

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

INSTITUTIONAL RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-2-9)
(June 9, 2005)

The United States Postal Service hereby files institutional responses to institutional interrogatories MMA/USPS-2-9 of Major Mailers Association, filed on May 26, 2005. Partial objections to the entire interrogatory set of MMA/USPS-1-9 were filed on June 6, 2005. MMA/USPS-1 was redirected to witness Robinson for response.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

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MMA/USPS-2. Please refer to your responses to Interrogatory MMA/USPS-T21-33 C – G (redirected from USPS witness Abdirahman) where you discuss the criteria you consider when suggesting PostalOne! for use by a First-Class workshare mailer and indicate that, as of May 12, 2005, there are 38 workshare mailers utilizing PostalOne!.

- A. Is volume the *primary* factor in the Postal Service's decision to encourage a workshare mailer to utilize PostalOne!? If not, please explain how a workshare mailer with a "low" volume could possibly provide the savings necessary to justify the expense of setting up PostalOne!
- B. How many of the 38 workshare mailers now utilizing PostalOne! elected to purchase PostalOne! directly from the vendor and are responsible for their own maintenance?
- C. How many of the 38 workshare mailers now utilizing PostalOne! have "lower volumes" and have purchased a desktop system to facilitate PostalOne!?
- D. How many total PostalOne! systems are deployed at the facilities of the 38 workshare mailers now utilizing PostalOne!?
- E. Of the total PostalOne! systems now deployed, please state how many are automated systems and how many are desktop systems.
- F. How many workshare mailers does the Postal Service estimate will utilize PostalOne! by TY 2006?
- G. How many additional workshare mailers does the Postal Service consider to be potential candidates for the automated PostalOne! system?
- H. How many First-Class workshare mailers are there?

RESPONSE:

- A. No. The Postal Service encourages mailers to participate in the PostalOne! Transportation Management program if their participation provides a positive return on investment (ROI) for the Postal Service. The factors that contribute to the ROI include volume, dispatch quality, handling, processing, collection, transportation, and other factors associated with the induction of mail, which are site specific. Because each site is evaluated separately, it is impossible to say which factor is primary. Mailers with a lower volume can provide savings

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necessary to justify the expense of setting up PostalOne! Transportation Management either by avoiding higher costs or by reducing the Postal Service investment by purchasing PostalOne! Transportation Management shipping system equipment themselves.

B – E Consistent with its objection filed on June 6, 2005, the Postal Service views the number of customers receiving Postal Service-provided PostalOne! systems to constitute customer-specific information that it cannot release.

An individual customer may have installed PostalOne! systems that were both provided by the Postal Service and purchased by the customer directly from a vendor. As of June 7, 2005, of a total of 114 deployed PostalOne! systems, 21 systems were purchased by customers and 93 were purchased by the Postal Service. Of the 93 deployed PostalOne! shipping systems purchased by the Postal Service, 36 are automated systems and 57 are desktop systems. All customers are responsible for the maintenance of PostalOne! Transportation Management systems in their facilities.

F. No estimates are available.

G. No estimates are available.

H. In FY 2004, more than 90,100 First-Class workshare mailers entered such mail.

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MMA/USPS-3. Please refer to your response to Interrogatory MMA/USPS-T21-33 H (redirected from USPS witness Abdirahman) where you failed to provide the lowest and highest mail volumes for workshare mailers who use PostalOne!. You indicate that providing the highest volume could divulge individual mailer information but failed to provide the lowest volume figure.

- A. For FY 2004, please provide the lowest annual volume mailed by a workshare mailer that used PostalOne! during the entire twelve month period.
- B. For FY 2004, please provide the average annual volume mailed by the four highest volume mailers that used PostalOne!

RESPONSE:

- A. The lowest annual volume for a PostalOne! customer who had a positive volume in each month of FY2004 was 28,512 trays.
- B. Objection filed.

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MMA/USPS-4. Please refer to your response to Interrogatory MMA/USPS-T21-33 H (redirected from USPS witness Abdirahman). You indicate that, on average, workshare mailers using PostalOne! send out 74,577 trays per month per customer.

- A. Please provide an average number of pieces per tray for these mailers. If this information is not available, please provide an average number of pieces per tray for all workshare mailers.
- B. Please explain why the Postal Service refrains from counting volume figures given the simple technological procedures to do so.

RESPONSE:

- A. The average number of pieces per tray for a PostalOne! customer is unknown.
Some conversion factors for various types of mail can be found in Handbook M-32, Management Operating Data System (April 2000) at 55, attached.
- B. The PostalOne! Transportation Management program counts trays because PostalOne! Transportation Management systems assigns transportation to trays not pieces. Trays are the unit that the system uses, and the units by which costs are incurred and savings realized.

