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

POSTAL RATE AND FEE CHANGES, 2005   )   Docket No. R2005-1

AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
ADDITIONAL INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
<u>WITNESS ABDULKADIR M. ABDIRAHMAN (ABA&NAPM/USPS-T21-37-54)</u>
(May 20, 2005)

       Pursuant to sections 26 and 27 of the Postal Rate Commission rules of practice, American Bankers Association and National Association of Presort Mailers hereby submit these joint interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

       If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

       Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient workpapers so that it is possible for a third party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

                Respectfully submitted,

                AMERICAN BANKERS ASSOCIATION
                NATIONAL ASSOCIATION OF PRESORT MAILERS

Henry A. Hart, Esq.
Reed Smith LLP
1301 K Street N.W.
Suite 1100 - East Tower
Washington, DC 20005
Ph: 202-414-9225
Fax: 202-414-9299
Counsel for National Association
  of Presort Mailers

Irving D. Warden
 Assoc. General Counsel
American Bankers Association
1120 Connecticut Ave., NW
Washington, DC 20036
Ph: 202-663-5027
Fax: 202-828-4548
Counsel for American Bankers
  Association

May 20, 2005
Washington, D.C.

ABA&NAPM/USPS-T21-37. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 1 of 4, please respond to the following:

    a. For MODS 11 BCS/, why have unit costs for bar code sorting gone down for a First Class presort automated letter from 1.17 cents in R2000-1 to 0.10 cents in R2005-1?

    b. If the new MODS category in R2005-1, MODS 11 BCS/DBCS, is a unit cost measurement that applies to the overwhelming majority of First Class presort automated letters, then is the cost difference between R2000-1 and R2005-1 the difference between the old MODS number of 1.17 cents and the new MODS 11 category number of 0.98 cents? Please fully explain your answer, and list the percentages of FCLM automation presort that are measured using the old MODS 11 category and the new MODS 11 category for this case.

    c. If your answer to b. is "No", please provide an apples to apples comparison of how the actual unit costs for the barcoding operation for FCLM automation presort have changed since R2000-1 and R2005-1.

ABA&NAPM/USPS-T21-38. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 1 of 4, please respond to the following concerning First Class automated presort letters:

    a. What is the source or sources of the decline in unit OCR costs from 0.09 cents in R2000-1 to 0.08 cents in R2005-1?

    b. If you are still realizing dynamic efficiencies from the OCR technology, why is your capital expenditures budget replacing all OCRs with DIOSS technology over the next couple years?

    c. Please supply all operating efficiency information you have on DIOSS machinery productivity and unit costs including purchase prices in a format that is comparable to the OCR unit costs noted in a.

ABA&NAPM/USPS-T21-39. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 1 of 4, please respond to the following concerning First Class automated presort letters:

    a. The unit costs for occasionally processing letter trays on mechanized sack sorting equipment has fallen from 0.02 cents in R2000-1 to 0.01 cents in R2005-1. Does this change reflect an increase in efficiency or fewer letter trays being processing in this manner, or other factors? Please fully explain your answer.

    b. The unit costs for manually sorting these letters has fallen from 0.31 cents in R2000-1 to 0.19 cents in R2005-1. How do you reconcile the reduction in unit cost for a "manual" activity when wage rates have in fact risen between the two cases?

ABA&NAPM/USPS-T21-40. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   Please confirm that the MODS 15 LD15 activity refers to RBCS keying activities and supervision of same.

b.   Please state what the change in wage rates has been for this activity between R2000-1, R2001-1 and R2005-1.

c.   Unless there has been a reduction in wages in this manual activity, please explain why unit labor costs have fallen from 0.13 cents in R2000-1 to 0.06 cents in R2005-1. If the explanation is technological please be detailed and specific as to what specific brand name technologies have increased labor productivity in RBCS operations.

d.   If the explanation sought in c. has to do with better direct read rates for equipment installed at USPS mail processing facilities, please provide a detailed explanation linking the reduction in RBCS unit costs due to improved technology within USPS mail processing factories.

e.   Are there any remaining LMLM costs associated with the LD15 activity?

f.   Please provide the MODS hours for MODS 15 codes 383, 384, 775 and 779.

ABA&NAPM/USPS-T21-41. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", please respond to the following concerning First Class automated presort letters:

a.   What percentage of such letters is received at postal facilities for further processing on (i) rolling stocks; (2) pallets; (3) other—please specify.

b.   At postal processing facilities would you agree that the basic physical unit of output is a sleeved and banded tray, as opposed to an individual letter?

c.   Would you agree that other than collection box mail, that the basic physical unit of mail input is also a sleeved and banded tray?

d.   Do you collect, or have you collected in any special studies measurements of mail processing costs where the basic unit is a sleeved and banded tray, for example, in transportation costs? If so, please provide these studies.

