OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:	)	
	)	
REQUEST OF THE	)	
UNITED STATES POSTAL SERVICE	)	
FOR A RECOMMENDED DECISION	)	Docket No. R2005-1
ON CHANGES IN RATES OF	)	
POSTAGE AND FEES FOR	)	
POSTAL SERVICES	)	

VOLUME #4

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POSTAL RATE COMMISSION

In the Matter of:	)	
	)	
REQUEST OF THE UNITED	)	
STATES POSTAL SERVICE	)	
FOR A RECOMMENDED DECISION	)	Docket No. R2005-1
ON CHANGES IN RATES OF	)	
POSTAGE AND FEES FOR	)	
POSTAL SERVICES	)	

Room 300
Postal Rate Commission
1333 H Street, N.W.
Washington, D.C.

Volume 4
Wednesday, June 29, 2005

The above-entitled matter came on for hearing pursuant to notice, at 9:35 a.m.

BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN
HON. TONY HAMMOND, VICE-CHAIRMAN
HON. DANA B. COVINGTON, COMMISSIONER
HON. DAWN TISDALE, COMMISSIONER

APPEARANCES:

On behalf of the United States Postal Service:

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MICHAEL TIDWELL, Esquire
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C O N T E N T S

WITNESSES APPEARING:
VIRGINIA J. MAYES
JATONA S. HATCHER
SAMUEL T. CUTTING
ABDULKADIR M. ABDIRAHMAN

WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS	VOIR DIRE
Jatona S. Hatcher					
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By Mr. Hall	--	819	--	--	--
Samuel T. Cutting					
By Mr. Weidner	841	--	--	--	--
By Mr. Olson	--	859	--	--	--
Abdulkadir M. Abdirahman					
By Ms. McKenzie	917	--	--	--	--
By Mr. Hart	--	1124	--	--	--
By Mr. Anderson	--	1138, 1167	--	--	--
By Mr. Hall	--	1148, 1165, 1174	--	--	--

DOCUMENTS TRANSCRIBED INTO THE RECORD	PAGE
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Answer of Virginia J. Mayes to Presiding Officer's Information Request, POIR 4, Question 3(a)	777
Corrected designated written cross-examination of Jatona S. Hatcher, USPS-T-22	792
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Answer of Samuel T. Cutting to Presiding Officer's Information Request, POIR 7, Questions 1(a), 1(b)(ii) and 1(b)(iv)	857
Corrected designated written cross-examinaton of Abdulkadir Abdirahman, USPS-T-21	921
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E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
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Written cross-examination and certificates of authenticity of Virginia J. Mayes, USPS-T-25	769	769
Answer of Virginia J. Mayes to Presiding Officer's Information Request, POIR 4, Question 3(a)	776	776
Corrected direct testimony of Jatona S. Hatcher on behalf of the United States Postal Service, USPS-T-22	788	790
Corrected designated written cross-examination of Jatona S. Hatcher, USPS-T-22	791	791
Corrected direct testimony of Samuel T. Cutting on behalf of the United States Postal Service, USPS-T-26	841	842
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Answer of Samuel T. Cutting to Presiding Officer's Information Request, POIR 7, Questions 1(a), 1(b)(ii) and 1(b)(iv)	856	856
Direct testimony of witness Abdulkadir Abdirahman, USPS-T-21	917	919
USPS-6 (Revised)	1122	1122

E X H I B I T S

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MMA/USPS-T-22-8	1120	--
ABA & NAPM/USPS-T-21-1	1132	--
XE-MMA-2	1148	1149
USPS-LR-K-48, K-59	917	--
USPS-LR-K68	918	--
USPS-T-12-1C, T16-13, T16-14	1122	--

1 P R O C E E D I N G S

2 (9:35 a.m.)

3 CHAIRMAN OMAS: Good morning and welcome to
4 the Postal Rate Commission. Today we continue to
5 receive testimony of Postal Service witnesses in
6 support of Docket No. R2005-1, a request for rate and
7 fee changes.

8 Does anyone have any procedural matters to
9 discuss at this point before we continue?

10 (No response.)

11 CHAIRMAN OMAS: There being none, we have
12 four witnesses who are scheduled today to appear.
13 They are Witnesses Hatcher, Cutting, Mayes and
14 Abdirahman. I got that right.

15 Yesterday we received written notice that
16 there will be no oral cross-examination for Witness
17 Mayes. Therefore, her testimony can be entered by
18 motion. I would like to do that as our first order of
19 business this morning.

20 Ms. McKenzie, are you prepared to provide
21 the testimony of Witness Mayes, her responses to
22 designated written discovery and appropriate
23 certificates and authenticities?

24 MS. MCKENZIE: Yes, I am, Mr. Chairman. At
25 this time the Postal Service moves for entry into the

1 record of Ms. Mayes' testimony entitled Direct
2 Testimony of Virginia Mayes on Behalf of the United
3 States Postal Service, USPS-T-25.
4 (The document referred to was
5 marked for identification as
6 Exhibit No. USPS-T-25.)
7 MS. MCKENZIE: We also move for the entry
8 into the record of her associated library references
9 she is sponsoring, USPS-LR-K-88, 89 and 90.
10 Moreover, she has reviewed the interrogatory
11 responses filed under her name and those that have
12 been designated for inclusion in the record in this
13 docket, and she has completed a declaration attesting
14 to the accuracy of those responses, as well as to the
15 testimony and the library references, her associated
16 library references for certification that accompanies
17 it.
18 I would like to move these documents into
19 evidence, and I have an original of her declaration,
20 as well as a copy.
21 CHAIRMAN OMAS: Thank you. Is there any
22 objection?
23 (No response.)
24 CHAIRMAN OMAS: Hearing none, so ordered.
25 The testimony of the designated written direct

1 examination of Witness Mayes is received into
2 evidence. The testimony will not be transcribed.
3 (The document referred to,
4 previously identified as
5 Exhibit No. USPS-T-25, was
6 received in evidence.)
7 CHAIRMAN OMAS: The written cross-
8 examination and certificates of authenticity will be
9 transcribed.
10 (The document referred to,
11 previously identified as
12 Exhibit No. USPS-T-25, was
13 received in evidence.)
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services

Docket No. R2005-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS VIRGINIA J. MAYES
(USPS-T-25)

Party	Interrogatories
Advo, Inc.	APWU/USPS-T25-4, 6
American Postal Workers Union, AFL-CIO	APWU/USPS-T25-1, 4, 6
Pitney Bowes Inc.	APWU/USPS-T25-4-6

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS VIRGINIA J. MAYES (T-25)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
APWU/USPS-T25-1	APWU
APWU/USPS-T25-4	Advo, APWU, Pitney Bowes
APWU/USPS-T25-5	Pitney Bowes
APWU/USPS-T25-6	Advo, APWU, Pitney Bowes

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T25-1 In making its calculations of costs the Postal Service avoids by providing dropshipping discounts, what assumptions are made about the costs the Postal Service would have incurred in the absence of dropship discounts? Are Postal Service costs estimated for what it would cost the Postal Service to transport the mail that is currently being dropshipped by mailers? If so, what is the estimate of those costs?

Response:

No assumptions are made regarding the costs that would have been incurred in the absence of the dropship discounts. Actual transportation costs from the base year are projected forward in the rollforward cost forecasting model. The transportation costs from the rollforward are used in the development of the dropship cost avoidances. There have been no estimates made of the cost that the Postal Service would have incurred had mail dropshipped by mailers or their representatives been given to the Postal Service to transport instead.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T25-4 If the effect of dropship discounts is to cause some mail to be dropshipped at destinating locations that otherwise would have been shipped at the originating location, isn't one effect of this change in shipping patterns to decrease the volume of mail in the transportation system and thereby to cause an increase in the unit cost of transportation of mail not being dropshipped?

Response:

No. The intention of dropship discounts is to encourage mailers who are able to transport mail more cheaply than the Postal Service to do so, and to provide a deaveraged rate structure that acknowledges that mail from mailers whose production facilities are located closer to the delivery destinations or who are willing, for cost or service reasons, to dropship their mail closer to those destinations is cheaper for the Postal Service to transport and handle. This question seems to assume that transportation networks are static and would not be adjusted to reflect changes in mail volumes between given origins and destinations. In fact, contracts with transportation service providers are constantly under review to ensure that the transportation used is appropriately sized for the mail traveling between the origins and destinations. While there could be a change in marginal cost in theory, in practice there is no material change. Dropshipping primarily substitutes for transportation between facilities, not transportation within the local area. As is shown in CS14.xls of library reference USPS-LR-K-5 in tab "Inputs – Variabilities", the variabilities of long-haul highway transportation are relatively high, suggesting that changes in volumes do result in changes in costs. For example, the variability of Inter-BMC highway costs is shown as 97.9%. The variability of Intra-BMC highway costs is 98.3%, and the variability of Inter-Area highway costs is 91.3%. When the variabilities are this high, the marginal cost curve is quite flat and a modest reduction in volume will have only a very small impact on unit costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T25-5 Is the cost avoided by dropshipping determined using actual current unit transportation cost data? If the answer to this question is yes, isn't one effect of each new larger dropship discount to increase the unit costs used to determine the amount of the dropship discounts in the succeeding rate case?

Response:

As described in the response to APWU/USPS-T25-1, actual base year transportation marginal cost data is used in the rollforward model to project transportation costs. The dropship cost avoidance model uses the forecasted transportation marginal costs from the rollforward model. There is no reason to assume that a larger dropship discount would necessarily increase the unit costs used to determine the amount of the dropship discounts in the succeeding rate case. Please see the response to APWU/USPS-T25-4. The costs used to determine the amount of dropship discounts in the succeeding rate case would be developed in the same manner as were those of the current rate case.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYES TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T25-6 If only the costs that the Postal Service actually incurs are used in the estimates of costs avoided by dropshipping, wouldn't it be reasonable to assume that those overestimate the Postal Service's unit costs for transporting the mail that has already been removed from the system?

Response:

No. The costs of transporting mail that has already been removed from the system would not be included in the costs used to develop the estimates of costs avoided due to dropshipping. Please refer to the responses to APWU/USPS-T25-1, 4 and 5. The dropship model for Standard Mail assumes that the cost of transporting all Standard Mail to the destination delivery unit is a weighted average of the costs of transporting the various volumes of mail entered at the possible entry points. This weighted average includes only that mail that was actually in the postal system and using the portion(s) of the postal-provided transportation network that it actually used during the base year, projected to the test year.

1 CHAIRMAN OMAS: At this point I'm going to
2 add an answer Witness Mayes provided to the Presiding
3 Officer's information request that was not designated.
4 It is POIR 4, Question 3(a).
5 I'm handing the reporter two copies of the
6 answer and direct that they be admitted into evidence
7 and transcribed.
8 (The document referred to was
9 marked for identification as
10 Exhibit No. POIR 4, Question
11 3(a), and was received in
12 evidence.)
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RESPONSE OF POSTAL SERVICE WITNESS MAYES TO
POIR NO. 4, QUESTION 3(a)

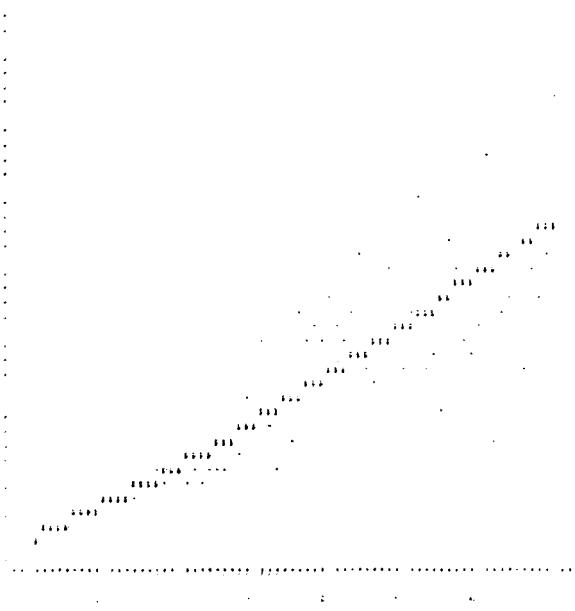
3. The charts below depict the cube-weight relationship for Parcel Select DBMC mail, which is also used as a proxy for DSCF and DDU mail, as developed by the Postal Service for dockets R2001-1 and R2005-1.

(a) Please explain the underlying cause of the change in slope between the two dockets (i.e. changes in weight, mail characteristics, etc.).

R2001-1

USPS-LR-J-66 p 38

R2005-1



USPS-LR-K-90; p. 35

RESPONSE:

(a) The apparent change in the nature of the cube-weight relationship for Parcel Select Parcel Post (DBMC, DSCF and DDU collectively) was not present in FY 2002 or FY 2003 An examination of the FY 2002, FY 2003 and FY 2004 data, all derived from the same data source as described in USPS-LR-K-47, reveals that FY 2004 is the first year in which there appears to be a shift in the relationship, the cause of which is not known. As can be seen in the attached chart providing a comparison of the cumulative shares of volume by weight increment for the most recent three years, in all three years, virtually 100 percent of the volume was under 28 pounds, with 90-91 percent of the

volume in the increments at or below 8 pounds, and 59 percent of the volume at or under 3 pounds. There is no evidence that the weight distribution had changed over the span of these three years.

The average cubic feet per piece was 0.465 in FY 2002, 0.444 in FY 2003 and 0.45 in FY 2004. These figures are not remarkably different from each other, and given the similarity in the distributions of volume by weight increment, provide no indication of a noticeable shift in the average cube or average weight. The line graphs of the average cubic feet by weight increment for the three years demonstrate that in FY 2002 and FY 2003, there is a particularly linear element for the first 35-40 pounds, with a few outliers, after which the charts demonstrate a tapering curve. The line graph of the same data for FY 2004 is visually different: the clearly linear segment only extends to about 28 pounds, after which the data points exhibit no clear distribution, certainly not exhibiting the clean tapering curve apparent in the FY 2002 and FY 2003 charts. A visual examination of the average cube per piece at each weight increment reveals nothing pointing to a clear-cut reason for the change.

Given that the cube/weight relationship for Parcel Select seems to have changed in FY 2004, but with no apparent explanation, it is the intent of the Postal Service to continue to monitor the situation. At this point, there is insufficient evidence to suggest that the change will persist or whether it was the short-term result of particular customers using the Parcel Select products to ship particular types of merchandise. An unspecified change in the customers using the Parcel Select products or an unspecified change in the market for shipment of goods may have resulted in the apparent shift in

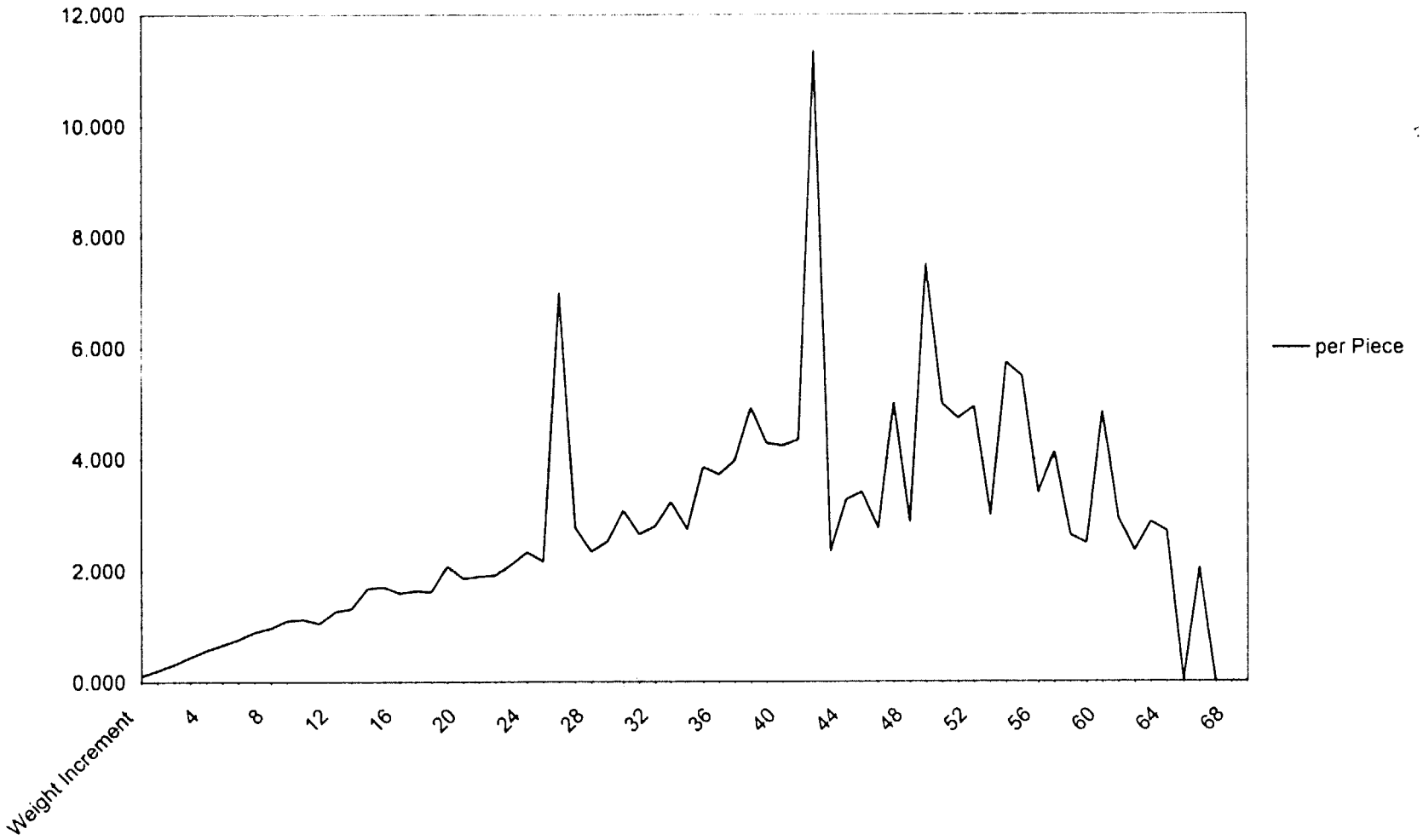
RESPONSE OF POSTAL SERVICE WITNESS MAYES TO
POIR NO. 4, QUESTION 3(a)

the cube-weight relationship. Whether those customers or those market conditions persist into the future is as yet unknown.

