

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

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS ABDIRAHMAN TO INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS SMITH
(ABA&NAPM/USPS-T13-2 c and d, 10 c, 14)

The United States Postal Service hereby files the responses of witness Abdirahman to the above-listed interrogatories of the American Bankers Association and the National Association of Presort Mailers, filed on June 9, 2005 and revised on June 13, 2005. These interrogatories have been redirected from witness Smith.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3089; Fax -5402
June 24, 2005

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS
ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS SMITH**

ABA&NAPM-USPS-T13-2

In your response to ABA&NAPM-USPS-T21-40 c., redirected from USPS witness Abdirahman, you note “Finally, this [the reduction in unit costs for MODS 15 LD 15] may also reflect mail piece improvements, such as better barcodes.”

- a. Are you referring to mailer applied barcodes, presort bureau applied barcodes or USPS applied barcodes at an originating plant?
- b. What percentage of REC activity entails reading a bad quality barcode, as opposed for example to reading a hand written letter or a metered letter with a typed address and no barcode?
- c. If you agreed in a. that some of the “better barcodes” are mailer applied please answer the following. Do you agree that whatever portion of the MODS 15 LD 15 cost reduction from 0.13 to 0.06 cents is due to better barcodes applied by mailers represents an increase in avoided costs for the USPS?
- d. If you answered “yes” to c., please show in detail how worksharing mailers get credit for this increase in costs they avoid for USPS.

Response:

(a - b) Retained by witness Smith.

(c-d). I cannot agree or disagree whether the reduction in costs noted in this interrogatory indicate better behavior on the mailer’s part. Please refer to USPS-LR-K-48, page 3 where the MODS 15 LD 15 cost pool is classified as work sharing related proportional.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS
ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS SMITH**

ABA&NAPM-USPS-T13-10

In your response to ABA&NAPM-USPS-T21-46 c., redirected from USPS witness Abdirahman, you state with respect to PostalOne! that “Customers provide the staff for the AAA and SWYB done on their sites and may purchase the equipment used in their mail production facilities as well.” You go on to state that these customer activities “should enable reductions [in] the 1SCAN cost pool”.

- a. Shouldn't these savings have been realized at least in past by TY2006 given the already wide distribution and operationalization of PostalOne! in 2004?
- b. Please confirm that the worksharing mailer staffing you refer to in the quote above entails for worksharing mailers labor costs but avoids costs for the Postal Service.
- c. Please state where these avoided costs should appear, or should have appeared, in your TY2006 cost models by MODS and operation code(s).

Response:

(a-b). Retained by Witness Smith.

c. The 1SCAN cost pool includes the costs for activities related to the Air Contract Data Collection System (ACDCS) that is used to route First-Class Mail air shipments. These operations do not involve piece distribution or package sorting activities. In addition, the costs are affected by whether mail is local or non local, rather than whether mail is prebarcoded and/or presorted. As a result, it has been classified as “non-worksharing related fixed.”

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS
ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS SMITH**

ABA&NAPM-USPS-T13-14

In your response to ABA&NAPM-USPS-T21-47 redirected from USPS witness Abdirahman, you state that the Commission classified the MODS 49 LD49 cost pool as “worksharing related fixed” in R2001-1.

- a. Please confirm that the Postal Service also classified this cost pool as wrf in R2001-1.
- b. In your response to part c. of this question you answered “Not confirmed” on the grounds that mailer processes may yield different productivities than USPS processes through different types of machinery, different organization of labor processes, etc. Assume as a hypothetical that this is not rocket science, and that about the same types of postal processing machinery are generally available to the private sector, not just the Postal Service. Further, assume as a hypothetical that labor costs for mail processing within the Postal Service are at least a couple multiples of what they are in the private sector for essentially the same types of work. Under these assumptions, would not a very conservative “lower bound” estimate of the costs avoided by the Postal Service for not having to do this work, be the actual costs worksharing mailers incur in doing this work? If your answer is not an unequivocal “Yes” to this hypothetical, please fully explain your answer.

Response:

- a. Confirmed.
- b. Yes, under the following circumstance: if the activities performed by the mailer and the resulting mail containers are identical to what would have been performed and created by the Postal Service; all productivities are identical for the mailer and the Postal Service; and all costs on a per piece basis are the same for the Postal Service and the hypothetical work share mail except that labor costs for the Postal Service are several multiples of the private mailer.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
June 24, 2005