ABA&NAPM/USPS-T21-42. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   For the MODS 17 1OPBULK cost pool, are the MODS hours calculated for First Class and Standard Class mail together, as might be inferred from the MODS 3 digit codes, all of which state "BBM" whether for incoming or outgoing activities?

b.   Does this activity relate mainly to non-automation presort letter operations, and if so, please explain why First Class presort automation letters have positive unit costs of 0.06 cents in R2000-1 for this activity and 0.01 cents in R2005-1.

c.   Please explain the reasons for the reduction in unit costs noted in b.

ABA&NAPM/USPS-T21-43. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   Please provide a complete definition of what the cost pool MODS 17 1OPPREF entails. For codes 110, 111, 112, 113, 114, 180-184, 343 and 344, please provide complete definitions or cite the source where such definitions are provided.

b.   Please explain what factors have caused the unit costs for this cost pool to decline from 0.21 cents in R2000-1 to 0.15 cents in R2005-1?

ABA&NAPM/USPS-T21-44. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   For the MODS 17 activity 1PLATFRM, please explain why unit costs have gone up since R2000-1, from 0.29 cents to 0.30 cents.
b.   What distinctive factors associated with platform activities have caused this cost pool to increase, when many other cost pools have decreased?
c.   For MODS codes 210-234 and 351, 352 and 454, please provide complete definitions or cite the source where such definitions are provided.
d.   Is the lack of progress in controlling costs in this MODS cost pool due to major redundancies in the Postal Service's distribution infrastructure, for example, sending mail through intermediate facilities rather than directly to SCF's.
e.   Do you have a breakdown of MODS productivities and unit costs for this operation as between BMC's, ADC's, AADC's, SCF's and other facilities which letter mail goes through. If so, please break down the overall unit platform costs and cost dynamics by type of USPS facility.
f.   Does this cost pool measure the time that workshared mail delivered to a USPS facility remains on the dock, or otherwise idle, before being broken down and processed further at the USPS facility or grouped for dispatch to another facility?
g.   If your answer to f. is other than an unequivocal "yes", please explain how this downtime is costed, in what cost pool(s) it is found, and what the measurement of it is by three digit MODS code(s).

ABA&NAPM/USPS-T21-45. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   Please provide a complete definition of what the cost pool MODS 17 1POUCHING entails. For codes 120-129, 208, 209 and 345 please provide complete definitions or cite the source where such definitions are provided.
b.   Please explain why unit costs have fallen for this activity from 0.14 cents in R2000-1 to 0.01 cent in R2005-1.

ABA&NAPM/USPS-T21-46. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 2 of 4, please respond to the following concerning First Class automated presort letters:

a.   For the MODS 17 activity 1SCAN, please explain why the unit costs have doubled since R2000-1 from 0.02 cents per piece to 0.04 cents per piece.
b.   Since this air transport activity does not involve piece distribution activities, please explain how you arrive at a per-piece unit cost.
c.   Please explain fully how POSTAL ONE affects this MODS category and provide any data you may have which distinguishes pre- from post- POSTAL ONE unit costs for this cost pool.

ABA&NAPM/USPS-T21-47. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 3 of 4, please respond to the following concerning First Class automated presort letters:

a.   In defining the costs related to computerized forwarding systems (CFS), namely cost pool MODS 49 LD49, in response to an ABA/NAPM interrogatory in R2000-1, the Postal Service stated "First Class presort mailers are required to meet strict addressing standards. However, these costs are not included in the cost models." Please confirm that whether or not the Postal Service includes such costs in their cost models, the presort mailers costs avoid these costs for the Postal Service.

b.   Consider a hypothetical mail processing - related, transportation - related, cost incurred by presort mailers that, were it not incurred by them, would be incurred by the Postal Service. Assume further that the Postal Service does not measure this cost or define it in a cost pool because in fact it does not have to engage in the activity since presort mailers are. Please confirm that such an activity would be an avoided cost for the Postal Service.

c.   Please confirm that if the presort industry supplied the Postal Service or the Commission with essentially MODS productivities for such activities, an adjustment for USPS wage rates could be applied to the productivity data and unit costs avoided estimated.

d.   Please explain the reduction in unit costs for this activity that are measured by the Postal Service, from 0.22 cents in R2000-1 to 0.13 cents in R2005-1.