Parcel Select
FY 2002

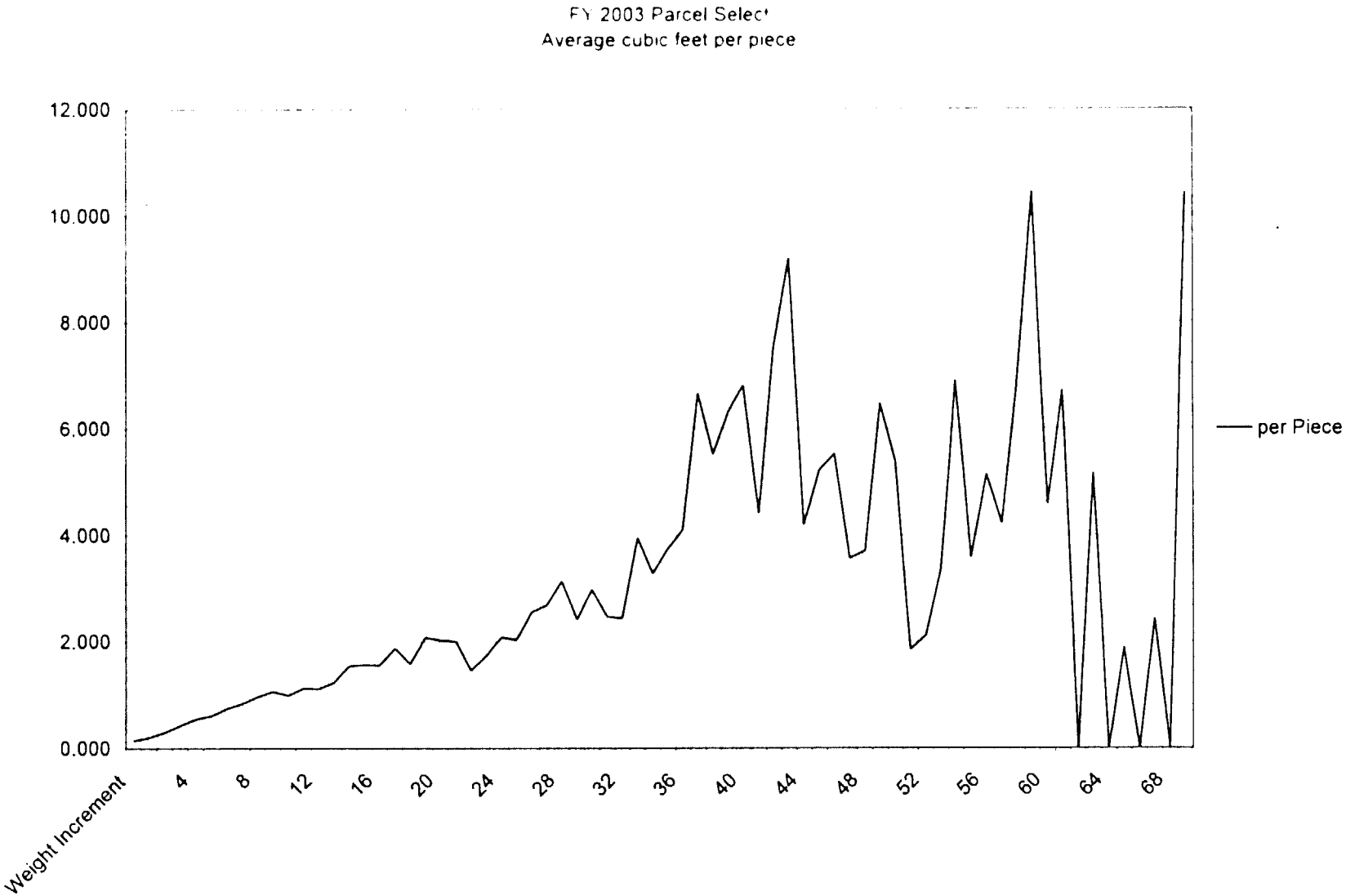
Weight Increment	Total Pieces	Total Cubic Feet	Average Cubic Feet per Piece	Percent of Total Volume
1	16,375,088	1,898,696	0.116	6%
2	77,177,227	16,157,165	0.209	30%
3	59,604,396	18,535,034	0.311	23%
4	32,602,716	14,479,935	0.444	12%
5	20,225,305	11,390,556	0.563	8%
6	13,812,020	9,182,650	0.665	5%
7	9,571,466	7,269,600	0.760	4%
8	6,682,853	5,974,686	0.894	3%
9	4,836,328	4,664,199	0.964	2%
10	4,228,201	4,621,273	1.093	2%
11	2,922,345	3,274,735	1.121	1%
12	2,039,779	2,129,998	1.044	1%
13	1,791,053	2,249,164	1.256	1%
14	1,117,300	1,466,962	1.313	0%
15	1,165,166	1,955,379	1.678	0%
16	938,295	1,597,763	1.703	0%
17	799,154	1,271,030	1.590	0%
18	854,080	1,394,324	1.633	0%
19	650,443	1,050,368	1.615	0%
20	442,928	920,169	2.077	0%
21	556,063	1,030,500	1.853	0%
22	420,310	796,297	1.895	0%
23	333,899	639,143	1.914	0%
24	361,765	764,880	2.114	0%
25	187,169	436,224	2.331	0%
26	265,024	573,351	2.163	0%
27	174,053	1,219,370	7.006	0%
28	127,770	352,995	2.763	0%
29	140,249	327,979	2.339	0%
30	122,323	308,635	2.523	0%
31	103,182	317,460	3.077	0%
32	100,717	267,389	2.655	0%
33	110,395	308,629	2.796	0%
34	78,183	252,663	3.232	0%
35	45,519	124,762	2.741	0%
36	51,138	196,987	3.852	0%
37	27,356	101,794	3.721	0%
38	35,359	140,286	3.967	0%
39	46,890	230,768	4.921	0%
40	44,786	191,868	4.284	0%
41	43,702	185,332	4.241	0%
42	29,609	128,566	4.342	0%
43	44,998	510,999	11.356	0%
44	36,526	84,992	2.327	0%
45	34,321	111,983	3.263	0%
46	14,068	47,884	3.404	0%
47	19,413	53,468	2.754	0%
48	17,976	90,211	5.018	0%
49	8,344	23,892	2.863	0%
50	9,580	71,859	7.501	0%
51	15,581	77,657	4.984	0%
52	6,247	29,539	4.729	0%
53	9,149	45,190	4.939	0%
54	6,242	18,609	2.981	0%
55	5,162	29,597	5.734	0%
56	1,264	6,931	5.483	0%
57	3,804	12,885	3.387	0%
58	2,263	9,338	4.126	0%
59	1,050	2,761	2.630	0%
60	5,025	12,497	2.487	0%
61	3,538	17,148	4.847	0%
62	3,289	9,621	2.925	0%
63	3,578	8,421	2.354	0%
64	1,690	4,838	2.863	0%
65	786	2,121	2.698	0%
66	0	0	#DIV/0!	0%
67	124	254	2.048	0%
68	0	0	#DIV/0!	0%
69	0	0	#DIV/0!	0%
70	0	0	#DIV/0!	0%
Total	261,495,622	121,662,259	0.465	

FY 2002 Parcel Select
Average cubic feet per piece



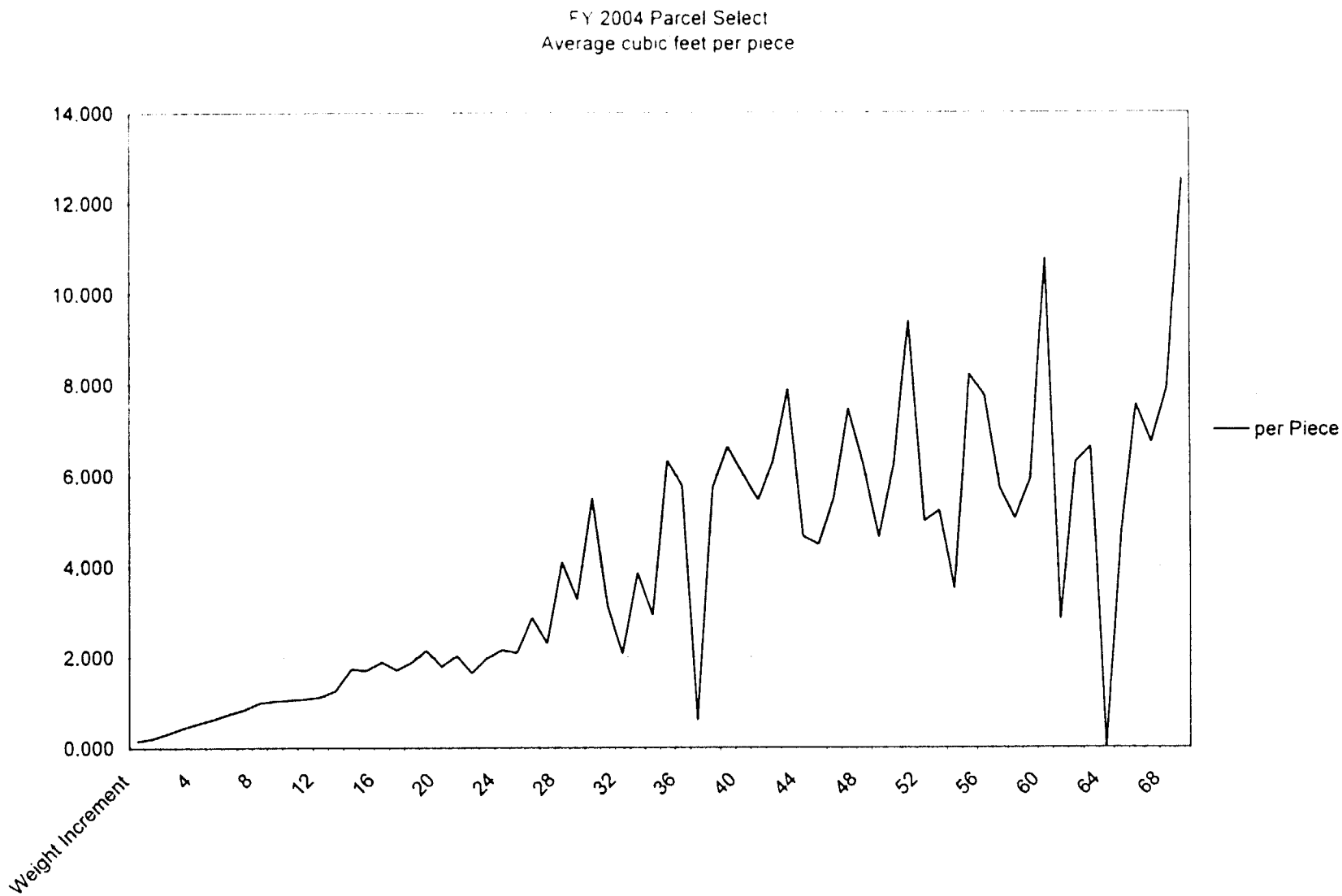
Parcel Select
FY 2003

Weight Increment	Total Pieces	Total Cubic Feet	Average Cubic Feet per Piece	Percent of Total Volume
1	13,688,801	1,945,922	0.142	4.86%
2	86,717,969	17,618,867	0.203	30.82%
3	64,226,784	19,121,118	0.298	22.82%
4	35,627,971	15,332,694	0.430	12.66%
5	21,621,209	11,696,223	0.541	7.68%
6	15,566,119	9,431,431	0.606	5.53%
7	10,054,470	7,441,461	0.740	3.57%
8	7,311,601	6,078,921	0.831	2.60%
9	4,846,047	4,665,537	0.963	1.72%
10	4,568,716	4,844,697	1.060	1.62%
11	3,344,402	3,291,056	0.984	1.19%
12	2,109,323	2,361,353	1.119	0.75%
13	1,894,302	2,112,250	1.115	0.67%
14	1,202,047	1,469,360	1.222	0.43%
15	1,326,006	2,035,846	1.535	0.47%
16	1,021,807	1,594,598	1.561	0.36%
17	836,617	1,298,067	1.552	0.30%
18	613,646	1,146,537	1.868	0.22%
19	595,409	938,703	1.577	0.21%
20	471,888	980,057	2.077	0.17%
21	553,693	1,121,265	2.025	0.20%
22	409,130	816,459	1.996	0.15%
23	429,946	624,126	1.452	0.15%
24	461,445	795,164	1.723	0.16%
25	227,559	472,497	2.076	0.08%
26	219,892	447,994	2.037	0.08%
27	204,043	521,384	2.555	0.07%
28	137,246	368,606	2.686	0.05%
29	152,586	478,821	3.138	0.05%
30	104,851	252,624	2.409	0.04%
31	54,328	162,032	2.982	0.02%
32	106,383	262,329	2.466	0.04%
33	114,970	280,446	2.439	0.04%
34	59,681	235,952	3.954	0.02%
35	49,675	163,284	3.287	0.02%
36	28,127	105,260	3.742	0.01%
37	37,474	153,621	4.099	0.01%
38	52,675	350,907	6.662	0.02%
39	50,526	278,508	5.512	0.02%
40	36,163	228,123	6.308	0.01%
41	28,826	195,959	6.798	0.01%
42	35,010	154,124	4.402	0.01%
43	26,723	201,168	7.528	0.01%
44	15,215	140,006	9.202	0.01%
45	21,238	88,872	4.185	0.01%
46	22,284	116,286	5.218	0.01%
47	31,801	175,736	5.526	0.01%
48	20,834	74,185	3.561	0.01%
49	5,728	21,229	3.706	0.00%
50	4,112	26,574	6.463	0.00%
51	9,391	50,577	5.386	0.00%
52	10,095	18,637	1.846	0.00%
53	6,638	14,007	2.110	0.00%
54	2,941	9,848	3.349	0.00%
55	1,448	9,977	6.890	0.00%
56	1,601	5,721	3.573	0.00%
57	888	4,572	5.149	0.00%
58	5,158	21,757	4.218	0.00%
59	653	4,448	6.812	0.00%
60	762	7,958	10.444	0.00%
61	7,717	35,343	4.580	0.00%
62	635	4,260	6.709	0.00%
63	0	0	#DIV/0!	0.00%
64	3,162	16,350	5.171	0.00%
65	0	0	#DIV/0!	0.00%
66	3,798	7,174	1.889	0.00%
67	0	0	#DIV/0!	0.00%
68	3,249	7,899	2.431	0.00%
69	0	0	#DIV/0!	0.00%
70	139	1,449	10.424	0.00%
Total	281,405,573	124,938,216	0.444	


FY 2003 Parcel Select
Average cubic feet per piece
12.000
10.000
8.000
6.000
4.000
2.000
0.000
Weight Increment
4
8
12
16
20
24
28
32
36
40
44
48
52
56
60
64
68
per Piece

Parcel Select
FY 2004

Weight Increment	Total Pieces	Total Cubic Feet	Average Cubic Feet per Piece	Percent of Total Volume
1	12,041,047	1,887,704	0.157	4.63%
2	85,747,873	17,582,197	0.205	33.00%
3	56,436,101	18,119,376	0.321	21.72%
4	32,053,038	14,168,692	0.442	12.33%
5	19,962,906	10,764,456	0.539	7.68%
6	14,224,725	8,937,963	0.628	5.47%
7	9,550,726	7,098,098	0.743	3.68%
8	6,537,123	5,471,790	0.837	2.52%
9	4,104,547	4,048,525	0.986	1.58%
10	3,568,042	3,687,532	1.033	1.37%
11	2,698,234	2,834,428	1.050	1.04%
12	2,055,398	2,212,728	1.077	0.79%
13	1,729,031	1,942,874	1.124	0.67%
14	1,169,383	1,466,489	1.254	0.45%
15	1,132,850	1,962,121	1.732	0.44%
16	917,731	1,562,126	1.702	0.35%
17	773,021	1,457,899	1.886	0.30%
18	605,988	1,037,883	1.713	0.23%
19	654,039	1,229,229	1.879	0.25%
20	463,805	995,835	2.147	0.18%
21	470,321	842,435	1.791	0.18%
22	355,305	720,276	2.027	0.14%
23	389,321	643,390	1.653	0.15%
24	373,064	734,801	1.970	0.14%
25	234,138	504,497	2.155	0.09%
26	222,922	466,318	2.092	0.09%
27	152,936	438,201	2.865	0.06%
28	162,852	374,678	2.301	0.06%
29	130,776	535,663	4.096	0.05%
30	142,452	465,295	3.266	0.05%
31	97,117	535,340	5.512	0.04%
32	78,440	244,300	3.114	0.03%
33	105,135	217,272	2.067	0.04%
34	65,909	254,627	3.863	0.03%
35	47,533	139,000	2.924	0.02%
36	19,788	125,209	6.328	0.01%
37	16,248	93,602	5.761	0.01%
38	180,040	108,341	0.602	0.07%
39	25,904	148,459	5.731	0.01%
40	13,577	90,153	6.640	0.01%
41	7,429	44,848	6.037	0.00%
42	7,180	39,212	5.461	0.00%
43	14,604	92,077	6.305	0.01%
44	10,306	81,399	7.898	0.00%
45	10,980	51,128	4.656	0.00%
46	12,353	55,316	4.478	0.00%
47	20,759	113,960	5.490	0.01%
48	18,348	137,097	7.472	0.01%
49	11,042	68,282	6.184	0.00%
50	4,190	19,429	4.637	0.00%
51	4,898	30,517	6.231	0.00%
52	1,590	14,955	9.406	0.00%
53	2,270	11,329	4.991	0.00%
54	280	1,462	5.221	0.00%
55	2,330	8,146	3.496	0.00%
56	4,045	33,276	8.226	0.00%
57	2,575	19,947	7.746	0.00%
58	1,193	6,824	5.720	0.00%
59	1,395	7,026	5.037	0.00%
60	1,076	6,352	5.903	0.00%
61	1,385	14,940	10.787	0.00%
62	539	1,525	2.829	0.00%
63	1,038	6,529	6.290	0.00%
64	290	1,922	6.628	0.00%
65	0	0	#DIV/0!	0.00%
66	1,025	4,864	4.745	0.00%
67	959	7,250	7.560	0.00%
68	1,233	8,274	6.710	0.00%
69	411	3,243	7.891	0.00%
70	407	5,099	12.528	0.00%
Total	259,855,516	117,046,030	0.450	


FY 2004 Parcel Select
Average cubic feet per piece
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0.000
Weight Increment
4
8
12
16
20
24
28
32
36
40
44
48
52
56
60
64
68
per Piece

Parcel Select Cumulative Volume Shares

Weight Increment	2002	2003	2004
1	6%	5%	5%
2	36%	36%	38%
3	59%	59%	59%
4	71%	71%	72%
5	79%	79%	79%
6	84%	84%	85%
7	88%	88%	89%
8	90%	91%	91%
9	92%	92%	93%
10	94%	94%	94%
11	95%	95%	95%
12	96%	96%	96%
13	96%	97%	96%
14	97%	97%	97%
15	97%	97%	97%
16	98%	98%	98%
17	98%	98%	98%
18	98%	98%	98%
19	98%	98%	99%
20	99%	99%	99%
21	99%	99%	99%
22	99%	99%	99%
23	99%	99%	99%
24	99%	99%	99%
25	99%	99%	99%
26	99%	99%	99%
27	99%	100%	100%
28	100%	100%	100%
29	100%	100%	100%
30	100%	100%	100%
31	100%	100%	100%
32	100%	100%	100%
33	100%	100%	100%
34	100%	100%	100%
35	100%	100%	100%
36	100%	100%	100%
37	100%	100%	100%
38	100%	100%	100%
39	100%	100%	100%
40	100%	100%	100%
41	100%	100%	100%
42	100%	100%	100%
43	100%	100%	100%
44	100%	100%	100%
45	100%	100%	100%
46	100%	100%	100%
47	100%	100%	100%
48	100%	100%	100%
49	100%	100%	100%
50	100%	100%	100%
51	100%	100%	100%
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61	100%	100%	100%
62	100%	100%	100%
63	100%	100%	100%
64	100%	100%	100%
65	100%	100%	100%
66	100%	100%	100%
67	100%	100%	100%
68	100%	100%	100%
69	100%	100%	100%
70	100%	100%	100%

