costs for hand-addressed and QBRM letters. If you cannot confirm, please explain.
- E. Please confirm that, while BMM letters and Hand addressed letters require the Postal Service to spray on barcodes in the RBCS operation, QBRM letters completely bypass the RBCS operation because they are required to be prebarcoded by postal regulation. If you cannot confirm, please explain.
- F. Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you used the

BMM CRA Proportional Factor in your analysis of nonmachinable costs. If you cannot confirm, please explain.

MMA/USPS-T21-66

Please refer to your response to MMA/USPS-T21-34H where you state your belief that your models do not understate actual RBCS costs because “the cost models are a simplified representation of reality and reflect the best data available.”

- A. What sensitivity studies or other tests, if any, have you performed that lead you to conclude that the model’s derived costs for the RBCS operation are not understated?
- B. Please explain the basis for your conclusion that the data subsumed in the derivation of RBCS costs are the “best data available”.
- C. If, as you state, the models reflect the “best data available”, please explain how this alleged fact can prevent the model from understating the actual RBCS costs?
- D. Please confirm that, as shown in the following summary table provided for your review, in all of the Postal Service models since R97-1 where mail is entered at the RBCS operation, the model-derived unit costs are lower than the CRA-derived unit costs. If you cannot confirm, please provide the correct costs and explain.

Docket No.	Model	Model-Derived Unit Cost (Cents)	CRA-Derived Unit Cost (Cents)	Model Understatement (Cents)
R2005-1	BMM	4.46	6.58	2.11
	Non-AUTO	8.20	10.80	2.60
R2001-1	BMM	4.28	6.45	2.17
	Non-AUTO	6.62	9.89	3.27
R97-1	BMM	5.27	6.98	1.71

- E. If you confirm part D, please explain why this fact does not support a conclusion that the model consistently and reliably understates RBCS costs.

MMA/USPS-T21-67

Please refer to your response to Interrogatory MMA/USPS-T21-34J where you failed to 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.” From either a theoretical or a practical point of view, is it reasonable to expect that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters? If so, please explain.

MMA/USPS-T21-68

Please refer to your response to MMA/USPS-T21-34L. You indicate that you could not reconcile your derived DPS %'s because you are “not familiar with any data that I could use to make such adjustments”.

- A. Do you believe that it would have added a significant degree of confidence to your results had you been able to reconcile your derived DPS %'s in any way to actual data? If no, please explain.
- B. Please explain fully what kind of information you would have needed in order to reconcile your derived DPS %'s to actual DPS %'s.
- C. Did you make any attempt whatsoever to obtain actual information with which to compare your derived DPS %'s in order to judge the reasonableness of your model results? If yes, please provide a complete explanation of what you did and any documents that were produced by or for you in connection with that effort. If you did not attempt to obtain any actual information, please explain why you did not do so.
- D. What is the overall DPS % for all letter-shaped mail?
- E. Do you agree that the DPS % for all nonmachinable letters is zero. If not, please explain.
- F. If the Postal Service knows the DPS % for all letter-shaped mail, why could you not de-average this total into an average DPS % for machinable letters and nonmachinable letters and use that average DPS % to reconcile your model-derived average DPS %?

MMA/USPS-T21-69

In your response to Interrogatory MMA/USPS-T21-34M you seem to disagree that USPS witness Kelley used your DPS %'s to derive unit delivery cost savings due to worksharing. Do you agree that the purpose of USPS witness Kelley's delivery cost study, which utilized your DPS %'s to de-average unit delivery costs for various rate categories, was to provide you with the unit delivery costs for each workshare rate category, including all eight sub-categories of non-automation presorted letters, so that you could estimate delivery cost savings that result *strictly* from worksharing? If no, please explain why you would bother incorporating delivery costs as part of your study of workshare cost savings.

MMA/USPS-T21-70

In your response to Interrogatory MMA/USPS-T21-35E, you were asked whether you had made an implicit assumption regarding the amount of BMM that will destinate at CSBCS/Manual offices. Your answer -- that this data are not available -- is not responsive to MMA's question. When comparing the derived workshare-related unit costs for each Automation rate category to your benchmark BMM, how did you specifically account for the additional costs or the reduced costs subsumed in your BMM workshare-related unit cost associated with CSBCS/Manual offices? If you did nothing, then how do you know that the derived unit cost differences result from worksharing and not from the fact that more or fewer BMM letters than for automation letters are processed for delivery at CSBCS/Manual offices?

MMA/USPS-T21-71

Please refer to your response to Interrogatory MMA/USPS-T21-11B, which sought general information about the nature and extent of your knowledge of how High Volume (HV) First-Class workshare mailers (defined as mailers that mail on their own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month) operate. In your response, you refer a tour of one mailer's facility that took place on October 20, 2004 in Boulder. Please indicate whether

the mailer in question is an HV First-Class workshare mailer and provide a complete narrative description of the tour, including the approximate length of the tour, and everything you saw, asked, and were told, during that tour. Please indicate whether the mailer palletized its trays, utilized Postal One, or provided “special” separations to meet the specific requests of local postal officials. In addition, please explain the purpose of your trip to Boulder and the particular mailer’s facility. Finally, please provide details regarding any other postal or mailer facilities you visited during the referenced trip.