Linear Rates

Description	Pieces Per Pound	Pieces Per Foot
Letter Mail		
Machine Canceled	35.51	294
Hand Canceled	21.42	92
Machinable Metered	27.88	214
Machinable Metered Bypass	28.25	219
Non-machinable Metered	21.52	136
Non-machinable Metered Bypass	15.07	112
Machinable Mixed Pref.	28.55	250
Non-machineable Mixed Pref	21.02	171
Machinable Mixed Standard	18.11	191
Non-machinable Mixed Standard	13.57	156
Foreign Originating	35.56	391
Foreign Destinating	30.98	311
Flats		
Canceled	4.72	115
Metered Pref.	4.18	99
Mixed Pref.	3.57	101
Originating Standard	4.83	115
Foreign Origin	4.59	115
Newspapers	2.78	

4-2.9.2 Converting Parcel Volume Into Pieces—Linear and Pound Rates

To convert parcel volume into pieces, use these rates to count containers:

- pieces per sack = 8.79
- pieces per hamper = 38.7
- pieces per hamper (with extension) = 65.0

To convert parcels for other containers, use these rates:

- brickloaded (ordinary) = 3 per cubic foot
- brickloaded (outsides) = 0.7 per cubic foot
- loose loaded (ordinary) = 2 per cubic foot

4-2.9.3 Tare Weight

4-2.9.3.1 Trays and Sacks

The standard tare weight of a hard plastic letter tray is 3.5 pounds; the standard tare weight of a flat tray is 8.8 pounds. The next exhibit shows the average weights for sacks or pouches that can be used when mail is weighed in the sack.

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MMA/USPS-5. Please refer to your response to Interrogatory MMA/USPS-T21-33 J (redirected from USPS witness Abdirahman). Your response indicates that PostalOne! counts volume in trays, not individual pieces, and does not distinguish between letters and cards. Using other Postal Service data systems that do provide information about First-Class workshare mail volumes by pieces, please provide, separately, the number of letters and the number of cards that the 38 PostalOne! users mailed during FY 2004.

RESPONSE:

This information is not available. For a specific mailer at a specific mail production facility, the Postal Service cannot determine what portion of the mail is processed through a PostalOne! Transportation Management shipping system and what is not.

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MMA/USPS-6.

Please refer to your response to Interrogatory MMA/USPS-T21-33 I (redirected from USPS witness Abdirahman) where you state that, under the current PostalOne! program, the minimum estimated Postal Service return on the cost of installing the system required for PostalOne! deployment is 20.3 percent.

- A. What is the minimum and maximum cost incurred by the Postal Service for installing the PostalOne! systems currently deployed?
- B. What is the maximum estimated Postal Service return on the cost of installing a system required for PostalOne! Deployment?
- C. What is the average estimated Postal Service return on the cost of installing a system required for PostalOne! Deployment?
- D. Please provide the formula that the Postal Service uses to determine its return on the cost of installing a PostalOne! system.
- E. Please provide a description of all of the types of savings that the Postal Service anticipates from installing a PostalOne! System.

RESPONSE:

A - C Objection filed.

The average capital investment for a Postal Service purchased desktop system is about \$17,000 and for a Postal Service purchased automated system is about \$91,000. The ROI is based on the cost borne by the Postal Service which largely consists of the capital investment and program management. While the Postal Service facilitates the installation of PostalOne! systems, installation costs are paid by customers. Typically, these costs include site preparation, power and phone line installation costs, and integration into new or existing automated material handling equipment. The Postal Service pays for operator training, but the customer pays for their personnel to attend training, which is usually held in the customer's facility at the time of installation.

D. Objection filed.

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- E. The Postal Service realizes labor and transportation cost savings. Labor savings come from reduced processing, collecting, sorting and verification costs.
- Transportation cost savings come from redirecting mail from air to lower cost surface transportation.

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MMA/USPS-7. Please refer to your response to MMA/USPS-T21-33 K (redirected from USPS witness Abdirahman) where you quantify the FY 2006 expected savings from the PostalOne! program as \$6,194,735.

- A. Please explain how this cost savings figure was derived and exactly what cost savings are included.
- B. If this cost savings figure does not include transportation cost savings, please explain why not and provide how much transportation cost savings are expected in FY 2006.
- C. Please identify the person who was responsible for calculating this savings figure for purposes of the R2005-1 case and provide a description of the person's qualifications to make such a calculation.
- D. Please provide the comparable cost savings for BY 2004 and each fiscal year the PostalOne! program has been fully operational.
- E. For each fiscal year the PostalOne! program has been operational, please provide the number of mailers using PostalOne! during all or any portion of such fiscal year.
- F. Please state how many PostalOne! mailers the Postal Service expects to have during TY 2006.