Parcel Select Average Cube per Piece

Weight Increment	2002	2003	2004
1	0 12	0 14	0 16
2	0 21	0 20	0 21
3	0 31	0 30	0 32
4	0 44	0 43	0 44
5	0 56	0 54	0 54
6	0 66	0 61	0 63
7	0 76	0 74	0 74
8	0 89	0 83	0 84
9	0 96	0 96	0 99
10	1 09	1 06	1 03
11	1 12	0 98	1 05
12	1 04	1 12	1 08
13	1 26	1 12	1 12
14	1 31	1 22	1 25
15	1 68	1 54	1 73
16	1 70	1 56	1 70
17	1 59	1 55	1 89
18	1 63	1 87	1 71
19	1 61	1 58	1 88
20	2 08	2 08	2 15
21	1 85	2 03	1 79
22	1 89	2 00	2 03
23	1 91	1 45	1 65
24	2 11	1 72	1 97
25	2 33	2 08	2 15
26	2 16	2 04	2 09
27	7 01	2 56	2 87
28	2 76	2 69	2 30
29	2 34	3 14	4 10
30	2 52	2 41	3 27
31	3 08	2 98	5 51
32	2 65	2 47	3 11
33	2 80	2 44	2 07
34	3 23	3 95	3 86
35	2 74	3 29	2 92
36	3 85	3 74	6 33
37	3 72	4 10	5 76
38	3 97	6 66	0 60
39	4 92	5 51	5 73
40	4 28	6 31	6 64
41	4 24	6 80	6 04
42	4 34	4 40	5 46
43	11 36	7 53	6 30
44	2 33	9 20	7 90
45	3 26	4 18	4 66
46	3 40	5 22	4 48
47	2 75	5 53	5 49
48	5 02	3 56	7 47
49	2 86	3 71	6 18
50	7 50	6 46	4 64
51	4 98	5 39	6 23
52	4 73	1 85	9 41
53	4 94	2 11	4 99
54	2 98	3 35	5 22
55	5 73	6 89	3 50
56	5 48	3 57	8 23
57	3 39	5 15	7 75
58	4 13	4 22	5 72
59	2 63	6 81	5 04
60	2 49	10 44	5 90
61	4 85	4 58	10 79
62	2 93	6 71	2 83
63	2 35	#DIV/0!	6 29
64	2 86	5 17	6 63
65	2 70	#DIV/0!	#DIV/0!
66	#DIV/0!	1 89	4 75
67	2 05	#DIV/0!	7 56
68	#DIV/0!	2 43	6 71
69	#DIV/0!	#DIV/0!	7 89
70	#DIV/0!	10 42	12 53

1 CHAIRMAN OMAS: We now turn to those
2 witnesses for whom cross-examination has been
3 requested.
4 Ms. McKenzie, will you identify your first
5 witness?
6 MS. MCKENZIE: The first witness testifying
7 for the Postal Service today is Jatona Hatcher.
8 CHAIRMAN OMAS: Ms. Hatcher, will you please
9 stand and raise your right hand?
10 Whereupon,
11 JATONA HATCHER
12 having been duly sworn, was called as a
13 witness and was examined and testified as follows:
14 CHAIRMAN OMAS: Please be seated.
15 (The document referred to was
16 marked for identification as
17 Exhibit No. USPS-T-22.)
18 DIRECT EXAMINATION
19 BY MR. MCKENZIE:
20 Q Ms. Hatcher, where do you work?
21 A The United States Postal Service, Finance
22 Department, under Special Study.
23 Q Earlier I handed you two copies of the
24 document entitled Direct Testimony of Jatona Hatcher
25 on Behalf of the United States Postal Service marked as

1 USPS-T-22. Did you have a chance to examine that?
2 A Yes, I did.
3 Q Do they reflect the revisions that you made
4 on June 8 and June 28?
5 A Yes.
6 Q Was this testimony prepared by you or under
7 your direction?
8 A Yes.
9 Q If you were to testify orally today, would
10 your testimony be the same?
11 A Yes.
12 MS. MCKENZIE: Mr. Chairman, I ask that the
13 Direct Testimony of Jatona Hatcher on Behalf of the
14 United States Postal Service marked as USPS-T-22 be
15 received into evidence at this time.
16 CHAIRMAN OMAS: Is there any objection?
17 (No response.)
18 CHAIRMAN OMAS: Hearing none, so ordered. I
19 will direct counsel to provide the reporter with two
20 copies of the corrected direct testimony of Ms.
21 Hatcher. That testimony is received into evidence.
22 However, as is our practice, it will not be
23 transcribed.
24 //
25 //

1 (The document referred to,
2 previously identified as
3 Exhibit No. USPS-T-22, was
4 received in evidence.)
5 CHAIRMAN OMAS: Ms. Hatcher, have you had an
6 opportunity to examine the packet of designated
7 written cross-examination that was made available to
8 you here this morning?
9 THE WITNESS: Yes, I have.
10 CHAIRMAN OMAS: If the questions contained
11 in that packet were posed to you orally today, would
12 your answers be the same as those you previously
13 provided in writing?
14 THE WITNESS: Yes.
15 CHAIRMAN OMAS: Thank you. You might want
16 to move the mike closer to you.
17 THE WITNESS: Okay.
18 CHAIRMAN OMAS: It would be easier than
19 moving forward each time.
20 Are there any corrections or additions you
21 would like to make to those answers?
22 THE WITNESS: No.
23 CHAIRMAN OMAS: Counsel, would you please
24 provide two copies of the corrected designated written
25 cross-examination of Ms. Hatcher to the reporter?

1 That material is received into evidence, and it is to
2 be transcribed into the record.
3 (The document referred to was
4 marked for identification as
5 Exhibit No. USPS-T-22 and was
6 received in evidence.)
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services

Docket No. R2005-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS JATONA S. HATCHER
(USPS-T-22)

Party	Interrogatories
Major Mailers Association	MMA/USPS-T22-1-5, 6a, c-j, 7a, e, 8c-d, 9-13

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS JATONA S. HATCHER (T-22)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
MMA/USPS-T22-1	MMA
MMA/USPS-T22-2	MMA
MMA/USPS-T22-3	MMA
MMA/USPS-T22-4	MMA
MMA/USPS-T22-5	MMA
MMA/USPS-T22-6a	MMA
MMA/USPS-T22-6c	MMA
MMA/USPS-T22-6d	MMA
MMA/USPS-T22-6e	MMA
MMA/USPS-T22-6f	MMA
MMA/USPS-T22-6g	MMA
MMA/USPS-T22-6h	MMA
MMA/USPS-T22-6i	MMA
MMA/USPS-T22-6j	MMA
MMA/USPS-T22-7a	MMA
MMA/USPS-T22-7e	MMA
MMA/USPS-T22-8c	MMA
MMA/USPS-T22-8d	MMA
MMA/USPS-T22-9	MMA
MMA/USPS-T22-10	MMA
MMA/USPS-T22-11	MMA
MMA/USPS-T22-12	MMA
MMA/USPS-T22-13	MMA

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-1

Please refer to page 4 of your direct testimony where you state "[t]he methodology for the cost study I am presenting in this case is unchanged from the model presented by witness Miller...The model has been updated to include test year 2006 equipment changes, test year finalization factors, piggyback factors, volume variability factors, and wage rates."

A. Please confirm that you have made no methodological changes from the QBRM cost savings methodology used by USPS witness Miller in R2001-1 and provided in R2001-1 Library Reference USPS-LR-J-60. If you cannot confirm, please identify separately each change in methodology that you made and the reason for such change.
B. Please confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the QBRM cost savings methodology that USPS witness Campbell had presented in R2000-1 Library Reference USPS-LR-I-160. If you cannot confirm, please explain why not.
C. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that USPS witness Campbell had presented in R2000-1 Library Reference USPS-LR-I-160, please confirm that the Commission did not approve any of the changes in methodology that USPS witness Miller made in his R2001-1 presentation. If you cannot confirm, please explain.
D. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that USPS witness Campbell had presented in R2000-1 Library Reference USPS-LR-I-160, please list each of Mr. Miller's R2001-1 methodological changes that you have adopted and used for your presentation of QBRM workshare cost savings in R2005-1.
E. Please indicate where in your testimony or Library References you provide any additional reasons why the Commission should adopt the changes in methodology that you list in your response to Interrogatory MMA/USPS-T22-1D.

RESPONSE:

A. In general, I relied on the same cost methodology described by witness Miller in Docket No. R2001-1, USPS-T-22, Section VII.

B. Confirmed.

C. The Commission neither approved nor disapproved of the cost methodology and did not extensively comment on the BRM issues debated by intervening parties

Response to MMA/USPS-T22-1 continued

in Docket No. R2001-1. Instead, they relied on the Stipulation and Agreement rate proposals.

D. Please see Docket No. R2001-1, USPS-T-22, Section IV.

E. I stated in USPS-T-22, page 4 at 5-6, "The methodology for the cost study I am presenting in this case is unchanged from the model presented by witness Miller." I do not have any further rationale beyond what was covered in Docket No. R2001-1: USPS-T-22, Section IV; related interrogatory responses; and Commission hearings transcripts.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-2

Please refer to Library Reference LR-USPS-K-69, pages 3 and 5, where you show the mail flow models for hand addressed letters (HAND) and QBRM letters.

A. Please confirm that, although you show that HAND letters and QBRM letters are not processed after the outgoing primary operation, both types of letters are, in fact, processed through the outgoing primary, the outgoing secondary, the incoming primary, and the incoming secondary operations, in order to be delivered. If you cannot confirm, please explain.

B. Please confirm that the HAND model is precisely the same as USPS witness Abdirhaman's Bulk Metered Mail (BMM) model in that HAND letters and BMM both require USPS-applied barcodes and enter the mail stream at the RBCS operation. We note that the only apparent difference is that BMM first goes to the "OUT ISS" whereas HAND letters go to the "OUT RCR". If you cannot confirm, please explain how the processing of HAND letters differs from the processing of BMM letters insofar as the mail flow models are concerned.

C. Please confirm that the QBRM model is precisely the same as USPS witness Abdirhaman's Automation Mixed AADC (MAADC) model in that neither QBRM letters nor MAADC letters require USPS-applied barcodes and both enter the mail stream after the RBCS operation. We note that the only apparent difference is that QBRM first goes to the "OUT PRIM AUTO" whereas MAADC letters go to the "OUT PRIM SEC". If you cannot confirm, please explain. If you cannot confirm, please explain how the processing of QBRM letters differs from the processing of MAADC letters insofar as the mail flow models are concerned.

RESPONSE:

A. Not confirmed. The handwritten and QBRM cost models in USPS-LR-69 were constructed to isolate the cost difference between these two mail piece types, which represents the costs incurred when a handwritten mail piece is processed through the Remote Bar Code System (RBCS). The operation in which the mail pieces would be isolated and require no further processing is determined by the mail volume for a given address. The cost model in USPS-LR-K-69 reflects the actual cost difference. For lower volume applications, the mail pieces, whether handwritten or QBRM, would likely require further processing before being isolated. However, the amount of additional sortations would be identical because the volume would be the same, regardless of which mail type is used.

Response to MMA/USPS-T21-2 continued:

Given that lower volume handwritten mail pieces and QBRM mail pieces would both incur the costs for subsequent sortations, those costs were not included in the cost models.

B. Not confirmed. The handwritten cost model in USPS-LR-K-69 is not "precisely the same" as the BMM letters cost model found in USPS-LR-K-48 for the reason expressed in the interrogatory itself. Handwritten mail pieces "enter the mail stream" as collection mail and are thus processed on the Advanced Facer Canceler System Input Sub System (AFCS-ISS). The AFCS-ISS lifts handwritten mail pieces images. Those images are then routed to the Remote Computer Read (RCR) system. The AFCS-ISS operation is not included in USPS-LR-K-69 because both handwritten mail pieces and QBRM mail pieces would incur those costs. The sorted handwritten mail pieces are staged while the corresponding images are being processed. If the RCR cannot resolve a given handwritten image, the image is forwarded to the Remote Encoding Center (REC) Data Conversion Operators (DCO). Once the image has been resolved, the staged mail is retrieved and processed through the outgoing OSS operation, which applies barcodes to the mail pieces based on the results.

It is my understanding that BMM letters, on the other hand, are not processed through the AFCS-ISS. That mail is prepared in full trays and "enters the mail stream" at the outgoing ISS operation. The ISS lifts the BMM letters images. Those images are then routed to the RCR operation. The sorted BMM

letters are staged while the corresponding images are being processed. From that point on, the flow of these mail pieces is generally the same.

C. Not confirmed. The QBRM cost model in USPS-LR-K-69 is not "precisely the same" as the Automation MAADC model found in USPS-LR-K-48 for the reason expressed in the interrogatory itself. QBRM mail pieces "enter the mail stream" as collection mail and are thus processed on the AFCS-ISS. The cancellation operation is not included in USPS-LR-K-69 because both handwritten mail pieces and QBRM mail pieces incur those costs. Once isolated on the AFCS-ISS, BRM / CRM mail pieces are routed to the automation outgoing primary, or "FIM," operation.

It is my understanding that Automation MAADC mail pieces "enter the mail stream" at the automation outgoing secondary operation. The productivities, and therefore costs, for the automation outgoing primary and automation outgoing secondary operations are not identical.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-3

Please refer to Library Reference LR-USPS-K-69, pages 3 and 5, where you show the mail flow models for hand addressed letters (HAND) and QBRM letters.

A. Please confirm that, according to your HAND mail flow model, 92.49% of the 10,000 HAND letters are successfully barcoded and are sent to automation operations downstream for further processing. If you cannot confirm, please explain.

B. Please confirm that, according to your QBRM mail flow model, 95.76% of the QBRM letters are successfully processed by the automation primary sort, and then sent to automation operations downstream for further processing.

C. Please confirm that you assume that, after HAND letters are processed in the RBCS operation and QBRM letters are processed in the outgoing automation primary, there are no differences in the costs to process HAND and QBRM letters through all of the remaining operations until the letters are delivered. If you cannot confirm, please explain.

RESPONSE:

A. Confirmed.

B. Confirmed.

C. Not confirmed. Please see the response to MMA/USPS-T22-2A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-4

Please refer to USPS witness McCrery's response to Interrogatory MMA/USPS-T29-3A.

A. Please confirm that his answer indicates that in general, the Postal Service successfully barcodes approximately 82% of all non-prebarcoded letters that enter the mail stream. If you cannot confirm, please explain.

B. Do you have any reason to believe that the Postal Service barcodes more than 82% of the letters that enter the postal mailstream. If so, please explain your position and provide any studies or other information you believe support your position.

RESPONSE:

A. It appears that this can be confirmed by looking at witness McCrery's response. Out of the 149.6 billion total letter, mailer applied barcoded letters make up 101.3 billion of these the letters, leaving a balance of 48.3 billion letters. Witness McCrery states that the USPS applies barcodes on 39.6 billion letters, therefore, this would calculate to approximately 82% of the 48.3 billion.

B. No. However, I am not an expert on postal applied barcoding for all letter mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-5

Please refer to your Library Reference LR-USPS-K-69, page 6, where you derive the unit variable costs to justify the QBRM per piece fee for high volume recipients.

A. Please confirm that you have made no methodological changes from the QBRM per piece fee cost methodology used by USPS witness Miller in R2001-1 and presented in R2001-1 Library Reference USPS-LR-J-60. If you cannot confirm, please identify separately each change in methodology that you made and the reason for such change.

B. Please confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes to the QBRM per piece fee cost methodology that USPS witness Campbell presented in R2000-1 Library Reference USPS-LR-I-160. If you cannot confirm, please explain why not.

C. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the QBRM per piece fee cost methodology that USPS witness Campbell presented in R2000-1 Library Reference USPS-LR-I-160, please confirm that the Commission did not approve any of the changes in methodology that USPS witness Miller made in his R2001-1 presentation. If you cannot confirm, please explain.

D. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes to the QBRM per piece fee cost methodology that USPS witness Campbell presented in R2000-1 Library Reference USPS-LR-I-160, please list each of the methodological changes that Mr. Miller made in R2001-1 that you have adopted and used for your presentation of the QBRM per piece fee cost in R2005-1.

E. Please indicate where in your testimony or Library References you provide any additional reasons why the Commission should adopt the changes in methodology that you list in your response to Interrogatory MMA/USPS-T22-5D.

RESPONSE:

A. In general, I relied on the same cost methodology described by witness Miller in Docket No. R2001-1, USPS-T-22, Section VII.

B. Confirmed. See Docket No. R2001-1, USPS-T-22, Section VII.

C. The Commission neither approved nor disapproved of the cost methodology and did not extensively comment on the BRM issues debated by intervening parties in Docket No. R2001-1. Instead, they relied on the Stipulation and Agreement rate proposals.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS-T22-5 continued:

D. Please see Docket No. R2001-1, USPS-T-22, Section VII.

E. I stated in USPS-T-22, page 5 at 13-14, "The respective methodologies used to calculate these fees are unchanged from Docket No. R2001-1." I have presented no further rationale beyond what was covered in Docket No. R2001-1: USPS-T-22, Section VII; related interrogatory responses; and Commission hearings transcripts.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MA/USPS-T22-6

Please refer to of your Library Reference LR-USPS-K-69, Section B, page 6, where you derive the unit variable costs to justify the QBRM per piece fee for high volume recipients. Please focus on the costs reported for BRMAS processing.

A. Please confirm that, in R2000-1, USPS witness Campbell assumed that the extra variable costs associated with processing QBRM letters that were counted, rated and billed using BRMAS automated equipment for high volume QBRM recipients was zero. If you cannot confirm, please explain.
B. Please confirm that, in R2001-1, the Commission assumed that the extra variable costs associated with QBRM letters that were counted, rated and billed using BRMAS automated equipment for high volume QBRM recipients was zero. If you cannot confirm, please explain.
C. Please confirm that the extra costs you show for BRMAS processing reflect not the variable costs associated with counting, rating and billing QBRM, but 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. If you cannot confirm, please explain.
D. Please confirm that 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. If you cannot confirm, please explain.
E. Please confirm that the cost of the BRMAS functions that you derive to support the QBRM per piece fee has no relation whatsoever to the volume received by large volume QBRM recipients. If you cannot confirm, please explain.
F. Please confirm that, when deriving your productivity and costs associated with bill printing for the BRMAS operation, you relied upon data collected during a study presented in R97-1, as shown on page 11 of your library reference. If you cannot confirm, please explain.
G. Please confirm that the productivity and cost data for bill printing, from which you derive your BRMAS unit cost of .722 cents, was collected before the high volume QBRM category existed. If you cannot confirm, please explain.
H. Please provide the average volume received per QBRM recipient when the Postal Service produced its study of BRMAS costs in R97-1. If you do not know, please explain how you adjusted the fixed printing and other associated costs to derive a unit variable cost that would be appropriate for high volume QBRM recipients. Please provide all documents that support your answer.
I. Please confirm that, if the BRAMS cost for printing and other associated functions was $10, then the unit cost would be 10.0 cents if a particular QBRM recipient received 100 pieces. If you cannot confirm, please explain.
J. Please confirm that, if the BRAMS cost for printing and other associated functions was $10, then the unit cost would be 0.1 cents per piece if a particular QBRM recipient received 10,000 pieces. If you cannot confirm, please explain.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-6:

A. Confirmed. Please see Docket No. R2000-1, USPS-LR-I-160, Section B, page 2, cell G25.

B. Not confirmed. In Docket No. R2001-1, the Commission did not provide its own version of the BRM fees costs study. Instead, the Commission relied on the rates proposed in the Stipulation and Agreement.

C. I am unable to confirm or not confirm. Whether or not these costs are considered "variable" or "fixed," they are not included in the cost study supporting the Quarterly QBRM fee. They were therefore included in the cost study supporting the high volume QBRM per-piece fee in Docket No. R2001-1. Please see Docket No. R2001-1, USPS-T-22, page 37 at 28 to page 38 at 15.

D. Not confirmed. The QBRM Quarterly fee reflects cost associated with the rating and billing activities. The BRMAS-related costs in USPS-LR-K-69, Section B, page 4 are zero.

E. I have not studied this issue. As I stated in USPS-T-22, page 5 at 13-14, "The respective methodologies used to calculate these fees are unchanged from Docket No. R2001-1."

F. Confirmed.

G. Confirmed. The BRMAS software was being used at the time the data was collected.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-6 continued:

H. QBRM was not introduced until R-2000-1, so any volume data on QBRM during the BRMAS study in 1997 do not exist. Furthermore, no adjustments have been made in this proceeding to the fixed printing and other associated costs. I rely on the same methodology, which was relied upon in Docket No. R2001-1.