ABA&NAPM/USPS-T21-48. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 3 of 4, please respond to the following concerning First Class automated presort letters:

a.   Please provide a complete definition for MODS 79 LD79 and all three-digit MODS codes within that cost pool.

b.   Please explain why unit costs in this area have more than quadrupled between R2000-1 and R2005-1, from 0.02 cents to 0.09 cents for FCLM automation presort, and have increased by ten times for metered mail and more than doubled for single piece mail.

ABA&NAPM/USPS-T21-49. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 3 of 4, please respond to the following concerning First Class automated presort letters:

a. Please provide a detailed and complete list of the support activities that constitute MODS 99 1SUPP F1. Provide a sufficient definition for each so that it is clear as to what each activity entails.

b. Please explain why unit costs for this cost pool nearly tripled between R2000-1 and R2005-1, from 0.04 cents to 0.11 cents.

ABA&NAPM/USPS-T21-50. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 4 of 4, please respond to the following concerning First Class automated presort letters:

a.　　Please provide a detailed list of the allied and platform activities that constitute the NONMODS ALLIED cost pool. Provide a sufficient definition for each so that it is clear as to what each activity entails.

b.　　Please explain how you calculate a per piece unit cost for this activity since you stated in response to an ABA/NAPM interrogatory in R2000-1 that it "does not involve piece distribution".

c.　　What is the volume percentage of First Class automated presort mail that enters this cost pool? Of FCLM metered mail? Of FCLM single piece mail?

d.　　Why have unit costs in this activity increased from 0.19 cents in R2000-1 to 0.27 cents in R2005-1? Why have they doubled for metered mail, from 0.44 cents to 0.88 cents and almost doubled for single piece mail, from 0.54 to 0.90 cents?

e.　　Is the lack of progress in controlling costs in this NONMODS cost pool due to major redundancies in the Postal Service's distribution infrastructure, for example, sending mail through intermediate facilities rather than directly to SCF's.

f.　　Do you have a breakdown of NONMODS productivities and unit costs for this operation as between BMC's, ADC's, AADC's, SCF's and other facilities which letter mail goes through. If so, please break down the overall unit platform costs and cost dynamics by type of USPS facility.

g.　　Does this cost pool measure the time that workshared mail delivered to a USPS facility remains on the dock, or otherwise idle, before being broken down and processed further at the USPS facility or grouped for dispatch to another facility?

h.　　If your answer to e. is other than an unequivocal "yes", please explain how this downtime is costed, in what cost pool(s) it is found, and what the measurement of it is.

ABA&NAPM/USPS-T21-51. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 4 of 4, please respond to the following concerning First Class automated presort letters:

a.　　Please provide a detailed list of the automation and mechanization activities that constitute the NONMODS AUTO/MECH cost pool. Provide a sufficient definition for each so that it is clear as to what each activity entails.

b.　　The unit costs are identical at 0.20 cents as between R2000-1 and R2005-1 for the NONMODS AUTO/MECH activity, whereas in MODS facilities corresponding automation activities appear to have experienced reduced costs. Please explain why these costs have remained the same at NONMODS facilities.

ABA&NAPM/USPS-T21-52. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 4 of 4, please respond to the following concerning First Class automated presort letters:

a.　　Please explain why unit costs between R2000-1 and R2005-1 have dropped in the NONMODS MANL cost pool for single piece and automated presort letters in First Class, but has increased for metered letters. What are the differences in manual activities applied to each type of mail that would account for this?

b.　　What has been the change in the craft wage associated with this cost pool between R2000-1 and R2005-1?

c.   Please explain all factors that have led to the changes in unit costs for each of the types of mail noted in a., in particular why they have in the case of single piece and automation presort letters offset the presumed wage increase noted in your answer to b.

ABA&NAPM/USPS-T21-53. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 4 of 4, please respond to the following concerning First Class automated presort letters:

a. Please provide a detailed list of the "miscellaneous support" activities that constitute the NONMODS MISC cost pool. Provide a sufficient definition for each so that it is clear as to what each activity entails.
b. Please explain why these unit costs have risen from 0.08 cents to 0.12 cents for FLCM automation presort letters between R2000-1 and R2005-1, more than doubled for metered letters, and nearly doubled for single piece letters.

ABA&NAPM/USPS-T21-54. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 4 of 4, please respond to the following concerning First Class automated presort letters and other letters as noted:

a.   In the calculated total for mail processing unit costs, please explain why as between R2000-1 and R2005-1, they have gone up for metered letter mail, but have gone down for other single piece letters as well as for automation presort letters.
b.   In light of what clearly appears to be aberrant cost estimates for metered mail in several cost pools and in the calculated total relative to single piece letters generally, please explain how you can, or why you would, risk using this as a benchmark for estimating costs avoided for First Class workshared mail?