

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

POSTAL RATE AND FEE CHANGES

Docket No. R2005-1

**Major Mailers Association's
Third Set Of Interrogatories And Document Production Requests To
United States Postal Service Witness Jatona S. Hatcher (MMA/USPS-T22-9-13)
(June 10, 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 Jatona S. Hatcher. **(MMA/USPS-T22-9-13)**. If the designated witness cannot answer part or all of any interrogatory, the witness and Postal Service counsel should redirect the interrogatory to another USPS witness who can respond.

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
June 10, 2005**

MMA/USPS-T22-9

Please refer to your responses to Interrogatories MMA/USPS-T22-2A and MMA/USPS-T22-3C where you discuss your rationale for eliminating processing operations after the outgoing primary for HAND and QBRM letters. You failed to confirm that you assume that there are no differences in the costs to process HAND and QBRM letters through all of the remaining operations until the letters are delivered.

- A. Please confirm that in R2000-1, USPS witness Campbell included in his model all operations after the outgoing primary, including outgoing secondary, incoming primary and incoming secondary sortations, in order to evaluate QBRM cost savings. If you cannot confirm, please explain.
- B. Please confirm that in R2000-1, the Commission accepted USPS witness Campbell's R2000-1 mail flow models, which included all operations after the outgoing primary (outgoing secondary, incoming primary and incoming secondary sortations) in order to evaluate QBRM cost savings. If you cannot confirm, please explain.
- C. If the costs to process HAND letters and the costs to process QBRM letters in the operations that follow the outgoing primary operation (i.e., until the HAND letters and QBRM letters are delivered) are different, why do you eliminate the costs of these additional operations, thereby omitting the extra cost differences?
- D. Please confirm that, after HAND letters are processed through the Remote Bar Code System (RBCS) (as shown in your HAND model) and after QBRM letters are processed through the outgoing automation primary (as shown in your QBRM model), the degree of processing attained by HAND and QBRM letters are not identical such that the costs incurred by the Postal Service to continue processing these letters through delivery are not identical. If you cannot confirm, please explain how the costs for

processing HAND letters would be identical to the costs for processing QBRM letters.

MMA/USPS-T22-10

Please refer to your responses to Interrogatories MMA/USPS-T22-3 A and MMA/USPS-T22-4. You indicated that, as shown in your HAND model, 92.49% of HAND letters can be successfully barcoded. You also appear to accept USPS witness McCrery's assertion that the Postal Service can barcode approximately 82% of the nonprebarcoded letters that enter the mailstream.

- A. Please confirm that you assume that all HAND letters are not prebarcoded? If you cannot confirm, please explain.
- B. Please explain why you believe that the Postal Service will successfully barcode 92.49% of HAND letters, even though the Postal Service barcodes only approximately 82% percent for all non-prebarcoded letters that enter the mailstream.
- C. Please explain why you would expect the Postal Service to be more successful at barcoding a handwritten addressed non-prebarcoded envelope than an "average" non-prebarcoded envelope.

MMA/USPS-T22-11

Please refer to your response to Interrogatory MMA/USPS-T22-6 C. Your answer does not appear to be responsive. You were asked if the extra costs you show for BRMAS processing, reflect not the variable costs associated with counting, rating and billing QBRM, but rather the fixed cost of printing out bills on the system computer-and the placing of bills with the corresponding mail pieces before they are sent to the postage due section. Your answer simply indicates that, since such costs were not included in the cost study supporting the quarterly QBRM accounting fee, "[t]hey were **therefore** included in the cost study supporting the high volume QBRM per-piece fee." (emphasis added).

- A. Are the extra costs that you have added for BRMAS processing (i. e., the cost of printing out bills on the system computer-and the placing of bills with the corresponding mail pieces before they are sent to the postage due section) variable costs that vary with the volume of High Volume QBRM

received or fixed costs that do not vary with the volume of High Volume QBRM received?

- B. If the extra costs that you have added for BRMAS processing (i. e., the cost of printing out bills on the system computer and the placing of bills with the corresponding mail pieces before they are sent to the postage due section) are fixed costs (i.e., such costs do not change with changes in volume, is it appropriate to reflect such costs in the QBRM per piece fee or the QBRM quarterly fee? Please explain your answer.
- C. You claim the costs of printing out bills on the system computer and the placing of bills with the corresponding mail pieces before they are sent to the postage due section “are not included in the cost study supporting the Quarterly QBRM fee.” Please explain why the Postal Service failed to include these costs in the study supporting the quarterly fee for High Volume QBRM recipients.
- D. Please explain why the Postal Service’s failure to include these costs to support the Quarterly Fee for High Volume (HV) QBRM recipients has any bearing whatsoever on the issue of whether it is appropriate to include such costs in the HV QBRM per piece fee.
- E. When updating USPS witness Miller’s QBRM cost analysis from R2001-1, which made significant changes from USPS witness Campbell’s QBRM cost analysis from R2000-1, did you attempt to independently verify the reasonableness or correctness of those changes? If not, why not? If yes, please provide the results of your analysis, including any documents prepared by or for you.

MMA/USPS-T22-12

Please refer to your response to Interrogatory MMA/USPS-T22-6 D. Your answer does not appear to be responsive. You were asked if the Postal Service already has in place a charge for collecting revenues that are designed to reflect the fixed accounting costs associated with QBRM received by large volume recipients. You answered that there is such a fee, that reflects rating and billing activities, but that

the costs reflected by that fee do not include any BRMAS-related costs, which were apparently assumed to be zero.

- A. Please explain the difference, if any, between “rating and billing activities” and “fixed accounting costs associated with QBRM received by large volume recipients.”
- B. Are the extra BRMAS costs, which reflect the fixed cost of printing out bills on the system computer and placing the bills with the corresponding mail pieces before they are sent to the postage due section, incurred as part of “rating and billing activities”. If not, please explain why you believe such costs are not related to “rating and billing activities”.
- C. Are the extra BRMAS costs, which reflect the fixed cost of printing out bills on the system computer and placing the bills with the corresponding mail pieces before they are sent to the postage due section, incurred as part of the “fixed accounting costs associated with QBRM received by large volume recipients.” If not, please explain how such costs are not related to the “fixed accounting costs associated with QBRM received by large volume recipients.”

MMA/USPS-T22-13

Please refer to your responses to Interrogatories MMA/USPS-T22-6 E, J, and I. You were asked questions about the relationship between the extra BRMAS costs that you have added to your QBRM per piece cost analysis and the relationship of those costs to volume. In part E you indicate that you have not studied this relationship yet in parts I and J you have confirmed that for simple illustrations, the BRAMS cost for printing and other associated functions do not change as volume changes.

- A. Do you agree that you never even considered the issue regarding whether or not it is appropriate to reflect fixed costs as part of the High Volume (HV) QBRM per piece fee until you received an interrogatory from MMA? If you do not agree, please explain when you first realized that extra BRMAS costs, which reflect the fixed cost of printing out bills on the system

computer and placing the bills with the corresponding mail pieces before they are sent to the postage due section, were being used to support the HV QBRM per piece fee.

- B. Please provide sample copies of QBRM bills for two hypothetical High Volume (HV) QBRM recipients, one for a High Volume (HV) QBRM recipient who has received 5,000 pieces on a given day and one for a High Volume (HV) QBRM recipient who has received 15,000 pieces on a given day.