I. Confirmed.

J. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-7

Please refer to Library Reference LR-USPS-K-69, page 1, where you show the derived workshare related unit processing costs for HAND and QBRM letters. You apply a 1.454 CRA Proportional Cost Factor to both model-derived unit costs for HAND and QBRM letters.

A. Please explain why you applied the CRA Proportional Cost Factor of 1.454 to each of your model-derived unit costs for HAND and QBRM letters.
B. Please confirm that, as shown in revised Library Reference LR-USPS-K-48, the BMM CRA-derived unit cost of 6.476 cents is 2.022 cents higher than USPS witness Abdirhaman's BMM model-derived unit cost of 4.454 cents. If you cannot confirm, please explain.
C. Please confirm that USPS witness Abdirhaman's mail flow model did not and could not account for 2.022 cents of the CRA unit cost for single piece metered mail that he uses as a proxy for BMM letters. If you cannot confirm, please explain.
D. Please confirm that the 2.022 cents that USPS witness Abdirhaman's mail flow model did not and could not account for represents 45.4% of the BMM model-derived unit cost of 4.454 cents. If you cannot confirm, please explain.
E. Please confirm that the reason you apply the CRA Proportional Factor to both HAND and QBRM letters is to adjust your model-derived unit costs for the strong possibility that your models have not accounted for the same costs that USPS witness Abdirhaman's BMM model did not account for? If you do not agree, please explain.

RESPONSE:

A. I have applied the CRA adjustment factor in my analysis in order to be consistent with the methodology that has been used since R-2001-1. Please see Docket No. R2001-1, USPS-T-22, Section III, B1 and B2c. In addition, the BMM CRA adjustment factor is applied to both the HAND and QBRM models to account for any under or over estimation of costs in order to align my QBRM cost avoidance model with the CRA costs.

To derive the QBRM cost avoidance, I compare the HAND model derived costs to the QBRM model derived costs. To make a valid comparison of both costs, the models use the same CRA Proportional Adjustment Factor. The BMM-based CRA Proportional Adjustment Factor is used because both QBRM and handwritten letters are components of the First-Class Mail single-piece mail stream, as is Bulk Metered Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS T22-7 continued.

B. – D. Redirected to witness Abdirahman.

E. Please see the response to A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-8

Please refer to Library Reference LR-USPS-K-69, page 1, where you show the derived workshare related unit processing costs for HAND and QBRM letters. You apply a 1.454 CRA Proportional Cost Factor to both model-derived unit costs for HAND and QBRM letters.

A. Please confirm that, as shown in revised Library Reference LR-USPS-K-48, the Automation letter CRA-derived unit cost of 1.886 cents is .782 cents lower than USPS witness Abdirhaman's model-derived unit cost for Automation letters of 2.668 cents. If you cannot confirm, please explain.
B. Please confirm that for prebarcoded, machinable letters, USPS witness Abdirhaman's mail flow models somehow included non-existent costs of .782 cents, which represents 29.3% of the model-derived unit cost of 2.668 cents. If you cannot confirm, please explain.
C. Please confirm that, when you applied your BMM CRA Proportional Factor to QBRM letters, you increased your model-derived unit cost by 45.4%, notwithstanding the fact that, unlike BMM letters, QBRM letters completely bypass the RBCS operation. If you cannot confirm, please explain.
D. Please confirm that, when you applied your BMM CRA Proportional Factor to QBRM letters, you increased your model-derived unit cost by 45.4%, notwithstanding the fact that for prebarcoded, machinable letters, USPS witness Abdirhaman's mail flow models indicate that you should have reduced your model-derived unit cost by 29.3%. If you cannot confirm, please explain.

Response:

A. Redirected to witness Abdirahman.

B. Redirected to witness Abdirahman.

C. I confirm that applying the BMM CRA Proportional Adjustment Factor increased my model's unit cost by 45.4%. Please see my response to MMA/USPS T22-7A.

D. Please see my response part C and MMA/USPS T22-7A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

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.

RESPONSE:

I do not agree that I failed to confirm that there are no differences in costs to process HAND and QBRM letters after the outgoing primary operation, in my model, USPS-LR-K-69, Section A, page 1-6. Please see my response to MMA/USPS T-22-2A.

A. Confirmed.

B. Confirmed.

C. Please see my response to MMA/USPS T22-2A.

D. Not confirmed. Please see Docket No. R2001-1, USPS-T-22, Section IV.

Also, please see my response to part C.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

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.

RESPONSE:

A. Confirmed. While there is no way to determine that 100% of HAND letters are not prebarcoded, my model assumes that all HAND letters are not prebarcoded.

B-C. The handwritten model relies on data from the accept and upgrade study conducted in Docket No. R97-1 (USPS-LR-H-130), which are specific to handwritten mail pieces. I model handwritten letters through one operation, RBCS, in order to calculate the 92.49% figure. The Postal Service's 82% figure, by comparison, is calculated from non-prebarcoded mail that goes through all operations, which increases the likelihood of more rejected handwritten mail pieces. Therefore, the percentage figures mention above are not identical in context.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

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.

RESPONSE:

The QBRM per-piece fee cost study only entails the counting of High-Volume QBRM mail pieces and these costs are considered variable. The fixed BRMAS activities for Hi-Volume QBRM mail pieces are assumed to be zero and are a component of the Quarterly BRM cost study. The High-Volume QBRM per-piece cost study only

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS T22-11 continued:

includes the counting activity of BRM mail pieces and does not include the "rating and billing" activity as the preamble to your question states.

A-B. As witness Miller stated in USPS-T22, page 38, at 13-14

> "In Docket No. R-97-1, these tasks were included in a second productivity referred to as "additional workload for BRMAS." Therefore, that productivity has been adjusted for volume variability and is included in the per-piece fee cost studies."

BRMAS can be categorize as an "incoming secondary" for BRM mail pieces that are processed on automation machines. But, there are specific tasks not found in other incoming secondary operations. The main task is the printing out the bill by the mail processing clerks. This task requires extra time, depending upon the number of permits. This is also a time that the machine is down and cannot be used for another operation. In addition, the bills must be placed with the corresponding mail pieces and, depending upon *volume*, this process requires extra time. All these tasks are variable in nature and correspond to the BRMAS operation.

In addition, the BRMAS data comes from the Docket No. R-97-1 BRM study, which contains information in a pieces per hour (variable) format. In order to calculate the fixed cost of the BRMAS operation for the QBRM Quarterly fee category, additional data would need to be developed.

C. As I stated in USPS-T22, page 7 at 13-14, "The respective methodologies used to calculate these fees are unchanged from the Docket No. R2001-1." Please see my response to question A.

D. Please see my response to question A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS T22-11 continued:

E. I reviewed both witnesses Campbell's and Miller's testimonies and accompanying workpapers, regarding the QBRM Cost Avoidance analysis. I have also reviewed the rationale for the changes to the R-2001-1 QBRM Cost Avoidance model. In the interest of limiting the range of controversy, in this docket, I did not change the methodology.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

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."

RESPONSE:

A. For rating and billing activities please refer to USPS-LR-K-69, Section B, page 4. I do not know what you mean by "fixed accounting costs associated with QBRM received by large volume recipients". Please see my response to MMA/USPS T-22-6D.

B. The "extra" BRMAS costs do not reflect "rating and billing activities." Please see my response to MMA/USPS T22-11A. In addition, the "rating and billing" tasks that I referred to in my response to MMA/USPS T22-6D are the costs of taking the BRMAS statement of charges, adding the additional charges from mail received via other operations, and then developing the completed bill.

C. No, please see my response to question A, B, and MMA/USPS T22-11A.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATCHER TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

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.

RESPONSE:

In my response to MMA/USPS-T22-6 J and I, I confirmed that your calculations that $10 divided by 100 pieces would calculate to 10.0 cents. I further confirmed that $10 divided by 10,000 pieces would calculate to 0.1 cents. This does not indicate that I agree with the concept of BRMAS costs for printing and other associated functions do not change as volume changes.

A. No. I have considered whether fixed costs are included in the QBRM per-piece fee. I do not agree that fixed costs were being used to support the High-Volume QBRM per-piece fee cost.

B. Please see attached.

Attachment to Response to MMA.USPS-T22-13 b

UNITED STATES POSTAL SERVICE

BRM/Postage Due Invoice

Name and Address of Customer		Account No.
Mailer 1	475 L'Enfant Plaza SW Washington, DC 20260	1234567

	(No. of Pieces)		(Rate)		(Amount)
Itemized Charges	5,000	X	.348	=	$1,740
Itemized Charges		X		=	
Itemized Charges		X		=	
Itemized Charges		X		=	

USPS: Total Amount will be recorded to Form 1412 into GLA/AIC 0114, *Postage Due Invoice*.

Business Reply Mail/Postage Due Articles Accompanying This Invoice Amount To $ 1,740

Customer: It is understood that the amount of this bill will be deducted from your Business Reply Mail/Postage Due Advance Deposit Account.

Date of Transaction	Employee's Printed Name and Signature	Postmark
6/24/05	Aunt Minnie Aunt Minnie	

PS Form **3582-P**, August 2001 ***Prepare in Duplicate***

Attachment to Response to MMA.USPS-T22-13 b

UNITED STATES POSTAL SERVICE®

BRM/Postage Due Invoice

Name and Address of Customer		Account No.
Mailer 2	475 L'Enfant Plaza SW Washington, DC 20260	891023

	(No. of Pieces)	X	(Rate)	=	(Amount)
Itemized Charges	15,000	X	.578	=	$ 8,670
Itemized Charges		X		=	
Itemized Charges		X		=	
Itemized Charges		X		=	

USPS: Total Amount will be recorded to Form 1412 into GLA/AIC 0114, *Postage Due Invoice.*

Business Reply Mail/Postage Due Articles Accompanying This Invoice Amount To $ 8,670

Customer: It is understood that the amount of this bill will be deducted from your Business Reply Mail/Postage Due Advance Deposit Account.

Date of Transaction	Employee's Printed Name and Signature	Postmark
6/24/05	Aunt Minnie Aunt Minnie	

PS Form **3582-P**, August 2001

Prepare In Duplicate

1 MS. MCKENZIE: Mr. Chairman, we also have
2 two library references as well.
3 CHAIRMAN OMAS: All right. Without
4 objection.
5 MS. MCKENZIE: Yes. Just for the record, we
6 have two library references associated with this
7 testimony.
8 BY MR. MCKENZIE:
9 Q Witness Hatcher, are you familiar with the
10 library references, USPS-LR-K-69 and USPS-LR-K-59,
11 Attachments 2-4, 6-8, 10-11, 12(a) and 13?
12 A Yes.
13 Q Do you sponsor these library references?
14 A Yes, I do.
15 MS. MCKENZIE: Mr. Chairman, I ask that the
16 library references be moved into evidence at this
17 time.
18 CHAIRMAN OMAS: Without objection. So
19 ordered.
20 Is there any additional written cross-
21 examination by Witness Hatcher?
22 MS. MCKENZIE: We did counterdesignate.
23 Yes. In the packets of designated cross-examination
24 we are counterdesignating 6(b) of Witness Hatcher,
25 MMA/USPS-6(b).

1 It was on a page with other subparts and
2 answers, and that part had not been designated. We
3 are counterdesignating. It's in the packet that was
4 provided to the reporter.
5 CHAIRMAN OMAS: All right. Thank you.
6 Without objection.
7 This brings us to oral cross-examination.
8 One party has requested oral cross-examination, the
9 Major Mailers Association, Mr. Hall.
10 Mr. Hall, would you please identify yourself
11 for the record?
12 MR. HALL: Yes, Mr. Chairman. Michael Hall
13 on behalf of Major Mailers Association.
14 CHAIRMAN OMAS: Thank you. You may proceed.
15 CROSS-EXAMINATION
16 BY MR. HALL:
17 Q Good morning, Ms. Hatcher.
18 A Good morning.
19 Q I'd like to ask you some questions about
20 your QBRM cost study. I provided you, and I've also
21 provided to all of the Commissioners, some sheets that
22 I'd like to discuss with you.
23 The first sheet is page 11 from Section B of
24 Library Reference USPS-LR-K-69. Do you have that
25 sheet before you?

1 A Yes, I do.

2 Q Now, you'll see in the column following the

3 description entitled Actual Pieces Per Hour the figure

4 for what you call BRMAS Additional Workload, a

5 productivity number of 7,460 pieces per hour. Is that

6 correct?

7 A Yes.

8 Q And then to that productivity factor you

9 apply the volume variability factor of .83. Is that

10 right?

11 A Yes.

12 Q Okay. And that's based on the Postal

13 Service's notion of variable cost? Is that right?

14 A Correct.

15 Q And that gives you a marginal pieces per

16 hour of 8,988. Is that correct?

17 A Yes.

18 Q Your original source for the 7,460 pieces

19 per hour was taken from Witness Shenks' exhibit in

20 R1997-1. Is that correct?

21 A Yes.

22 Q Okay. I'd like you to turn to the second

23 page of the handout I've given you, which is page 6 of

24 Section B of the same library reference.

25 Now, there we're taking the 8,988 what you

1 call marginal productivity, which comes from the first
2 sheet that we discussed. Is that right?
3 A Yes.
4 Q And then you're applying several things, but
5 one of them is a piggyback factor of 1.8 to arrive at
6 a total cents per piece of .722 cents. Is that
7 correct?
8 A Yes.
9 Q Now, let me just ask you. The piggyback
10 factor of 1.8. You described that on the first sheet
11 as a CBCS/DBCS factor. Is that right?
12 A Yes.
13 Q That's a factor that relates to sortation of
14 pieces. Is that correct?
15 A That's my understanding. That is correct.
16 Q Okay. So now we have a cost per piece that
17 we've developed on page 6 that we have now turned to.
18 I would now like you to look at your answer
19 to MMA/USPS-T-22-6, Part C. Do you have that before
20 you now?
21 A Yes, I do.
22 Q Okay. You indicate that you can't confirm
23 or not confirm that the costs in question are
24 variable. Is that right?
25 A That is correct.

1 Q Then you go on to say well, whatever they
2 are they weren't included in the cross study
3 supporting the quarterly QBRM study, and therefore you
4 included them in the cost study supporting the per
5 piece fee. Is that correct?
6 A Yes, that was my answer to your question.
7 Q And in doing that you were following the
8 lead of USPS Witness Miller in R2001-1?
9 A Yes. It was in the general consensus of my
10 entire library references following 2001, the
11 methodology.
12 Q Okay. So basically what you did in
13 everything you did in this case was just an update of
14 what Mr. Miller had done in the previous case?
15 A Generally.
16 Q Well, generally gives me a little pause.
17 A Generally, yes.
18 Q Specifically?
19 A Specifically, I mean, if I found an error, I
20 mean, I would have of course corrected it, but I
21 followed the same methodological changes that he did
22 in R2001-1.
23 Q Okay. So it's your testimony then that if
24 it wasn't included in the quarterly fee it had to be
25 put in the per piece fee?

1 A No. I stated in my response that I did not
2 view the extra BRMAS workload as a fixed cost fee. I
3 viewed it as a variable -- variable cost, I mean. Not
4 fee.
5 Also, I would also like to note that in your
6 questions to me on Answer C or Question C you said
7 that the variable costs associated with counting,
8 rating and billing QBRM, but you're referring to the
9 per piece fee, and the per piece fee only includes the
10 counting activity, not the rating and billing.
11 Q Okay. What you said there, and let's go
12 back to the question. We asked you whether these were
13 variable or fixed costs, and we asked you to say that
14 they were fixed.
15 Your answer says, "I am unable to confirm or
16 not confirm." Does that refer to whether or not
17 they're fixed costs?
18 A No. I was referring to your initial
19 question when you said reflect the variable costs
20 associated with the counting, rating and billing QBRM.
21 I was just making a note that the high
22 volume QBRM per piece fee only includes costs
23 associated with the counting function, not the rating
24 and billing. The rating and billing functions are
25 included in the quarterly fee. Do you follow me?

1 Q Well, I think I do. What you're saying is
2 that these additional costs have nothing to do with
3 counting?
4 A They have nothing to do with rating and
5 billing. They have something to do with the counting
6 function. In your question you had stated something
7 about rating and bill.
8 Q Are you saying counting or accounting?
9 A Counting.
10 Q Okay. Well, let's look at what you've
11 identified as what is involved here at least
12 primarily.
13 Could you turn to the last two pages, which
14 are sample bills that we asked you to print out, one
15 for a customer that receives 5,000 pieces and the
16 second one for a customer who receives 15,000 pieces?
17 A Yes. I have that in front of me.
18 Q Okay. To me, except for perhaps the name of
19 the customer and some other incidental information
20 like account number, it looks as if the bills are
21 pretty much the same. Is that right?
22 A Yes, they are.
23 Q So the fact that a customer might receive
24 15,000 pieces on a particular day rather than 5,000
25 pieces on a particular day doesn't entail, as far as

1 the bills we're looking at, completion of any other
2 information, does it?
3 A Not this activity.
4 Q Right. When the bills are printed does it
5 appear to you that it would take more time to print
6 one bill than another?
7 A Depending on the volume, I would say yes.
8 Also, you have to add in the additional time it would
9 take for the clerk to pull down the mail from the
10 different bins and for them to place the bill on the
11 appropriate mail piece and then also the down time of
12 the preferred mail while they're doing this function.
13 Q Well, let's see. QBRM is first class mail?
14 A Yes.
15 Q And a special service in addition, right?
16 A Yes.
17 Q When you talk about having the mail pulled
18 out of the bar code sorter that happens to regular
19 first class mail as well as QBRM, doesn't it?
20 A I would say yes.
21 Q Okay. So if we've got costs that are paid
22 for in the first class rate which QBRM pays, then you
23 don't want to count those costs twice, do you?
24 A No. I would not want to count costs
25 associated with or that were already included in the

1 first class mail postage.

2 Q So we can take aside or take out of your

3 answer what you just said about pulling mail off the

4 bar code sorter? Is that correct?

5 A Well, you also have to add in the fact that

6 I stated that once you pull it down you also have to

7 apply the appropriate bill to whatever bin it's

8 supposed to be assigned to depending upon the high

9 volume QBRM mailer.

10 Q Okay. We've just taken away something that

11 you gave me in your first answer.

12 A Yes.

13 Q We're not going to include any costs

14 associated with pulling the mail off the bar code

15 sorter, right?

16 A Yes. That would be activity associated with

17 first class.

18 Q Okay. Then you said that there was printing

19 the bill.

20 A Yes.

21 Q And I think we've agreed that just as that

22 function just in and of itself, there's nothing to

23 distinguish one bill from another. In other words,

24 there's no extra time to actually complete the bill

25 and print the bill. Is that right?

1 A Just to clarify, you're speaking of these
2 bills that you showed me or the bills on the BRMAS?
3 The BRMAS is not really technically a bill.
4 Q Well, why don't you tell me? Does the BRMAS
5 apply a count?
6 A No. The BRMAS is just basically applying
7 applicable postage to particular bins based upon this
8 sort of scheme, and then you have to take that BRMAS
9 report and then reconcile it and then create and do
10 the bills that I created for you as examples. That
11 would be done in the postage due or the BRM of a mail
12 facility.
13 Q Right. But we don't include what's done in
14 the postage due as part of variable cost for this
15 purpose, do we?
16 A When you say -- as part of what purpose?
17 Are you talking about the purpose of pulling down the
18 mail?
19 Q Right.
20 A No. That's not included in this, in this
21 portion.
22 Q Okay. Now, I'm trying to figure out or
23 remember what else you said that was involved here.
24 Did it have to do with once the QBRM pieces
25 are pulled off the bar code sorter and the bill is put

with those pieces then the pieces are moved? Is that right? That's part of the activity that you're including?

A Yes.

Q Okay. But first class mail has to be moved after it's taken off the bar code sorter. Isn't that correct?

