

BEFORE THE
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 JOHN KELLEY (ABA&NAPM/USPS-T16-5-12)

(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,

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ABA&NAPM/USPS-T16-5.

See the attached update to ABA&NAPM-SRT-1, Workpaper 1 from R2001-1. The table of numbers and the chart display longer term trends in unit delivery costs for First Class single piece and presort letters. Average annual percentage cost changes are computed for two periods, 1992-2006, and 1997-2006.

- a. The presort unit delivery costs are nearly stable (+0.4%) or slightly falling (-1.5%) based on what period is selected. What delivery cost factors associated with worksharing explain this trend, both absolutely and by comparison with the very different cost dynamics for single piece?
- b. The single piece unit delivery costs are rising in both periods, and the more recent period 1997-2006 shows an acceleration. What delivery cost factors explain the faster increase than in presort, and the acceleration since 1997?
- c. The chart shows that unit delivery costs for single piece mail have risen above trend since 2002. Why?
- d. The chart shows that unit delivery costs, after falling for presort between 2003 and 2004, are projected to rise above trend for 2005 and 2006. Why?

ABA&NAPM/USPS-T16-6.

In your answer to ABA&NAPM/USPS-T16-1, you state that “The unit delivery costs are lower for BMM since it has a higher DPS percentage than either automation mixed AADC letters or automation AADC letters.

- a. Please confirm that you have no direct DPS percentage measurements for BMM letters or for single piece metered letters, only a proxy from one of eight non-automation presort breakouts.
- b. Please confirm that BMM is not a presort category in the sense in which the Postal Service uses the term “presort”.
- c. Please confirm that the 3.929 cent non-automation presort machinable mixed AADC unit cost you use as a proxy for BMM could as well have been the same 3.929 cent non-automation presort machinable AADC. Why did you use the mixed category as your BMM proxy?
- d. Please confirm that the DPS percentage for non-auto machinable AADC FCLM is 82.14% and for automation AADC mail is 82.02%.
- e. Please confirm that there is not any statistically significant difference between these DPS percentages. If you do not confirm, please submit all necessary statistical test results that prove there is a statistically significant difference between the two DPS percentages.

ABA&NAPM/USPS-T16-7.

In your response to ABA&NAPM/USPS-T16-4, you state that “No activities on the DIOSS technology were considered in the derivation of the delivery costs in LR-K-67.”

- a. Please confirm that the DIOSS technology is already operational and in the field.
- b. Please confirm that according to the “2004 Comprehensive Statement on Postal Operations” DIOSS improvements were made to 346 mail processing centers in 2004 (see page 40).
- c. Please confirm from the same report, page 41, that about half of the 1,632 additional DBCS stacker modules for which funding was approved in 2004 were deployed in 2004.
- d. Would you agree that the changes described in b. and c. affect TY2006 unit costs for FCLM single piece and presort?
- e. Would you agree that the changes described in b. and c., had they been incorporated into TY2006 mail processing and delivery costs combined for FCLM likely would have reduced those costs relative to what appears in your rate case estimates as filed?
- f. Please provide estimates using engineering study information associated with the deployment of DIOSS and quad DBCS stacker modules of the degree to which your TY2006 mail processing and delivery costs are too high, either as a percentage of those unit costs as filed or in absolute unit costs for all FCLM rate categories.
- g. Please also state how these adjustments to reflect technology already widely distributed but not used as the basis for costs in this case impact the TY2006 total revenue requirement.
- h. Would your failure to incorporate DIOSS and quad stack module productivities in your TY2006 costs explain why these costs appear to be moving above trend as shown in the chart accompanying ABA&NAPM/USPS-T16-5 above?

ABA&NAPM/USPS-T16-8.

In response to MMA/USPS-T-16-2. b., you state that the USPS volume variability for cost segment 6 is 82.4%, and for cost segment 7 is 36.8%. Please list the factors associated with and explain fully what accounts for the non-volume variable costs in each cost segment.

ABA&NAPM/USPS-T16-9.

Please refer to your testimony page 7 lines 19-20. You state “The USPS version utilizes more consistent and justifiable methods to calculate delivery costs by rate category than previous efforts.” Please explain in what way(s) USPS methodology is “more consistent” as compared to PRC. Please provide any studies that you or others may have conducted that justify this statement. Or textbooks and professional articles which demonstrate your methods are more consistent and justifiable than previous efforts.

ABA&NAPM/USPS-T16-10.

Please refer to your testimony page 10 lines 7-9. You state that “There are a variety of methods of allocating a fixed sample size amongst defined strata. Neyman allocation was utilized...” Please explain why you chose Neyman methodology as opposed to any other allocation methodology.

ABA&NAPM/USPS-T16-11.

Please refer to USPS LR-K-67, and USPS LR-J-117. Please confirm that cost segment 7.1 in LR-K-67 corresponds to the sum of cost segments 7.1, 7.3, and 7.4 in LR-I-117. If not confirmed, please provide the corresponding crosswalk.

ABA&NAPM/USPS-T16-12

Please refer to USPS LR-K-67, Excel sheet “2.summary TY” column C, 6.1 Unit Cost. Please explain why, unlike the corresponding table from R2001-1, there are no unit costs for “Nonautomation -- Nonmach Mixed ADC,” “Nonautomation -- Nonmach, Nonmach ADC,” “Nonautomation -- Nonmach 3-Digit,” and “Nonautomation -- Nonmach 5-Digit.” If an oversight, please provide a corrected page with the unit cost figures.