

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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION
[MMA/USPS-1]

The United States Postal Service hereby provides the response of witness Robinson to the above-listed interrogatory of Major Mailers Association, filed on May 26, 2005. This institutional interrogatory has been redirected to witness Robinson for response. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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MMA/USPS-1. Please refer to the response to Interrogatory MMA/USPS-T21-16 (redirected from USPS witness Abdirahman) where you discuss the relationship of PostalOne! cost savings with workshare cost savings. You state, in part,

While PostalOne! may facilitate worksharing, installation of PostalOne! in and of itself does not consist of “worksharing.” “Worksharing” includes presortation, making mail automation compatible, and dropshipping mail closer to destination and generally involves customers performing work that the Postal Service would otherwise do. To the extent that PostalOne! customers perform worksharing activities, the costs avoided by that worksharing are incorporated in the cost avoidance models presented by witnesses Abdirahman, Miller and Mayes. However, these models do not explicitly distinguish worksharing performed by PostalOne! customers from worksharing performed by other customers.

- A. Please confirm that, to the extent PostalOne! cost savings are reflected in the mail flow models presented by USPS witnesses Abdirahman, all First-Class workshare mailers are given equal credit (on a per piece basis) for those cost savings. If you cannot confirm, please explain.
- B. If First-Class workshare mailers perform work that would ordinarily be performed by Postal employees as a result of the employment of PostalOne!, why do you not consider this a form of worksharing?
- C. If First-Class workshare mailers can dropship their mail closer to the destination saving both dock transfer and transportation costs, why do you not consider this a form of worksharing?
- D. Why is it fair and equitable to give all First-Class workshare mailers partial credit for work performed by only 38 mailers that allows the Postal Service to save significant amounts of money per year?

RESPONSE:

- A. Not confirmed. As noted in the original response, the use of PostalOne! facilitates worksharing, it is not considered worksharing, in and of itself. Witness Abdirahman estimates costs avoided when specified worksharing activities (presorting, making mail automation

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RESPONSE to MMA/USPS-1 (continued):

compatible) are performed. Avoided costs are inherently averages and not mailer-specific estimates; they do not result in adjustments to individual customer's rates based on the customer's use of PostalOne! or any other method of mail preparation. PostalOne! customers preparing presorted First-Class Mail receive the same rate discounts, given a level of worksharing, as non-PostalOne! customers.

B. Rate categories for worksharing have been proposed in prior cases based on the Postal Service's determination that mail prepared in particular ways will reduce the Postal Service's processing and other costs. While some customers may undertake activities that reduce Postal Service costs (for example, to improve service), not all of these activities are incorporated into the current workshare program.

The First-Class Mail rate structure recommended by the Postal Rate Commission in Docket No. R2001-1 did not incorporate a consideration of PostalOne! in the calculation of the First-Class Mail discounts. In this docket, the Postal Service has requested a 5.4 percent across-the-board increase in virtually all rates and fees including presorted First-Class Mail rates. The across-the-board approach maintains the current (Docket No. R2001-1) rate and classification structure, is both fair and equitable, and results in rates

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RESPONSE to MMA/USPS-1 (continued):

that meet all of the pricing criteria of the Postal Reorganization Act. As suggested by the question, one option would have been to propose a direct recognition of PostalOne! use within the First-Class Mail rate structure with the assumed result being that PostalOne! customers may have qualified for lower First-Class Mail rates. If this approach had been used, effectively, PostalOne! customers would have borne less of the escrow burden than customers who did not use PostalOne!.

Because the escrow requirement does not vary with PostalOne! use, or with mail volume, and is not based on the provision of any postal service, it would be unreasonable to propose that any of these bases be used to allocate the escrow-related increase in the revenue requirement. Given the lack of association of the escrow requirement with the provision of postal services, I do not believe that it would be fair and equitable to exempt any subclass or portion of a subclass – either partially or totally – from an equal share in this Congressionally-mandated burden. See responses to VP/USPS-T27-5(d), VP/USPS-T27-6(f)(iii), POIR No. 4, Question 3(c), and POIR 5, Question 4(c).

In a more typical omnibus rate case, the Postal Service may have considered alternate pricing and classification structures, including, possibly, some recognition of factors such as the use of PostalOne! However, it is not clear that this consideration would have

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TO INTERROGATORY OF MAJOR MAILERS ASOCIATION**

RESPONSE to MMA/USPS-1 (continued):

resulted in additional discounts for PostalOne! use. It is possible that all the benefits of PostalOne! use are already included in the cost avoidance methodology underlying the First-Class Mail discounts or that the net impact of the use of PostalOne! is so small that no change in the discount would be appropriate.

- C. To clarify, as described in the Postal Service's responses to interrogatories MMA/USPS-6 and MMA/USPS-7, any transportation savings associated with PostalOne! are not associated with the dropshipment of First-Class Mail. They typically involve redirection of mail from one local facility to another or assignment of mail to alternate transportation, and not movement of mail by customers closer to its destination. As discussed in previous dockets, the Postal Service has made a policy decision not to propose First-Class Mail dropship discounts.
- D. See response to part B.