A Yes.

Q So you wouldn't want to include any costs associated with moving the QBRM since it's already paid the first class rate. Is that right?

A Yes.

Q Okay. Now, I'd like to ask you. First let's see if I can get my math straight here. Look at the bill for 5,000 pieces. You come up with a per piece cost, total cents per piece, of .722 cents. Is that right?

A Yes.

Q So what you're telling us is that to print out this bill for 5,000, you'd multiply the cost of .722 times 5,000, and that would give you a cost for that customer of $36.10. Is that correct? Will you accept the math anyway?

A I accept your math, but I'm not -- I accept the math.

1 Q Okay. Similarly, for the second bill that
2 we have there for 15,000 pieces, applying the same per
3 piece cost that would mean that this activity of
4 printing out the bill would cost $108.30?
5 A I accept your math.
6 Q Finally, we don't have the bill here, but if
7 the customer received only 100 pieces then the cost to
8 perform this activity would be only 72 cents
9 approximately?
10 A I accept your math.
11 Q Now, in your study let me ask you if the
12 QBRM volumes increases by one percent will the BRMAS
13 additional workload cost increase by .83 percent?
14 A Where are you looking at now?
15 Q I'm back on the first page we discussed.
16 A Page 6 of 11, correct?
17 Q Yes. I'm on page 11.
18 A You're on page 11? Okay.
19 Q Would you like me to ask the question again?
20 A Please.
21 Q If the QBRM volume increases by one percent,
22 will the BRMAS additional workload cost increase by
23 .83 percent?
24 A Will they increase by .83 percent?
25 Q Yes.

1 A That would be -- yes.
2 Q And what's the basis?
3 A I would base it on a volume variability
4 factor.
5 Q So in other words because you're calling it
6 volume variable you end up with that result that
7 you've agreed to?
8 A Yes.
9 Q Would it be fair to say that you really
10 don't know that the costs do operate in the way you've
11 suggested based upon the functions of printing the
12 bill?
13 A It is my understanding that the way I
14 presented the cost is correct. Now, I have not done
15 further analysis into that, but that's my
16 understanding.
17 Q And that was based on the fact that you
18 simply replicated what Witness Miller had done in the
19 past case?
20 A Replicated, but analyzed what he also did in
21 the past cases.
22 Q Exactly how did you analyze what we've been
23 discussing here where we have two bills that for all
24 intents and purposes look the same and we're talking
25 about basically this function of preparing those bills

1 and we've agreed that we're taking all costs
2 associated with first class mail?
3 How did you figure out that if the volume
4 increases from 5,000 to 15,000 that the cost will
5 increase from $36.10 to $108.30?
6 A Well, I guess that's probably where we have
7 a difference in opinion because I don't see this as a
8 BRMAS additional workload activity. I see this as a
9 rating and billing activity just the same as the
10 postage due bill.
11 Q But you called this BRMAS additional
12 workload. Those were your words?
13 A I don't call the preparing of the bill BRMAS
14 workload. I call the activities that I said earlier,
15 which is pulling down the mail piece, the stopping of
16 the machine while you print out the BRMAS bill,
17 applying the various BRMAS statements to the
18 appropriate volume of mail or volume of mail pieces.
19 I consider that for the BRMAS additional workload.
20 This postage due bill I prepared for you is
21 part of the rating and billing activity, which is not
22 included in the per piece fee. The per piece fee only
23 includes the counting activity.
24 Q Okay. Thank you for jogging my memory
25 because what you told me before was that part of what

1 you were including was down time for the machine while
2 mail was being pulled off the bar code sorter. Is
3 that correct?
4 A And also while the BRMAS statement was being
5 printed.
6 Q Okay. Well, certainly for the portion that
7 is -- let me ask it this way.
8 First class mail would require that the
9 machine be down for some time while the various bins
10 are being cleared, wouldn't it?
11 A I would say to some extent, yes.
12 Q Well, to some extent?
13 A To try to give you I guess a time of how
14 long the machine is down for just a regular pulling
15 down of mail compared to how long the machine is down
16 for the pulling down of mail for the BRMAS activity I
17 cannot tell you.
18 Q So you didn't make any study of that?
19 A I have not.
20 Q How do you know that the costs we've just
21 been discussing are 83 percent variable costs?
22 A Those costs are within Library Reference 52.
23 Q So you didn't make any special study of how
24 the costs operated? You simply applied the Postal
25 Service's variability factor to the costs in essence

1 that you had derived from Mr. Miller, who had derived
2 them from Witness Shank in R1997-1. Is that right?
3 A Yes. I would note that the volume
4 variability factor that I'm applying is for BRMAS.
5 Q Could you please turn to your response to
6 MMA-22-11(a)-(b)?
7 A Yes.
8 Q We've been talking about this bill and
9 getting it printed out. You say in your response that
10 the main task is the printing out of the bill by the
11 mail processing clerk.
12 A I guess that's probably where the confusion
13 lies. When I said bill, I'm not speaking of this
14 bill. I'm speaking of the BRMAS statement, I guess
15 for lack of a better word.
16 It's not technically a bill because it still
17 has to be reconciled and presented to the clerk for
18 them to either make a postage due or write a postage
19 due statement or take them to the permanent system.
20 Q And how is that a variable cost?
21 A This is not a variable cost, preparing a
22 postage due bill, but the BRMAS statement being
23 created on the equipment I was stating is a variable
24 cost.
25 Q And how does that cost vary if say it's 50

1 pieces or 50,000 pieces?

2 A Probably just as you stated. Depending upon

3 if it's a higher volume mailer I would assume it would

4 take longer to print out the bill depending upon how

5 many -- depending upon the mail pieces or the volume

6 of the mail pieces, how long the machine has to be

7 down. Those are the costs that I'm considering or I'm

8 taking as the variable cost in this cost study.

9 Q Okay. Let's go back to the machine being

10 down. You apply a wage rate to come up with your per

11 piece cost. Isn't that correct?

12 A Yes.

13 Q But what's down is not the clerk. The clerk

14 is busy doing the tasks that we've already described,

15 right, pulling the QBRM pieces out of the bins and

16 then later once the bill has been printed moving them

17 somewhere else, both of which are first class mail

18 costs that we've already discussed shouldn't be

19 included in the costs we're discussing here?

20 A I don't think I agree that the costs

21 shouldn't be included. I think I agree that we should

22 not include costs associated with third class postage.

23 In this cost study it is my understanding

24 that I'm not including costs that are already included

25 in the first class postage.

1 Q Well, we may be going in a circle here, but
2 I'd like to kind of close the circle.
3 You've told me before that the costs relate
4 to pulling mail out of the bar code sorter, and we've
5 agreed that that's a first class mail cost and
6 shouldn't be included in your analysis. Is that not
7 correct?
8 A Yes, if you categorize in that sense. Yes.
9 Q Okay. And all we're talking about is
10 counting? Is that correct?
11 A We're only talking about counting.
12 Q Okay. A bar code sorter typically has up to
13 100 bins on it, is that correct, or maybe even more?
14 A More or less.
15 Q Okay. When the machine is down is it down
16 for twice as much time if the volume that has to be
17 cleared from the bins is twice as much?
18 A I would say yes. If you have more bins
19 filled with mail it would take you longer to pull them
20 down compared to if you only had a couple of bins
21 filled with mail.
22 Q Well, we're talking about printing the bill,
23 right?
24 A But also the bill time. I mean, printing
25 the bill time also would take longer depending upon

1 how many lines that it has to put on the bill. Not
2 the bill. The statement, I should say.
3 Q How many lines?
4 A Well, a BRMAS statement is different from a
5 postage due bill statement. I would assume it would
6 have the bin number. This is not a BRMAS statement.
7 This is a postage due bill statement.
8 Q Okay. Could you please provide copies of
9 three BRMAS statements? If there are any identifying
10 markers on there please delete them or X them out so
11 that we can't see them. Could you please provide that
12 for the record?
13 A Yes.
14 Q Let's see. You made a change in your
15 testimony yesterday. Is that correct?
16 A That is correct.
17 Q I actually was so good that I put in the
18 change and now don't have the original. Why don't you
19 tell me what the change was?
20 A I believe the change is on page 5.
21 Q Yes.
22 A I inserted that all costs -- that Witness
23 Miller defined and narrowed the scope of the model in
24 order to only incorporate mail processing costs, and
25 this is the change, through the point that each piece

1 receives its first bar coded sortation on the BCS.

2 Q And before it read?

3 A I don't have the exact wording in front of

4 me. I just have the change.

5 MS. MCKENZIE: To make sure the record is

6 clear, the wording was "the incoming primary." That

7 was the text that was deleted and replaced with "the

8 point that each piece receives the first bar coded

9 sortation on the BCS."

10 MR. HALL: Okay. Thank you for that

11 clarification.

12 BY MR. HALL:

13 Q Why did you feel it was necessary to make

14 that change?

15 A The way it was worded before was a little

16 bit misleading I think in this context, so I thought

17 this change was appropriate.

18 Q And what was misleading about it?

19 A Basically stating that I included costs of

20 the incoming primary.

21 Q Whereas the truth is?

22 A I included costs before the first sortation

23 on the bar coder sorting machine.

24 Q Okay. And so in your analysis you didn't

25 include any costs after that point? Is that right?

1 A Correct.

2 Q And the reason that you didn't include any

3 costs after that point is because the costs for hand

4 letters and the cost for QBRM letters are identical?

5 A Yes.

6 Q Okay. I think I only have one final area

7 here, and I'll try to be as quick as possible to allow

8 other counsel to --

9 I'd like to explore with you your

10 understanding of application of CRA adjustment

11 factors. If CRA costs are greater than your model

12 costs, you would apply a CRA factor to increase the

13 model costs. Is that correct?

14 A That is correct.

15 Q And that's in fact what you did with HAND

16 letter model costs, isn't it?

17 A Yes.

18 Q Now, is it also your understanding that if

19 the CRA cost is less than the model cost then you

20 apply the CRA factor to reduce the model cost? Is

21 that correct?

22 A Yes.

23 Q And were the QBRM model costs higher or

24 lower than the CRA costs?

25 A In terms of desk cost, I think they were

1 lower.

2 MR. HALL: That's it. Thank you.

3 THE WITNESS: Thank you.

4 CHAIRMAN OMAS: Thank you, Mr. Hall.

5 Is there anyone else who wishes to cross-

6 examine this witness?

7 (No response.)

8 CHAIRMAN OMAS: Are there any questions from

9 the bench?

10 (No response.)

11 CHAIRMAN OMAS: There being none, Ms.

12 McKenzie, would you like some time with your witness?

13 MS. MCKENZIE: Yes, Mr. Chairman.

14 CHAIRMAN OMAS: How long do you think?

15 MS. MCKENZIE: Three or four minutes. Make

16 it five for a nice, even number.

17 CHAIRMAN OMAS: All right. Why don't we

18 take a five minute break and come back in about five

19 minutes, okay? Thank you.

20 (Whereupon, a short recess was taken.)

21 CHAIRMAN OMAS: Ms. McKenzie?

22 MS. MCKENZIE: The Postal Service has no

23 redirect, Mr. Chairman.

24 CHAIRMAN OMAS: Great. Just as a reminder,

25 during my brief absence I understand that you promised

1 to give the Commission three statements regarding
2 BRMAS. Could you please provide those documents to us
3 by July 8?
4 MS. MCKENZIE: Yes. I don't anticipate any
5 problem getting those by July 8.
6 CHAIRMAN OMAS: All right. Thank you.
7 Ms. Hatcher, that completes your testimony
8 here today. We appreciate your appearance, and thank
9 you for your testimony. You are now excused.
10 THE WITNESS: Thank you.
11 (Witness excused.)
12 CHAIRMAN OMAS: We've got all kind of new
13 counsel at the Postal Service. Mr. Weidner?
14 Mr. Weidner, would you please introduce your
15 witness?
16 MR. WEIDNER: Mr. Chairman, the Postal
17 Service's next witness is Dr. Samuel Cutting.
18 CHAIRMAN OMAS: Mr. Cutting, would you
19 stand?
20 Whereupon,
21 SAMUEL T. CUTTING
22 having been duly sworn, was called as a
23 witness and was examined and testified as follows:
24 CHAIRMAN OMAS: Thank you. Please be
25 seated.

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-26.)
4 DIRECT EXAMINATION
5 BY MR. WEIDNER:
6 Q Dr. Cutting, before you are two documents
7 entitled Direct Testimony of Samuel T. Cutting on
8 Behalf of the United States Postal Service as revised
9 on June 21.
10 Were those documents prepared by you or
11 under your supervision?
12 A Yes, they were.
13 Q If you were to give the contents of those
14 documents today as your oral testimony, would they be
15 the same?
16 A They would.
17 Q Are there Category 2 library references
18 associated with your testimony?
19 A Yes, there are.
20 Q And are those library references designated
21 as USPS-LR-K-83, USPS-LR-K-84, USPS-LR-K-85 and
22 USPS-LR-K-86?
23 A Yes.
24 MR. WEIDNER: Mr. Chairman, I am handing two
25 copies of the direct testimony of Samuel Cutting to

1 the reporter and ask that it and its associated
2 library references be entered into the record.
3 CHAIRMAN OMAS: Without objection, so
4 ordered.
5 Hearing none, I will direct counsel to
6 provide the reporter with two copies of the corrected
7 direct testimony of Mr. Cutting. The testimony is
8 received into evidence. However, as is our practice
9 it will not be transcribed.
10 (The document referred to,
11 previously identified as
12 Exhibit No. USPS-T-26, was
13 received in evidence.)
14 CHAIRMAN OMAS: Mr. Cutting, have you had an
15 opportunity to examine the packet of designated cross-
16 examination handed to you here this morning?
17 THE WITNESS: Yes, I have.
18 CHAIRMAN OMAS: If those questions contained
19 in that packet were posed to you orally today would
20 your answers be the same as those you previously gave?
21 THE WITNESS: Yes, they would.
22 CHAIRMAN OMAS: Are there any corrections or
23 additions you would like to make to those answers?
24 THE WITNESS: No.
25 CHAIRMAN OMAS: Counsel, would you please

provide two copies of the corrected designated written cross-examination of Witness Cutting to the reporter?

That cross-examination is received into evidence and is to be transcribed into the record.

(The document referred to, previously identified as Exhibit No. USPS-T-26, was received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services

Docket No. R2005-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS SAMUEL T. CUTTING
(USPS-T-26)

Party	Interrogatories
Advo, Inc.	VP/USPS-T2-5a redirected to T26
Major Mailers Association	MMA/USPS-T26-1a-b
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T26-1-2
	VP/USPS-T2-5a redirected to T26

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS SAMUEL T. CUTTING (T-26)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
MMA/USPS-T26-1a	MMA
MMA/USPS-T26-1b	MMA
VP/USPS-T26-1	Valpak
VP/USPS-T26-2	Valpak
VP/USPS-T2-5a redirected to T26	Advo, Valpak

MMA/USPS-T26-1. In Table 1 on page 4 of your testimony, you indicate that First-Class presorted letters incur $28.911 million in window service costs.

(a) When you use the term "First-Class Presort", do you mean just nonautomation letters or do you mean nonautomation letters and automation letters?
(b) Are you aware that First-Class workshare letters are either loaded directly onto USPS-controlled trucks by workshare mailers who have plant loading agreements or delivered to the Postal Service at a business mail entry unit (BMEU) or a USPS platform or dock? If no, please explain.
(c) Explain what specific functions window service clerks perform that causes costs to be attributed to First-Class workshare letters.
(d) Please provide all documents and other information you relied upon in reaching your conclusion that First-Class presort letters incur window service costs.

RESPONSE:

a) I mean both automation and nonautomation presort.

b) Yes

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO INTERROGATORY OF VALPAK DIRECT MARKETING
SYSTEMS, INC., AND VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T26-1. Please refer to library reference USPS-LR-J-59, Docket No. R2001-1, which provides cost information underlying the current rates, the relative levels of which would be perpetuated by the across-the-board proposal in this case. Please refer also to library reference USPS-LR-K-107, which is a **current** version of the same analysis, at PRC costing.

(a) Please confirm that USPS-LR-J-59 is at USPS costing. If you do not confirm, please explain the costing contained therein.

(b) If you do confirm that USPS-LR-J-59 is at USPS costing in part a, please provide a version of LR-J-59 at PRC costing, using the same base year as USPS-LR-J-59. That is, no updating is being requested, just a PRC version that might have been filed, or prepared for filing, during Docket No. R2001-1.

RESPONSE:

(a) Confirmed.

(b) Please see USPS-LR-J-83/R2001-1.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC
AND VALPAK DEALERS' ASSOCIATION, INC

VP/USPS-T26-2. Please refer to file LR-K-107.xls of library reference USPS-LR-K-107, sheet "CompTab," Table 9, showing dropship-adjusted mail processing costs for the various categories of Standard ECR mail, and showing results at USPS and PRC costing (located in columns C and D, respectively, of the spreadsheet file).

(a) Are these costs for (i) commercial ECR, (ii) Nonprofit ECR, (iii) a weighted average of the two, or (iv) something else (if so, please explain)? If separate costs for commercial ECR and Nonprofit ECR are available, please provide them.

(b) At PRC costing, please consider the 3.431-cent cost of "Basic Letters" and the 3.115-cent cost of "Basic Flats." Please explain (i) the mail processing represented by these costs in step-by-step fashion, identifying the differences in the physical and preparation characteristics of the two mailstreams involved, and (ii) why the cost of ECR Basic letters is higher than the cost of apparently corresponding ECR Basic flats.

(c) For the same costs referenced in preceding part b, please explain the costing procedures in step-by-step fashion through which they are developed, highlighting any ways in which the development for ECR Basic letters is different from the development for ECR Basic flats.

(d) At PRC costing, the cost of ECR Basic letters is 1.101 times the cost of ECR Basic flats, as referenced in preceding part b (3.431/3.115). This counterintuitive outcome is even more pronounced at USPS costing, with the cost of ECR Basic letters becoming 1.307 times the cost of ECR Basic flats (3.776/2.889). Please explain what it is about USPS costing that makes this seemingly adverse outcome so much more pronounced.

(e) At USPS costing and separately at PRC costing, please discuss the extent to which the cost estimates presented are estimates of marginal costs, including clear statements of any assumptions that are required to reach the conclusion that the estimates are estimates of marginal costs.

(f) If the USPS cost estimates are not estimates of marginal costs, please (i) discuss the costing theory that guides them, and (ii) provide any estimates of marginal costs that are available.

(g) Please explain the extent to which you would describe either the PRC costs or the USPS costs as bottom-up mail processing costs of the categories. If they are not in any sense inherent, as-is, or bottom-up costs, and instead are constrained in any way to have a constant mix or a constant profile, please explain the nature of the constraints.

(h) One might expect pieces being delivery point sequenced ("DPS'd") to have higher mail processing costs and lower carrier in-office costs than if they were not DPS'd, and that the sum of these two costs would be lower, yielding the benefits of technology to the mailers using the DPS'd categories. Consistent with this expectation, it seems noteworthy that the mail processing costs shown for

RESPONSE OF POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC
AND VALPAK DEALERS' ASSOCIATION, INC

"Auto Basic Letters" (the category seemingly most likely to be DPS'd) are in all cases lower than the costs of "Basic Letters." With these thoughts in mind:

i. Please explain the role and influence of delivery point sequence procedures on the costs for all of the categories shown in Table 9, providing any available proportions of the categories that are DPS'd.
ii. Please explain whether any of these proportions would be expected to change in the test year.

RESPONSE:

(a) As a result of Public Law No. 106-384, which was passed in October 2000, the Postal Service no longer collects or develops separate and distinct unit cost estimates for the Standard Mail commercial and nonprofit rate categories. Hence, the results developed in USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version) represent a composite of commercial and nonprofit cost estimates.

