

POSTAL RATE COMMISSION
WASHINGTON, 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
WITNESS A. THOMAS BOZZO (ABA&NAPM/USPS-T12-1-3)
(June 17, 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
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ABA&NAPM/USPS-T12-1.

Please refer to your responses to ABA&NAPM/USPS-T21-1, redirected to you, and also to PBI/USPS-T12-2, where you state “Confirmed that the productivities do not include any hours from MODS platform and dispatching operations.” Over the years since MC95-1, various Postal Service witnesses have claimed that more and more cost factors have become included in their “modeled costs” for FCLM, and that fewer “non-modeled cost activities” remain. However, your response to PBI/USPS-T12-2, calls that claim into question because “platform and AMF handlings” were one of the original non-modeled cost factors emanating from MC95-1 (MC95-1, USPS-T10, page 32, line 10, revised 6/19/95.)

- a. In addition to platform and dispatch activities, for which there are no MODS productivities in USPS-LR-K-48 (and the PRC version, USPS-LR-K-110), please state for which other MODS categories in the attachment to this question there are also no MODS productivities in USPS-LR-K-48 and its PRC equivalent.
- b. For the attachment provided, please fill out each of the MODS hours in the space provided, and list the MODS productivity associated with each MODS category, as well as each of the operation codes within that MODS category.
- c. Please state whether the current modeled cost factors in USPS-LR-K-48 and USPS-LR-K-110 include MODS productivities for the following activities in addition to platform and AMF handlings that were non-modeled activities in MC95-1:
 - Moving mail from operation to operation within a facility
 - Mail preparation such [as] sleeving and banding, or unbanding and unsleeving trays
 - Mail preparation such as breaking bundles for piece distribution
 - Extra piece distribution and other related costs due to missorts
 - Extra piece distribution due to equipment capacity shortages, and
 - Extra piece distribution and other related activities related to forwarding and return to sender(Source: MC95-1, USPS-T10, page 32, lines 9-10 and 11-16, revised 6/19/95).

ABA&NAPM/USPS-T12-2.

Please refer to your response to ABA&NAPM/USPS-T21-2, redirected to you, and all other subsequent redirected interrogatories you answered with respect to the MODS operational groups, namely interrogatories 3, 5, 7, and 10-16. In your responses you have stated that “In fact, the volume variability factors, ..., are econometric estimates of cost pool-level variabilities.”

- a) If a variability factor is estimated to be 0.780 for “Outgoing ISS”, as an example, and assuming that your econometric specifications are correct, please confirm that

the remaining 0.220 is just the random behavior of labor hours, including, for example, not working. If not confirmed, please explain what this number represents insofar as what labor is doing.

- b) If your answer to part (a) is “Confirmed,” please also confirm that this random behavior should be reflected in the residual of your model. If not confirmed, please explain where the behavior is reflected, for example as another variable you do not capture in your model.
- c) If your answer to part (b) is a “Confirmed,” please also confirm that you conducted tests for the randomness on the residuals. If confirmed, please provide the test results. If not confirmed, please conduct the tests and provide them.
- d) If your tests in part (c) indicate residuals are not random, please confirm that this implies that other relevant variable(s) might be missing from your model, which possibly would account, for example in one area, for the remaining 0.220 or a portion of it.
- e) If the 22% of labor activities in this MODS group is random behavior, please state in your opinion if the non-random behavior of labor would include: no activity, activities such as cleaning, organizing or waiting for new batches to arrive; taking a break; or any other “non-volume variable” activities that you might be able to shed light on. If you cannot answer this question, please forward it to the appropriate person(s) for an answer.
- f) Please explain whether you attempted to include other variables in your models in order to account for the rest of the non-volume variability factor(s) for the “Outgoing ISS” and other MODS operational groups.

ABA&NAPM/USPS-T12-3.

- a) Please confirm that the volume and hours data you used are aggregated across all plants and machines used in that particular MODS group.
- b) Please confirm that all plants use exactly the same type of machine(s) to perform a particular MODS operation. If not confirmed, please explain how you controlled for the differences in the machines used or differences in the plants where the data were collected.
- c) In light of your answer to b. is part of the reason you cannot achieve 100% volume variabilities in your econometric models due to differences in machines and plants? Please fully explain your answer.