RESPONSE:

- A. Cost savings per tray are derived from an analysis of the costs to induct letter trays before the installation and activation of a PostalOne! Transportation Management shipping system and the costs after the installation and activation of the system. These savings typically occur in reduced collecting, handling, processing, accepting, transporting and dispatching activities. Specifically, these are costs of loading and unloading trays from containers to containers, and from containers to mail processing and other material handling equipment, and the costs of collecting mail, such as transporting mail from a mailer's production facility to the local Postal Service origin processing unit. Transportation costs are reduced by shifting letter trays from higher cost air transportation to lower cost

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surface transportation. These cost savings are used to identify an average savings per tray, per site. Cost savings are estimated by multiplying the cost savings per tray times the estimated number of trays. The total annual savings is the sum of the savings from each individual customer site.

B. The cost savings estimate includes transportation cost savings of \$877,179.

C. Objection filed.

D.

PostalOne! Cost Savings

Year	Cost Savings
FY 2002	\$1.2 million
FY 2003	\$3.3 million
FY 2004	\$6.4 million
FY 2005	\$6.4 million

E.

**Customers Participating in
PostalOne! Transportation Management Program**

Year	Customers
FY 2002	25
FY 2003	31
FY 2004	37

F. No estimates are available.

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MMA/USPS-8. Please refer to USPS witness Abdirahman's response to Interrogatory MMA/USPS-T21-18, which was not redirected by him to any other witness or the Postal Service despite the fact that witness Abdirahman indicated he was not familiar with the Automated Mail Processing System (AMPS).

- A. Please describe the AMPS system and explain how the use of AMPS by workshare mailers saves the Postal Service money.
- B. Please explain how, if at all, AMPS is integrated into the PostalOne! system.
- C. Do all PostalOne! systems installed to date incorporate AMPS or is AMPS an additional, add-on to PostalOne!? Please explain your answer.
- D. Are there any workshare mailers who use AMPS as a standalone system or in conjunction with programs, equipment, or systems other than PostalOne!? Please explain your answer fully and include the names of any other programs, equipment, or systems used in conjunction with AMPS.
- E. When deriving the cost savings of \$6,194,735 expected from PostalOne! in FY 2006, did you include cost savings that result from mailers who perform additional pallet separations that are facilitated by using PostalOne! in conjunction with AMPS? If not, please explain why not. If yes, please explain how such cost savings were determined.

RESPONSE:

- A. "Automated Mail Processing System" (AMPS) is a term used by Carter Control Systems, Inc. as a trademark for a product that they sell commercially. Some AMPS purchasers are also Postal Service customers. Thus, AMPS is not a postal program but a shipping system that Carter Controls sells to private industry. Mailers who purchase AMPS systems may use them as a shipping system in the PostalOne! Transportation Management program, but they may also purchase AMPS systems for reasons other than use in the PostalOne! Transportation Management system. Customers also have the option of purchasing systems from other vendors and using those systems in conjunction with PostalOne!

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- B. If a customer purchases an AMPS system or other PostalOne! compatible system, and wishes to participate in the PostalOne! Transportation Management program, they are incorporated into the PostalOne! Transportation Management System in a way that is similar to other customers, except that they pay for the system rather than using a Postal Service-provided system.
- C. AMPS is not an addition or add-on to PostalOne!. It is a trademark name of a product that postal customers who wish to participate in PostalOne! may purchase.
- D. The Postal Service is not aware of any other postal programs, equipment, or systems that are used in conjunction with an AMPS system. However, Postal Service customers may determine that AMPS or similar systems are useful in the preparation of mail.
- E. The number and type of pallet separations that mailers perform are not directly affected by the use of an AMPS system. Some mailers who use AMPS systems use automated tray sorting equipment to perform pallet separations, and some mailers who use AMPS systems sort trays to pallets manually. See also, the response to MMA/USPS-7(A).

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MMA/USPS-9. Please identify by name and title all persons who provided information for the Postal Service's institutional responses to Interrogatories MMA/USPS –T21-16, 17, and 33, as well as responses to Interrogatories MMA/USPS-1-8 and state briefly the contribution of each such person. In addition, please provide the name, title, and autobiographical information for the person that the Postal Service will provide at the hearing to answer parties' questions regarding the PostalOne! program and AMPS.

RESPONSE:

The person coordinating the development of responses to interrogatories from the Major Mailers' Association (MMA) is the Manager of Mailer Enterprise Integration. PostalOne! Transportation Management is a program handled by his work group. Approximately 12 – 15 individuals assisted in some respect with pulling together responses to various MMA questions.

The Manager of Mailer Enterprise Integration is the most knowledgeable individual in the Postal Service regarding PostalOne! Transportation Management. He has overall responsibility for the PostalOne! Transportation Management program and was involved with the program from its inception in 1997 through a proof of concept in 1999, and again from 2001 to the present.

During design and deployment he was responsible for a team of five staff members who engaged customers, prepared and executed appropriate customer agreements, and tested and certified that customer installed systems met minimum performance standards. He was also responsible for working with the necessary range of functional areas within the Postal Service including mail processing, acceptance, collection, mail entry, transportation and engineering to design, integrate, implement and monitor system deployments.