(b) There are several reasons why the mail processing unit cost of Basic ECR letters (non-automation rate) is greater than that of Basic ECR flats. Some reasons are associated with differences in mail processing operations, while others are tied to differences brought about by incentives in the Standard Mail rate structure. Please see the response to POIR No. 3, Question 3(c) for further discussion of these issues.

(c) The procedures for the derivation of all cost estimates by ECR rate category and shape are described in USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version). Within these procedures, Basic ECR letters and Basic ECR flats receive the same treatment. For each rate category and shape, IOCS tallies are used to

develop base year mail processing costs. These costs are converted to test year levels using test year cost factors (piggyback factors, reconciliation factors, etc.), some of which are specific to cost pools and some of which are specific to the Standard Mail ECR subclass. The RPW system is used to develop base year volumes, which are converted to test year levels using the test year volume ratio specific to the Standard Mail ECR subclass. The resulting unit costs for each rate category and shape are adjusted for dropship cost avoidances using de-averaged data by shape and dropship entry point.

(d) Please see the response to POIR No. 3, Question 3(c) for a discussion of reasons why the unit cost of Basic ECR letters is higher than the unit cost of Basic ECR flats. As for why the difference is more pronounced in the Postal Service version than the PRC version, about half of the difference is due to differing mixed mail and not handling mail distribution methodologies, about a quarter of the difference is due to the PRC version having cost pool controls at the subclass level but not at the shape level, and the remaining difference is due to miscellaneous factors such as differing cost pool variabilities, test year cost factors, and dropship cost avoidances.

(e) The unit cost estimates in USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version) are unit volume-variable costs which are equivalent to economic marginal costs. Please see the response to VP/USPS-T2-3 and VP/USPS-T2-11, as

well as Appendix H of USPS-LR-K-1, for further discussion of marginal costs.

(f) N/A.

(g) The cost estimates in USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version) are "bottom up" as defined in Docket No. R97-1, VPCW-T-1 at 10. In particular, the volume-variable costs that are calculated for each ECR rate category and shape can be added together to arrive at the CRA mail processing cost total for the Standard Mail ECR subclass as a whole. None of the disaggregated cost estimates is based on the subtraction of avoided cost from a base cost total as would be the case for "top down" costing.

(h) Although automation ECR letters ("Auto Basic Letters") are likely to undergo DPS processing, keep in mind that a significant portion of Basic ECR letters ("Basic Letters") also undergoes DPS processing. This is because Basic ECR letters are often captured at and/or backhauled to the plant for DPS processing. Delivery units work closely with plants to identify machinable ECR letter bundles and trays to incorporate these pieces into the DPS mail stream rather than having these pieces manually cased at the delivery unit. Hence, as explained in more detail below, DPS processing may not be the predominant reason for the measured cost differential between automation ECR letters and Basic ECR letters.

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Also, keep in mind that the cost estimates for USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version) are for clerk and mail handler mail processing only. No costs for in-office carrier activities are included in these estimates (e.g., casing mail). Thus, if DPS processing were a major driver for the cost differential between these two categories, one would expect the mail processing unit cost for automation ECR letters to be *higher* (due to the extra clerk and mail handler cost) than the unit cost for Basic ECR letters

(i) The clerk and mail handler sortation costs for mail pieces that are being delivery point sequenced are found in the mail processing cost pools associated with DBCS and DIOSS machines. Some of these cost pools, however, also account for non-DPS sortation on DBCS and DIOSS machines such as outgoing processing and incoming primary processing. As such, the information within USPS-LR-K-84 (Postal Service version) and USPS-LR-K-107 (PRC version) cannot be used to isolate the sortation cost of DPS activities alone.

Nevertheless, examining the costs within these cost pools may suggest a rough approximation of DPS processing costs for each disaggregated category. These levels are reported in the table below. The shares of DBCS/DIOSS costs for automation ECR letters and Basic ECR letters are highlighted in gray.

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Standard Mail ECR Mail Processing Costs /1
Test Year 2006

USPS-LR-K-84 (USPS Version) /2

	Costs ($000)			Shares		
ECR Rate Category & Shape	DBCS & DIOSS /4	All Other	Total	DBCS & DIOSS /4	All Other	Total
Auto Basic Letters	8,088	23,237	31,326	25.8%	74.2%	100.0%
Basic Letters	14,979	64,227	79,206	18.9%	81.1%	100.0%
High Density/Saturation Letters	14,132	23,312	37,444	37.7%	62.3%	100.0%
Basic ECR Flats	4,411	301,225	305,635	1.4%	98.6%	100.0%
Basic ECR Parcels	7	16,174	16,182	0.0%	100.0%	100.0%
High Density/Saturation Flats	58	46,194	46,252	0.1%	99.9%	100.0%
High Density/Saturation Parcels	17	1,177	1,194	1.4%	98.6%	100.0%
Total	41,693	475,546	517,239	8.1%	91.9%	100.0%

USPS-LR-K-107 (PRC Version) /3

	Costs ($000)			Shares		
ECR Rate Category & Shape	DBCS & DIOSS /4	All Other	Total	DBCS & DIOSS /4	All Other	Total
Auto Basic Letters	10,472	22,096	32,568	32.2%	67.8%	100.0%
Basic Letters	16,334	55,113	71,447	22.9%	77.1%	100.0%
High Density/Saturation Letters	16,605	24,097	40,702	40.8%	59.2%	100.0%
Basic ECR Flats	3,879	322,646	326,526	1.2%	98.8%	100.0%
Basic ECR Parcels	0	15,233	15,233	0.0%	100.0%	100.0%
High Density/Saturation Flats	0	63,877	63,877	0.0%	100.0%	100.0%
High Density/Saturation Parcels	0	1,753	1,753	0.0%	100.0%	100.0%
Total	47,290	504,815	552,105	8.6%	91.4%	100.0%

Notes:
/1 Test year piggyback factors and cost ratios applied, dropship cost avoidances not removed.
/2 Source: USPS-LR-K-84, Workbook LR-K-84.xls, Worksheet 'Summary TY Data.'
/3 Source: USPS-LR-K-107, Workbook LR-K-107.xls, Worksheet 'Summary TY Data.'
/4 Cost pools: BCS/DBCS, N_Auto, and LD41 (PRC version only).

Although the proportion of DBCS/DIOSS costs for automation ECR letters is somewhat

higher (25.8 – 32.2 percent) than the proportion for Basic ECR letters (18.9 – 22.9 percent), it seems unlikely that this difference substantially influences the unit cost differential. Perhaps a more plausible driver is that the population of Basic ECR letters may contain a large amount of non-machinable pieces and pieces that lack the necessary address elements to enable the application of a barcode. This is a result of the Standard Mail rate structure which encourages customers to prepare letter mail to qualify for automation rates (either 5-digit presort or automation ECR) rather than the Basic ECR rates when possible. Thus, of the letters that remain under Basic ECR rates, the portion that is not captured at and/or backhauled to the plant for DPS processing is likely to be made up of pieces that have characteristics that make them more costly to process.

(ii) As noted above, a portion of the costs of the DBCS/DIOSS cost pools is associated with DPS processing. The test year cost level of these cost pools is a function of the test year cost ratios as developed by witness Smith, USPS-T-13. These ratios are developed to reflect or approximate wage escalation, mail volume changes by subclass, and cost reductions and other program adjustments anticipated between the base year and the test year within each cost pool. Thus, the degree to which the proportion of DPS processing cost varies between the base year and the test year is directly tied to these cost ratios. Please see USPS-T-13 at 60 for more discussion about test year cost ratios.

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VP/USPS-T2-5. Certain library references in this docket contain cost estimates for ECR letters and non-letters that are subdivided further, for example, into cost estimates for Saturation letters and Saturation non-letters.

a) When the Postal Service develops cost estimates for ECR Saturation letters and Saturation non-letters, are the mail processing costs (Segment 3.1) and city carrier in-office costs (Segment 6.1) contained in those cost estimates based solely on IOCS data? Unless your answer is an unqualified affirmative, please indicate all other data and information used to estimate Segments 3.1 and 6.1 costs at this level of disaggregation, and explain the source or sources of such other information and data.

RESPONSE:

(a) The division of the total ECR processing costs into Saturation letters and Saturation non-letters, for each mail processing labor cost pool, relies only on IOCS data. See the testimony of witness Van-Ty-Smith, USPS-T-11, for an explanation of the calculation of mail processing costs by class and subclass for each cost pool.

It is my understanding that the division of Segment 6.1 city carrier in-office direct-labor costs for ECR into Saturation letters and Saturation non-letters is based solely on IOCS data

1 CHAIRMAN OMAS: At this point I'm going to
2 add a response to a Presiding Officer's Information
3 Request Witness Cutting provided to me that was not
4 designated, POIR No. 7, Questions 1(a), 1(b)(ii) and
5 1(b)(iv).
6 (The document referred to was
7 marked for identification as
8 Exhibit No. POIR 7, Questions
9 1(a), 1(b)(ii) and 1(b)(iv).)
10 CHAIRMAN OMAS: Witness Cutting, would your
11 answers to those questions be the same today as they
12 were previously in writing?
13 THE WITNESS: Yes, they would.
14 CHAIRMAN OMAS: I'm handing the reporter two
15 copies of those answers and direct that they be
16 admitted into evidence and transcribed.
17 (The document referred to,
18 previously identified as
19 Exhibit No. POIR 7, Questions
20 1(a), 1(b)(ii) and 1(b)(iv),
21 was received in evidence.)
22 //
23 //
24 //
25 //

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 7, QUESTION 1(a), 1(b)(ii), AND 1(b)(iv)

1. In Docket No. R2001-1, the Postal Service provided several library references which utilized mainframe-based FORTRAN programs. The Presiding Officer requested that the Postal Service convert those FORTRAN programs from a mainframe to a PC-executable format. See Docket No. R2001-1, Tr. 5/951-52. In a report to the Presiding Officer, filed January 25, 2002, the Postal Service requested that it not be required to make the requested format conversion, arguing that the study supported by the documentation was not sufficiently germane to the settlement pending in that case to warrant the time and expense that conversion would likely entail.

Again, in R2005-1, a number of library references have been submitted using mainframe based FORTRAN programs. For example, in LR-K-84, three FORTRAN programs [cadoc04_rep.f, mpproc04_wgt.f, and sumclass_wgt_ecr.f] use the full FY 2004 IOCS data set [iocsdata.2004.dat.] to develop estimates of cost savings for ECR saturation mail. The program documentation included with LR-K-84 reflects the use of this full IOCS data set. The Postal Service submitted an edited data set [prc04flt.dat] with its filing (see USPS-LR-K-9) rather than the full data set required.

a) In order to allow the FORTRAN programs in LR-K-84 to be run and verified on a PC, please provide the following additional documentation:

- i A revised header file for the edited data set that is analogous to the iocs2004 h header file for the full data set. The header file shows the length and location of the various data fields in an IOCS data set record;
- ii Listings of the print statement output for all three programs. These listings are analogous to the SASLOGs included with the documentation for SAS programs;
- iii Electronic versions of the following intermediate and final data files created by the three above-cited FORTRAN programs: clk_mh_mp04.dat, clk_mh_aw04.dat, mp04_cra_wgt data, and mp04cra_ecr.csv;
- iv Listings of the revised programs.

b) Using the LR-K-84 example and items "i." through "iv." provided above as a guide, please provide a PC-executable program, the relevant input data, and the related logs and files for the following library references:

- i USPS-LR-K-107 - PRC Version/Development of ECR Mail Processing Saturation Savings;
- ii USPS-LR-K-83 - Window Service Costs by Shape;
- iii USPS-LR-K-106 - PRC Version of Windows Service Costs by Shape;
- iv USPS-LR-K-86 - Bound Printed Matter and Parcel Post Mail Processing and Parcel Post Window Service Costs;
- v USPS-LR-K-109 - PRC Version/Bound Printed Matter Mail Processing Costs and Parcel Post Window Service Costs.

RESPONSE:

(a) Please see USPS-LR-K-138.

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TO POIR NO. 7, QUESTION 1(a), 1(b)(ii), AND 1(b)(iv)

(b)(ii) Please see USPS-LR-K-140.

(b)(iv) Please see USPS-LR-K-142.

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Cutting?
3 (No response.)
4 CHAIRMAN OMAS: There being none, this
5 brings us to oral cross-examination. Two parties have
6 requested oral cross. Major Mailers Association, Mr.
7 Hall, said he would forego his cross-examination.
8 That leaves us with Mr. Olson, Val-Pak
9 Direct Marketing Systems, Inc. and Val-Pak Dealers
10 Association, Inc. Mr. Olson, for the record would you
11 please identify yourself and your organization?
12 MR. OLSON: Yes, Mr. Chairman. William
13 Olson representing Val-Pak Direct Marketing Systems,
14 Inc. and Val-Pak Dealers Association.
15 Mr. Chairman, I'm afraid I'm going to have
16 to take Mr. Hall's time also because we actually have
17 more questions than we anticipated in our nonbinding
18 designation earlier. I'll just give you a slight
19 warning, if that's okay.
20 May I begin?
21 CHAIRMAN OMAS: Absolutely.
22 MR. OLSON: Okay.
23 CROSS-EXAMINATION
24 BY MR. OLSON:
25 Q Dr. Cutting, how are you?

1 A I'm fine. How are you?

2 Q Your testimony deals with certain different

3 products, but what I'm going to ask you to focus on is

4 your development of test year mail processing

5 saturation savings by shape for standard mail ECR as

6 you described that on page 1 of your testimony, okay?

7 That's what our questions will be about.

8 A Okay.

9 Q In your testimony you have two pages that

10 deal with that, and then it's more extensively

11 amplified in Library Reference 84. The two pages are

12 pages 6 and 7. Is that correct?

13 A One moment. Pages 6 and 7 in my testimony,

14 yes.

15 Q Right. You've got a table on page 6 that

16 says Table 2, Standard Mail ECR Drop Ship Adjusted

17 Unit Cost. Do you see that?

18 A Yes, I do.

19 Q Just to clarify, I wouldn't want this to be

20 confused. That doesn't include delivery cost. That

21 is simply mail processing cost. Is that not correct?

22 A That is correct.

23 Q So it's really Standard Mail ECR Drop Ship

24 Adjusted Mail Processing Unit Cost would be a better

25 name perhaps for that table, right? Is that correct?

A It is mail processing cost.

Q Okay. In Library Reference K-84 you have two tables which one is on page 6 and one is I think it's Tab 1 of the Excel spreadsheet. Those are basically the same table, are they not?

A Can you clarify again what you're asking me to compare?

Q K-84, Library Reference K-84, your library reference, page 6, and Tab 1 I guess it is of an Excel spreadsheet called Table 1.

A Yes, I believe those are the same table.

Q They're all the same? All three are the same?

A It's just the electronic version. Yes.

Q Okay. Now let's look at your testimony. I'll reference Table 2 and your testimony at page 6.

In that table you show a unit cost, a unit mail processing cost for saturation letters of 0.967 cents, correct?

A You're asking me to refer to Table 2 on page 6 of my testimony?

Q Yes.

A Yes, that's correct.

Q And for what you call high density/saturation flats, 1.225 cents is the unit cost there,

1 correct?

2 A Correct.

3 Q And I take it you combine high density and

4 saturation because of the quite low volume in high

5 density?

6 A I did that because that was the methodology

7 that I was replicating. That was done in the previous

8 methodology.

9 Q Now, we've discovered in the past that there

10 are some Postal Service data systems that define

11 letters that are based on a definition of letters as

12 it appears in the DMM, and there are some data systems

13 that are based on a definition of letters as it

14 appears in the RPW. Do you know what I'm talking

15 about?

16 A I guess I'd ask you to be more specific.

17 Q Well, in the DMM basically anything that

18 falls within the shape of a letter is considered

19 letter shaped, so as long as it fits the dimensions of

20 a letter it would be letter shaped.

21 When we pay rates and those rates and pieces

22 are reported in RPW there are, for example, pieces

23 that might be a six ounce letter shaped piece. Those

24 are paid at non-letter rates, correct?

25 A I'm not a rates expert, but I think that's

1 correct, yes.

2 Q The RPW data generally corresponds to rate

3 categories more or less. Isn't that true, and DMM is

4 dimensionally based?

5 A Are you referring to the volumes specific to

6 this library reference or just in general?

7 Q In general.

8 A Actually, I don't know in general.

9 Q Okay. How about specific to this library

10 reference?

11 A The RPW volumes that were developed in this

12 library reference were based on processing categories

13 from the postage statement, which I believe is the DMM

14 definition.

15 Q So if you look at your chart there on page 6

16 of your testimony and you see the saturation letter

17 cost per piece of 0.967 cents, is that the cost of

18 letter shaped pieces that weigh less than the break

19 point, or is that the cost of all letter shaped

20 pieces?

21 A I believe it's the cost of all letter shaped

22 pieces.

23 Q All right. That's what I thought the answer

24 was. I just want to clarify that.

25 What I'm interested in asking you though is

1 if the process of the purpose of your testimony and
2 the purpose of developing these unit costs is to set
3 rates for saturation letters why do you use a
4 definition that is based on DMM as opposed to a
5 definition that correlates more closely with the
6 requirements of someone qualifying to pay the rates
7 for saturation letters?
8 A My testimony doesn't deal with rates so I
9 actually don't have an answer as to why it was
10 designed in this way.
11 It's my understanding that this is what the
12 Postal Service had requested, and I updated this
13 analysis as to that.
14 Q Do you know who did the analysis the last
15 time that you're updating?
16 A I believe it was Witness Shank.
17 Q And you are an economist with Christianson,
18 correct?
19 A Correct.
20 Q And not with the Postal Service directly?
21 A Correct. Christianson Associates, yes.
22 Q Let me ask you to look at K-84, which you're
23 sponsoring. It has a number of spreadsheets. I don't
24 know if this is going to be easy to identify, but I'm
25 looking.

1 The one that I'm talking about is in the
2 category called Results, and the specific title on the
3 page is Calculation of Drop Ship Adjusted Unit Cost in
4 Cents. Do you recall that page? Can you find that?
5 A I do. I don't have it up here, but I recall
6 that page.
7 Q You don't have that library reference with
8 you?
9 A I have the text version of it, but the text
10 version only includes the final table.
11 Q Well, maybe I can just read it to you and
12 then ask you. I'll show it to you and ask you to
13 confirm it.
14 In Column 1, the heading of Column 1 is Base
15 Year Volume. In the third row of that column there's
16 something called WSS/H Letters. First of all, I take
17 it that that means something like walk sequence
18 saturation/high density?
19 A Combined, yes.
20 Q Combined. There the base year volume in
21 Column 1, the exact number is 4,427,454. The columns
22 don't say they're in thousands, but I assume they're
23 in thousands?
24 A I believe that's correct, yes.
25 Q Okay. So that number would be 4,427,454,000

1 and change, correct?

2 A Yes, I believe so.

3 Q I'd be glad to show this to you, but do you

4 know if that figure includes both commercial and

5 nonprofit letters?

6 A Yes. I believe that was an interrogatory

7 question that you asked me, and it is the combination

8 of commercial and nonprofit.

9 Q Okay. The footnote says that that number,

10 the 4.4 billion number, comes from USPS Library

11 Reference K-87. Is that logical? I can show it to

12 you again.

13 A No. That makes sense, yes.

14 Q Okay. Just to clarify, Library Reference

15 K-77 you've worked with also, correct?

16 A I don't recall that library reference

17 number.

18 Q It's billing determinants.

19 A That's not mine. No.

20 Q No, I know it's not yours. Okay. Well,

21 okay.

22 If I told you that Library Reference LR-K-77

23 is the billing determinants, which is sort of like an

24 amplified RPW report that's used during rate cases,

25 does that sound familiar? Have you ever heard of

1 billing determinants?

2 A I've heard of it, but I have no experience

3 with it so I couldn't tell you if that's an accurate

4 statement.

5 Q Well, if I just represent to you that the

6 RPW report is presented similarly to the billing

7 determinants, but there's more product specific

8 information in the billing determinants, I think

9 that's a fair explanation.

10 Let me just say that if I look in Library

11 Reference K-77 in the billing determinants it has a

12 base year 2004 volume for saturation/high density

13 letters of 3,993,549,000 pieces. Would you accept

14 that subject to check?

15 A If you showed me the billing determinants I

16 suppose I could, yes.

17 Q Okay. What my question is is if the RPW

18 reports over $400 million fewer letters than the

19 volume that you use in your spreadsheet called *results*

20 -- same page I just mentioned -- would this not

21 confirm that your library reference is not based on

22 the RPW definition of letters?

23 A Can you repeat that again?

24 Q Sure. What I've established I think is that

25 the volume of walk sequence saturation high-density

1 letters is 4.4 -- roughly -- billion pieces. Walk
2 sequence saturation high-density letters, 4.4 billion.
3 Is that correct?
4 A You say 4.4, I had written down 4.1.
5 Q Well, let me just show it to you and you can
6 confirm.
7 A 4.4. I'm sorry. I wrote down the number
8 wrong. Okay. Yes. Okay. I'm on board with you.
9 Q So your library reference deals with 4.4
10 million letters and if you go to RPW I'm asking you to
11 accept the fact that it has a number of just shy of
12 four billion pieces, okay?
13 A Yes.
14 Q Would you either accept or tell me if you
15 agree with the fact that RPW tends to present
16 information in a way that correlates to actual postal
17 products, the way that rates are paid for products as
18 they appear in for example the rate fold?
19 A I suppose those are questions for the
20 witnesses that sponsored these library references.
21 Q Okay, but if I ask you to assume that the
22 RPW report reports revenues, and pieces and weights in
23 a way that's directly analogous to the products of the
24 Postal Service would you accept that for the purpose
25 of this question?

1 A Generally.

2 Q So if the RPW category of letters is 400
3 million pieces less than the corresponding number used
4 by you and your library reference doesn't that confirm
5 the definition which you're using of letters is
6 different than the definition in the RPW's letters?

7 A I can't confirm that. You're using RPW and
8 billing determinants synonymously and I can't confirm
9 that's really the case. What I can say is what I'm
10 doing is updating an analysis that used the 4.4
11 billion pieces and the analogous 2001 K87 library
12 reference as its source.

13 It's my understanding that the source for
14 that shape definition is the processing category as
15 found on the postage statement which is as I
16 understand it based on BMM standards.

17 Q Let me just clarify. I'm not suggesting
18 that billing determinants and RPW report are
19 identical, I'm just suggesting that they present the
20 data in a similar way.

21 To clarify this I'm suggesting that if you
22 look in the RPW report it's my understanding that you
23 learn how many letter shaped pieces actually paid
24 letter rates, but I'm wondering if your report
25 actually tells you the number of letters that paid

1 letter rates as opposed to being letter shaped?
2 A As I'm generally familiar with the RPW
3 report there's no shaped letter detail there at the
4 letter flat parcel level.
5 My analysis starts with, or the K87 analysis
6 as I understand it -- I'm not the witness for that,
7 but as I understand it starts with those RPW totals at
8 the subclass level and breaks them out into shape
9 using the processing category code as I've specified
10 before.
11 Q You're saying it's your understanding that
12 RPW reports don't break out letters in class? Is that
13 what you said?
14 A As I generally understand the reports that
15 I've seen, yes. The two page report is the one I'm
16 referring to.
17 Q The billing determinants in Library
18 Reference 77, you don't know whether they do or not?
19 A That's correct. I don't.
20 Q The reason I'm asking these questions, Mr.
21 Cutting, is that we're trying to determine why the
22 cost difference between saturation letters and
23 saturation flats has been declining. The context of
24 that is are you aware that ECR and regular were
25 separated in M stock at No. MC95-1?

1 A I was not aware of that, but I would say
2 that was probably true.
3 Q And that at that time the letter flat cost
4 difference was estimated at 1.35 cents and has eroded,
5 and I'm just going to ask you if you can help me
6 understand this. If you can't that's okay, but one of
7 the biggest things that's happened in letter
8 processing of course is DPSing letters since 1995.
9 Isn't that correct?
10 A As I generally understand it, yes.
11 Q What we're trying to do is determine whether
12 DPS is driving the cost of saturation letters up
13 instead of down. Is that a matter on which you would
14 have an opinion or could shed some light as to the
15 diminishing letter flat cost differential?
16 A You're asking me since 1995 the differential
17 within saturation between letters and flats has been
18 declining and you're positing that's because of DPS
19 processing making letters more expensive? Is that
20 what you're asking me?
21 Q I'm positing that as a possibility and
22 asking if you can help us understand better why that
23 letter flat differential appears to be vanishing?
24 A I've not studied that issue, and I don't
25 believe I can make an opinion on that today.

1 Q Well, in your tables that you did study in
2 the Library Reference K84, the same sheet I just
3 showed you, in Column 4 in the third row -- the third
4 row being walk sequence saturation high-density
5 letters -- the unit cost of those letters is 0.77 on
6 this chart. Does that sound familiar or would you
7 like me to show this to you?
8 A I guess I'd ask you to show it to me.
9 Q Okay. Then, when I do that I'll also ask
10 you to tell us a few rows down from there what the
11 cost -- this is mail processing products of course --
12 of saturation high-density flats are.
13 A Okay. So, yes, letters is .77 cents for
14 saturation high-density and flats is for the same rate
15 category .36. I said cents, I think that's a fraction
16 of a cent, though, actually.
17 Q I'm sorry? I didn't hear you.
18 A It's yeah, .77 cents as in less than a
19 penny.
20 Q Right. In Column 3 in that chart you set
21 out costs in thousands of dollars and I assume those
22 costs correlate to the facier volumes. Do you need to
23 see this?
24 A No. The costs as in the -- right, the
25 facier volumes. Yes. That is correct.

1 Q What I want to do is have you make an
2 assumption about this 400 million pieces of saturation
3 high-density letters that we discussed, the difference
4 between your library reference and RPW. I'm asking
5 you to assume that the $4.4 billion number you use
6 includes letter shaped pieces that weigh in excess of
7 3.3 ounces.
8 A The 4.4 billion pieces, you're saying assume
9 that?
10 Q No. I'm saying the difference. The 400
11 million extra saturation log sequence letters that you
12 have in your library reference over the RPW report,
13 I'm asking you to assume that those 400 million pieces
14 could be letter shaped pieces that weigh over the
15 breakpoint. I was just asking you to assume that.
16 A Okay. I'll assume that.
17 Q Do you have that in mind?
18 A I have your hypothetical in mind.
19 Q First of all, it's my understanding that
20 letter shaped pieces that weigh over 3.5 ounces cannot
21 be DPS. Do you have any understanding to the
22 contrary?
23 A I can't confirm that or not. I'm not an
24 operation person.
25 Q Fair enough. Let me ask you to look at your

1 Library Reference K84 and this page is called ECR Drop
2 Shift Adjustments. At the top of the page you deal
3 with letters and at the bottom of the page you deal
4 with flats. Does that come to mind? I can show it to
5 you.
6 A It comes to mind. I want to make sure we're
7 still operating on the same hypothetical you asked me
8 about?
9 Q No. I'm trying --
10 A We're moving on?
11 Q I'm somewhat moving on. I may get back to
12 that in a second.
13 A Okay. Yes, I'm familiar with that page. I
14 don't have it in front of me, though.
15 Q I'll show it to you if you need it. It has
16 three sections to it. The first one is
17 nontransportation unit cost avoidance per pound by
18 entry point, the next is pounds by entry point, the
19 next is total nontransportation costs avoided by entry
20 point. Do you recall that?
21 A I do.
22 Q The second item, pounds by entry point, you
23 say parenthetically from FY04OPWUSPSLRK87. Do you
24 know where in Library Reference 87 those numbers are
25 drawn, the pounds by entry point?

1 A Offhand I don't recall where in the library
2 reference that is.
3 Q I have been unable to find it. Would you be
4 able to provide that for the record if it were just a
5 more detailed reference that will help us identify it
6 within Library Reference 87?
7 MR. OLSON: Mr. Chairman?
8 CHAIRMAN OMAS: Would you repeat that again?
9 MR. OLSON: I was just asking the witness if
10 he could tell us exactly where in Library Reference 87
11 he draws the pound data which we can't locate. If not
12 there, perhaps it's a different reference, but to give
13 a more detailed reference.
14 CHAIRMAN OMAS: Mr. Cutting?
15 THE WITNESS: Yeah. I can do that.
16 CHAIRMAN OMAS: You can?
17 THE WITNESS: Yeah. It may be the case that
18 it's an intermediate spreadsheet that didn't make it
19 to the final print tables or something like that.
20 MR. OLSON: It would be very helpful. Thank
21 you.
22 THE WITNESS: Uh-huh.
23 CHAIRMAN OMAS: Thank you.
24 BY MR. OLSON:
25 Q The bottom section there seems to be aimed

1 at calculating the numbers in the far right-hand
2 column which are called cost avoided cents per piece,
3 either for nonsaturation or saturation letters and you
4 have two different numbers there. Do you recall that?
5 A I recall the column, yes. I don't recall
6 the numbers, though, what the values actually are.
7 Q If the numbers of letters that you use are
8 the 4.4 billion and again, asking you to assume that
9 the 400 million extra beyond what's in RPW are used by
10 you in this table would you agree that the costs
11 avoided that you calculate at that point don't
12 correlate to letter shaped pieces that actually pay
13 letter rates, they correlate rather to letter shaped
14 pieces?
15 A Could you repeat the scenario one more time?
16 Q Sure. If RPW -- which we normally consider
17 the most reliable information -- has just under four
18 billion pieces of saturation high-density letters and
19 your library reference which goes to calculate these
20 cost avoidances, you say some 4.4 billion such letters
21 -- I'm asking you to assume that the extra 400 million
22 letters are over the breakpoint, so they're not paying
23 letter rates, but rather they're letter shaped -- I'm
24 asking you haven't you calculated a cost avoidance not
25 for the letters that pay letter rates, but for all

1 letters?

2 A I think it's an accurate statement to say in

3 this Library Reference K87 I'm calculating the cost of

4 all letter shaped pieces. Yes.

5 Q Do you understand why I'm asking the

6 question? What you're trying to do here I guess is

7 get a cost avoidance that then can be used for rate

8 design purposes -- or excuse me -- for proper costing

9 of saturation and high-density letters?

10 A Yes. That's correct.

11 Q It's the volumes that you're using are

12 different than the rates that are paid by mailers.

13 You're not calculating a marginal cost avoided of

14 letters that pay letter rates. Do you see my point?

15 A I believe that was a previous question, and

16 I really don't have a different answer.

17 Q We asked you Interrogatory T26-3, but it was

18 redirected to the Postal Service and answered by the

19 Postal Service. Do you have that response?

20 A I do.

21 Q I'm going to ask you a question about that

22 just because you're the only person I've gotten to ask

23 about it. The question deals with Library Reference

24 107 which you've prepared, but I understand you don't

25 sponsor?

1 A That's correct. It was created in order to
2 calculate the comparisons between the USPS and PRC
3 methodology.
4 Q May I ask you if you prepared this
5 institutional response to the Postal Service or are
6 you familiar with it at least?
7 A I am familiar with it, and I did contribute
8 to it. Yes.
9 Q I just want to focus on one subsection,
10 subsection (c)(2). Just to get our reference I think
11 I'll just read you the question if you don't mind, so
12 we're tracking.
13 A Sure.
14 Q Please explain whether the fact that
15 automation letters and high-density saturation letters
16 pick up 0.29 cents and 0.27 cents of costs,
17 respectively, from the BCS/DBCS cost pool indicates
18 that approximately the same portion of each of these
19 two letter categories is delivery point sequence.
20 If this is not a correct or reasonable
21 inference, please explain what conclusions can be
22 drawn. You have that? You follow that? I accurately
23 read the question I guess?
24 A Yes.
25 Q Let's go to the answer. It's the answer I

1 don't understand. It says assuming that both ECR
2 categories require about the same amount of cost per
3 handling -- and when we say *both ECR categories* we're
4 talking about automation letters and high-density
5 saturation letters, correct?
6 A Correct.
7 Q Assuming that both ECR categories require
8 about the same amount of cost per handling the
9 similarity of unit cost does suggest that about the
10 same portion of volume of each category is flowing
11 through the BCS/DBCS cost pool. Correct?
12 A Yes. That's what it says.
13 Q Do you know that to be true? Is this part
14 of a response you've provided?
15 A I'm aware of this response, and I
16 contributed to it. Your question is what, again?
17 Q Is this part that you contributed to or you
18 can speak to? What I'm trying to get at is this part
19 that says the similarity of unit cost suggests the
20 same portion of each category is flowing through the
21 BCS/DBCS cost pooling. First of all, is there to your
22 knowledge an explanatory sheet that identifies all of
23 the activities in each cost pool?
24 A Offhand the closest explanation for the
25 different cost pool activities would be found I

1 believe in K1, the first library reference, K1.
2 There's I believe an appendix that defines each cost
3 pool.
4 Q It identifies the activities being performed
5 in each cost pool does it?
6 A It generally describes what goes on in each
7 cost pool as I understand it.
8 Q That to your knowledge is the most detailed
9 information on the record in this docket?
10 A I'm only saying that's the one source I know
11 of. They may be more detailed sources.
12 Q Your next sentence or the response to the
13 next sentence says this does not necessarily mean the
14 same proportion of these categories as being BCS.
15 Then, to explain that further the first part of the
16 last sentence there says not all activities within the
17 BCS/DBCS cost pool are devoted exclusively to DPS
18 processing.
19 First of all, can you identify for me any
20 reason why either automation letters on the one hand
21 or high-density saturation letters in ECR would be
22 going through the BCS/DBCS cost pool except to be
23 DPSed?
24 A One more time? Could you repeat that?
25 Q Yes. I'm sorry. Is there any reason that

1 either of these types of letters -- either automation
2 letters or high-density saturation letters -- would be
3 going through that cost pool -- the BCS/DBCS cost pool
4 -- except to be DPSed?
5 A I don't know that to be true. I'd have to
6 defer to an operation person.
7 Q So you don't necessarily know why these
8 letters would be recorded in this cost pool?
9 A They would be recorded in that cost pool
10 because ISCS catalogued them in that cost pool. As to
11 whether or not they were being DPS processed in that
12 cost pool, I can't say.
13 Q Do you know if there's any reason they'd be
14 in that cost pool other than being DPSed?
15 A It's my understanding that the machines
16 within those cost pools can perform activities other
17 than DPS such as outgoing primary, for instance. So
18 to the extent that those machines could be used for
19 other purposes then it could be the case that those
20 letters that you're referring to may not be
21 necessarily being DPS processed within that cost pool.
22 Q Let me ask the other question which is are
23 there other cost pools that would reflect the cost of
24 DPSing besides this cost pool?
25 A Yes. I believe I answered that as

1 Interrogatory 2(h) and there are a couple of other
2 cost pools that would be associated with DPS
3 processing potentially. One is the nonallied -- sorry
4 -- nonmod auto cost pool and the other one in the case
5 of the PRC methodology would be the LDC 41 cost pool.
6 Q That was your response to T26-2?
7 A That's correct. Part (h), Section 1,
8 footnote of the provided table. Footnote 4.
9 Q I see it. Thank you. In that footnote to
10 that table appended to that interrogatory response you
11 identify then three potential cost pools for DPSing of
12 letters and the BCS/DBCS that we talked about before.
13 What is N-auto?
14 A That's the nonmods auto cost pool I referred
15 to.
16 Q Do you know what that includes, what
17 activities generally?
18 A Generally, it's the autoprocessing taking
19 place at nonmod facilities which in general are
20 delivery units.
21 Q What is the LD 41?
22 A That's an abbreviation for LDC 41 which is a
23 function for cost pool that occurs within mod
24 facilities. As I understand it for this current case
25 that cost pool has been adjusted or combined with

1 other cost pools for the USPS methodology.

2 For the PRC methodology as we know it from

3 the previous rate case, however, it's still broken out

4 separately. Since in that table I was providing USPS

5 and PRC purported cost proportions I tried to be clear

6 in that footnote that the PRC version would include

7 this one additional cost pool as it's defined.

8 Q Thank you. We look to help understand this

9 issue at a response by witness Kelly to Valpak USPS-

10 T16-9. I know you're not witness Kelly, but he said

11 in response to that that about 65.09 percent of the

12 automation category is DPS and about 27 percent of the

13 saturation category is DPS as I understand his

14 response.

15 I'll go into this more with him when he gets

16 on the stand, but just to try to correlate his

17 response with your information -- by the way, he also

18 dealt with high-density and he said about 44.31

19 percent of high-density is DPS, but since that's a

20 tenth of the size of saturation I'm just going to put

21 that aside for the moment and say we're dealing with

22 about 65 percent of automation being DPS and about 27

23 percent of saturation being DPS.

24 Do you have those numbers in mind from

25 witness Kelly, then?

1 A I'm not familiar with that response. I've
2 written them down, though.
3 Q So in view of the similarity of the costs
4 here between the two questions before it said -- let
5 me see if I can read it -- the similarity in the unit
6 costs suggests about the same portion of each category
7 is flowing through the BCS/DBCS cost pool. Do you
8 find those proportions of witness Kelly at all
9 surprising?
10 A I guess a point of clarification on my
11 response or the response to the third interrogatory --
12 C2 -- is it says assuming that both ECR categories
13 require the same amount of costs per handling. Then
14 the response would continue about saying the volume
15 proportions would be the same.
16 I can't make any judgment as to whether or
17 not that assumption is correct.
18 Q Assuming the same cost per handling does
19 that mean the same cost of DPSing the letters?
20 A It means the same cost of handling those
21 pieces in that cost pool, not necessarily DPS.
22 Q The same unit cost?
23 A Yes.
24 Q So I'm not sure. That may be responsive, I
25 just don't understand this well enough to know or to

1 confirm.

2 A Okay. Well, I was just trying to clarify.

3 You were it sounded like making a connection between

4 witness Kelly and this response and I was trying to

5 clarify this response that there is a conditional in

6 it. You had to believe that conditional before you

7 can make the connection between the two.

8 Q Well, let's assume that the -- witness

9 Kelly's response doesn't have to do with costs it has

10 to do with percentage of pieces that are DPSed. He

11 says 65 percent roughly automation, 27 percent

12 saturation. I'm trying to get to whether that is

13 consistent with this answer or surprising in view of

14 this answer.

15 A I haven't studied it to know if it would be

16 consistent or surprising. I guess all I can say is

17 the response to C2 had a conditional within it and

18 it's whether or not that conditional is reasonable or

19 not. I can't say.

20 Q Let's assume that both ECR categories

21 required the same amount of unit cost for handling.

22 Let's assume that. So I'm asking you now to work on

23 my hypothetical.

24 It says the similarity of unit cost suggests

25 the same proportion of volume as each category is

1 flowing through the BCS/DBCS pool which would seem to
2 indicate whatever it would be for the percentage of
3 DPS mail for automation would be the same as it would
4 be for saturation. Would that not be the implication
5 of this response?
6 A I believe that response goes on to discuss
7 why it would not necessarily be associated with only
8 DPS processing. So to draw a link between a response
9 that is describing the BCS/DBCS cost pool which could
10 include non-DPS activity and volumes flowing through
11 non-DPS activities to a link of witness Kelly's which
12 is talking about DPS volume, I can't really say if
13 that would be consistent or surprising or not.
14 Q Well, you're exactly referencing what I just
15 want to ask you about now. It does go on to say this
16 does not necessarily mean the same proportion of these
17 categories is being DPSed. Then it says this is
18 because not all activities in that cost pool are DPS
19 processing.
20 Let me ask you this. Do you know if DPS
21 processing is the dominant share of the cost pool
22 known as BCS/DBCS?
23 A I don't know that to be true.
24 Q Then, if you can just go down to C4 on that
25 same response the answer says although it is generally

1 understood that the Postal Service has continued to
2 shift additional standard mail ECR letters into the
3 DPS mail processing stream we have no estimates of how
4 this shift affects ECR mail processing costs.
5 You're familiar with that subject area,
6 also?
7 A Yes, I am.
8 Q Would you agree that the move to DPS letters
9 is probably one of the most important things that has
10 gone on at the Postal Service regarding letter mail
11 for a decade?
12 A That's really beyond the scope of my
13 testimony.
14 Q As a witness who's studied these costs does
15 it surprise you that there are no estimates? It says
16 we have no estimates of how this shift to increase
17 DPSing affects ECR mail processing costs. First of
18 all, do you know that to be true? That you've never
19 seen an estimate of how the shift to DPS handling of
20 letters affects ECR mail processing costs?
21 A I've never seen an analysis that does that.
22 Q What I'm trying to find is if there's an
23 analysis that says for every ECR letter we take, and
24 we put it on DPS equipment -- and the purpose of DPS
25 is to get carriers out of the office, and minimize

1 their in office time, and put them on the streets and
2 save delivery time at the cost of some low cost
3 processing -- that we might -- just to make up a
4 number -- save a penny and a half of carrier costs and
5 we're going to incur half a cent of DPS costs, so we
6 save a penny.
7 That's how I view DPSing of letters. Have
8 you seen anything that describes the value of DPSing
9 of ECR letters like that?
10 A I have not.
11 MR. OLSON: Mr. Chairman, in view of the
12 fact that the Postal Service has already said there
13 are no estimates of the affect of this shift toward
14 DPSing of ECR letters this may be unnecessary, but I
15 would like to request -- if counsel will agree, too --
16 that if something is found, some estimate of that sort
17 is found -- the Postal Service says there aren't any,
18 but if they look and find something that they would
19 provide it for the record.
20 That would be my request.
21 CHAIRMAN OMAS: Mr. Weidner?
22 MR. WEIDNER: I think if the Postal Service
23 understands that its response to C4 is incorrect it
24 would certainly file a revised response.
25 MR. OLSON: Thank you, counsel.

1 Mr. Chairman, I'm suggesting that this may
2 be in a DAR, it may be in an operational planning
3 report or a budget document, it may be something else
4 besides just in a cost analysis that's in the case,
5 but I appreciate counsel's willingness to look and
6 provide it if it exists. Thank you.
7 BY MR. OLSON:
8 Q Let me ask you to look at your response to
9 -- actually, it's not your response it's witness
10 Abdirahman's response to T28-44. Are you familiar
11 with that one?
12 A Not offhand I'm not. I don't have that with
13 me up here.
14 MR. OLSON: I'm sorry. Let me find it
15 first.
16 Do you have that, counsel? If I show this
17 to the witness do you want to see it first?
18 MR. WEIDNER: I'm pulling it up right now.
19 MR. OLSON: May I show it to the witness,
20 Mr. Chairman?
21 CHAIRMAN OMAS: Go ahead.
22 Mr. Weidner, would you speak into your mic,
23 please?
24 MR. WEIDNER: Referring to Valpak USPS-T28-
25 44(a)?

1 MR. OLSON: I believe so.
2 MR. WEIDNER: Yes.
3 MR. OLSON: Yes.
4 MR. WEIDNER: Okay. I have it. Thanks.
5 BY MR. OLSON:
6 Q I'm not going to ask you a lot of questions
7 about this, but let me just try to summarize this
8 response for you and ask you if you can shed light on
9 it. This response by witness Abdirahman provides an
10 estimate of the proportion of some of the standard
11 regular automation categories that are DPSed.
12 Then, I think there's a footnote or a note
13 at the bottom that says that you can get similar
14 information from the last docket from R2001-1 and
15 Library Reference J60, correct?
16 A I see that. Yes.
17 Q Well, we went back and looked in J60 and we
18 found what it said. I'm not sure I need to read all
19 these numbers to you, but we basically found that the
20 percentage of these standard regular automation
21 categories that are being DPSed between R2001-1 and
22 now -- a period of four or five years, whatever -- all
23 increased about six percent.
24 To give you an illustration, mixed AADC went
25 from 73.76 to 79.57. I'll just read them. Automation

1 AADC -- you don't have to write these down, I'm not
2 going to ask you about them -- 76.35 to 82.02;
3 automation three digit went from 76.98 to 83.12; and
4 then lastly the automation five digit went from 80.19
5 to 86.05.
6 Do you see what I'm saying? Each one of
7 them increased somewhere around six percentage points
8 over the last four or five years?
9 A Yes. I see that.
10 Q Do those figures surprise you in any way?
11 A They're not surprising to me only because I
12 don't really have any experience in dealing with DPS
13 percentages.
14 Q So you would not particularly have expected
15 there to have been more of an increase in that between
16 these two cases?
17 A I have no opinion on that.
18 Q That's fair enough. If we go back to
19 standard ECR in I think witness Kelly's response to I
20 think it was the same interrogatory it said in rough
21 terms that for standard ECR the percentage that were
22 being DPSed was 65 percent for automation ECR, 30
23 percent for basic letters, 27 percent for saturation
24 letters and 44 percent high-density letters. Is
25 that --

1 A That's what I wrote down. Yeah.
2 Q Good. Do you have any idea how much these
3 proportions have increased since 2001-1 for standard
4 ECR?
5 A No, I don't.
6 Q Would you have an expectation as to whether
7 the percentages -- because this is ECR which is more
8 of which you studied -- would you have an expectation
9 that the increase in these DPSing percentages would
10 have been pretty substantial since the last rate case?
11 A My only experience with that is to note that
12 it's my general understanding that the Postal Service
13 has been shifting more ECR mail -- letter mail in
14 general -- into the DPS processing stream.
15 Q To that end, do you know when the Postal
16 Service imposed requirement on standard ECR, high-
17 density and saturation letters that they must be
18 prebarcoded by the mailer?
19 A I don't know when that actually happened. I
20 know it to be the case today, I believe.
21 Q It is my recollection that we could not find
22 comparable data for ECR as we did for standard regular
23 for the percentage being DPSed that witness Abdirahman
24 gave and then he gave the reference to the Library
25 Reference J60 in the last rate case. Have you seen

1 numbers for what percentage of standard ACR was DPSed
2 in Docket No. R2001-1?
3 A Not to my recollection, no. I can't state
4 specifically where I would have seen a number like
5 that.
6 MR. OLSON: Again, since we can't find it
7 I'm just going to ask if counsel or the witness would
8 object to if they can find it -- the numbers from
9 R2001-1 -- if they would be willing to provide those
10 numbers for standard ECR automation, basic saturation,
11 high-density just like witness Kelly provided?
12 MR. WEIDNER: You're asking us is there
13 anything on the record of R2001-1 that provides
14 standard ECR DPS percentages?
15 MR. OLSON: Well, I think it probably isn't
16 there or we would have found it. Either if you can
17 find a reference to that or if you can't and the
18 numbers are available to you if you could provide them
19 for the record that's what I'd be asking, so we can
20 see the --
21 MR. WEIDNER: We can search the record to
22 see if we can find something.
23 MR. OLSON: Would it possible if it's not in
24 the library reference or in that record to also
25 provide it if you have it?

1 MR. WEIDNER: Our 2001-1 numbers?
2 MR. OLSON: Yes.
3 MR. WEIDNER: What would the relevance of
4 that be?
5 MR. OLSON: Showing the change in DPSing
6 just like we just demonstrated with witness
7 Abdirahman, his numbers from the last case to this
8 case and the changes. This is from the numbers
9 witness Kelly used except we don't have the old
10 numbers to compare them to.
11 MR. WEIDNER: Okay.
12 MR. OLSON: Thank you.
13 Thank you, Mr. Chairman.
14 BY MR. OLSON:
15 Q Mr. Cutting, I want to go back to Library
16 Reference 84 and look at a couple of mail processing
17 cost numbers there and compare that to Library
18 Reference J59 in Docket No. R2001-1. Were you
19 involved in 2001-1?
20 A I was not. Not in J59. No.
21 Q I have the numbers. I'm just going to ask
22 you to jot them down if you want, but again these are
23 very simple figures. The mail processing cost of ECR
24 automation letters between these two cases went down
25 from 1.615 cents to 1.457 cents which is a decrease of

1 9.78 percent.

2 A You're referring to auto?

3 Q I'm dealing with ECR automation letters,

4 mail processing costs only. What you studied.

5 A Got it.

6 Q So there's a significant drop between these

7 two cases of mail processing costs for these letters.

8 I'm not going to ask you to characterize if those are

9 significant, I'm just saying 10 percent seems

10 significant. Here's my question.

11 Since Docket No. R2001-1 we've had some

12 inflation and we've seen that DPSing has increased by

13 some amount which we don't know, but we may find out

14 and both of those would have caused the mail

15 processing costs to increase would you not agree?

16 Inflation would have caused it to increase, correct?

17 A Correct.

18 Q Increased DPSing would have caused the mail

19 processing costs to increase, correct?

20 A I guess as a general principle, yes.

21 Q The concept is that you increase mail

22 processing costs and save in delivery costs. Isn't

23 that correct for DPSing?

24 A Yes. There would be more automation direct

25 sorting and allied operations associated with DPS in

1 general that would increase mail processing costs.
2 Q Other than going through the details of your
3 spreadsheets is there any type of general explanation
4 you can give me as to why these costs should decline
5 in the face of the factors we're discussing: the
6 increase from inflation and increased DPSing?
7 A You're asking me why the unit costs would
8 have fallen when inflation and potentially the DPS
9 percentage increased? Is that what you're asking?
10 Q Yes. Those being factors that one would
11 think would drive up costs, but we found out they went
12 down almost 10 percent it appears. I just wonder if
13 you have thought about that, have an explanation?
14 A I do not have an explanation.
15 Q You can understand why we might find it
16 puzzling? You don't have to answer that. Is it
17 something you've looked into? Have you tried to make
18 sense out of that?
19 A That sounds like the last question. I mean,
20 I see the numbers in front of you, but I haven't
21 studied why costs have changed over time.
22 Q No. At first I asked you if you knew, and
23 now I asked you if you've thought about it. That's a
24 little different.
25 A My mistake again. No, I have not.

1 Q As a second comparison dealing just with
2 mail processing costs for ECR the way you had studied
3 them in R2001-1 we looked at basic letters not
4 prebarcoded by mailers and there the mail processing
5 costs went up from 2.766 cents to coincidentally 3.766
6 cents for an increase of 36.51 percent.
7 If we use witness Kelly's numbers, he said
8 30 percent of those basic letters are DPS. I assume
9 that was an increase of some amount since the last
10 docket. That would be a reasonable assumption,
11 correct?
12 A Actually, you're asking me is 30 percent a
13 reasonable number --
14 Q No. I'm asking you if 30 percent probably
15 isn't an increase from some number before?
16 A I wouldn't be able to tell you if it's an
17 increase or not.
18 Q Right. We're not the first one to have
19 asked about this. This was the subject matter of part
20 of POIR3, No. 3 I believe. Are you familiar with
21 that?
22 A 3(c)?
23 Q 3(c).
24 A What you just characterized to me was the
25 comparison of cost over time. As I understand POIR3,

1 Question 3(c) that was comparing the basic letter flat
2 differential just in the current rate case.
3 Q You may be right. Let me withdraw that
4 analogy. We did ask this. We asked it in T26-2,
5 correct, to you?
6 A One moment. In my looking at T26-2 I do not
7 see a reference to changes in cost over time.
8 Q Over time. I see your point. Do you recall
9 -- I'm having a hard time finding it at the moment --
10 part of your response as to that once a certain number
11 of pieces have migrated from basic ECR to automation
12 ECR that it leaves in basic ECR pieces that are
13 relatively more costly to handle?
14 Dirtier mail, whatever you want to call
15 that. Do you recall that response?
16 A I don't recall the term *dirty*, but yeah, I
17 believe that's the POIR3, 3(c) response having to do
18 with the rate structure.
19 Q Let's take a look at POIR3, 3(c). I'll just
20 read you the first sentence and then ask the question
21 based on this. It says there are several reasons why
22 the mail processing unit costs of basic ECR letters or
23 nonautomation rate is greater than that of basic ECR
24 nonletters.
25 You say first -- not you, but the Postal

1 Service's institutional response is first they could
2 be backhauled and then it says at the end of that page
3 the last three lines, the standard mail rate structure
4 encourages customers to prepare mail to qualify for
5 automation rates versus basic ECR where possible.
6 This may lead to the remaining basic ECR
7 letters to have higher cost characteristics such as
8 being physically nonmachinable or lacking the
9 necessary address elements to enable the application
10 of a barcode. That's the context I'm looking at. Do
11 you see that response? Do you have that with you?
12 A Yes, I do.
13 Q I guess it might be technically accurate to
14 say that doesn't discuss changes over time, not
15 between R2001 to R2005 certainly, but it does indicate
16 that over time mailers are responding to rate
17 incentives and shifting their mail where possible from
18 basic ECR letters to automation ECR letters. Isn't
19 that correct?
20 A Yes.
21 Q This is suggesting that what's left in basic
22 ECR letters is mail that somehow has higher cost
23 characteristics such as being physically nonmachinable
24 or poor address. That's what it's telling us,
25 correct?

1 A Or lacking the necessary address elements as
2 opposed to poor address. I'm not sure if those are
3 the same thing.
4 Q I accept that. That's exactly what it says.
5 Lacking the necessary address elements to enable the
6 application of a barcode. Sometimes when I generalize
7 I don't know enough to be technically accurate. I
8 should just read it. Thank you for correcting that.
9 I'm trying to get at what this is telling us
10 about ECR letters and that you could help us with
11 because of your study of ECR letter mail processing
12 costs. To get a handle on this we looked at the test
13 year before rates and we found there were 2.6 billion
14 basic letters and 2.3 billion automation letters.
15 Now, just accept that and those numbers if
16 you would for purposes of the question. Would you
17 agree that if there were 2.6 billion ECR basic letters
18 in the system that's still a sizeable chunk of volume?
19 A Yes. I generally would agree with that.
20 Q Have you ever had occasion to go out and
21 look at those basic ECR letters and see what peculiar
22 mail processing characteristics they have or address
23 characteristics they have that are causing them to
24 drive up mail processing costs?
25 A You're asking me if I've gone out in the

1 field and studied basic ECR for what peculiar
2 characteristics they would have that would drive up
3 costs? Is that your question?
4 Q Yes.
5 A I've been in the field, and I've studied
6 mail, but I have not specifically studied this issue.
7 Q Are you aware of the results of anyone
8 else's study as to what's causing the cost of these
9 basic letters to go up as they are?
10 A I'm not aware of someone else's study
11 related to this.
12 Q Just to confirm, we're talking about the
13 mail processing costs that went up since R2001-1 at
14 the rate of 36.51 percent, correct?
15 A That is what I'm responding to. Yes.
16 Q If we used witness Kelly's numbers again
17 that only 30 percent of these basic letters are DPS it
18 would indicate to me that the increase might come from
19 bulk handling costs to get the pieces to the carriers.
20 What do you think about that hypothesis?
21 A Can you define *bulk handling costs*?
22 Q Yes. We're talking about mail that is not
23 being DPSed, correct?
24 A I thought you had mentioned witness Kelly's
25 30 percent DPS percent. I guess I just lost track.

1 Q I'm sorry. I meant to sort of put that
2 aside and say okay, witness Kelly says 30 percent of
3 the standard ECR basic letters are being DPSed.
4 That's a different issue. We've already discussed
5 what we can about how that could drive costs, but I'm
6 focusing on the pieces that are not being DPSed and so
7 the 70 percent.
8 I'm trying to get a handle on how the costs
9 of standard letters went up 36.51 percent in four
10 years and ask you if you can help me understand that.
11 Whether you think that some of those might be bulk
12 handling costs or if you have a better explanation?
13 A If you'd define *bulk handling costs*? I've
14 already forgotten it. Can you define it again?
15 Q Well, it's anything other than an individual
16 piece handler schlepping tubs and trays.
17 A Okay. I see what you mean. So you're
18 asking me do I have an opinion with the non-DPS
19 portion of basic letters the bulk handling costs could
20 explain a portion of why the figures you gave me show
21 that the unit cost has increased roughly 36 percent,
22 somewhere in there? That's what you're asking?
23 Q Yes.
24 A Yeah. As I sit here today I can't really
25 confirm whether or not that would be an accurate or

1 reasonable hypothesis for you to make.
2 Q Do you have any other hypotheses you'd care
3 to offer as to what's driving that 36 and a half
4 percent increase in basic ECR letters?
5 A As I sit here I don't have any other
6 opinion.
7 Q The response to this POIR talks about
8 incentives that have been provided to pieces that
9 shift from basic ECR to automation. Would you agree
10 that those incentives don't exist in the same way for
11 saturation mail?
12 A Again, I'm not a rate expert, but very
13 generally as I know those rates -- actually, I can't
14 confirm that. I don't know.
15 Q We looked at the mail processing costs --
16 the reason I'm saying that there's not the incentive
17 is the saturation rates tend to be lower already than
18 the automation rates and therefore you wouldn't have
19 the rate incentive to move to automation. That's all
20 I'm saying. Do you have that in mind what my point
21 is?
22 A Yes. I have that point in mind. Yes.
23 Q See, in view of that lack of incentives
24 we're trying to look at the cost of mail processing
25 for saturation letters and we saw that the mail

1 processing costs of the saturation letters didn't go
2 up 36 percent it went up 44.54 percent since R2001-1.
3 It went up from .669 cents to .967 cents, an
4 increase of 44.54 percent. Witness Kelly in his
5 response told us that -- let's see -- of saturation
6 letters it was 27 percent DPS. So I'm trying to see
7 if you can help me understand this.
8 Does it seem reasonable to you that there
9 was probably some increase in the proportion of
10 saturation letters that are being DPSed since Docket
11 No. R2001-1? You'd agree with that, correct?
12 A You're asking me if I would consider it
13 reasonable that the percentage of DPS has increased
14 for this category?
15 Q For saturation letters. Yes.
16 A Generally, yes.
17 Q Would you have a reason to believe whether
18 that one factor could have accounted for mail
19 processing costs of saturation letters to go up 44.54
20 percent?
21 A No. I have no way of confirming that.
22 Q Do you have any idea as to what other
23 factors could be driving those cost increases?
24 A Could you be more specific on what you mean
25 by *other factors*?

1 Q Well, it's sort of the same questions I
2 asked you before about basic letters and why they went
3 up 36 percent. Now, I'm talking about saturation
4 letters, why they went up 44 percent.
5 I'm just trying to get you to help us
6 understand what's going on because you've been
7 studying ECR letters and I'm hoping that you can shed
8 light on what the cost drivers are resulting in over a
9 four year period a 44 percent increase.
10 A Yes. I guess all I can say is my task was
11 to update for the current year and I really didn't
12 study -- this is my response previously -- any cost
13 trends over time, so I'm not prepared today to really
14 offer an explanation as to why that would be the case.
15 Q Based on the theory of DPSing which we
16 already agreed I believe that you incur a bit more in
17 mail processing costs to save something in delivery
18 costs. Would you expect a drop in delivery costs for
19 saturation letters if more of them were being DPSed?
20 A Generally, yes.
21 Q We looked at it, and the delivery costs for
22 these ECR saturation letters increased from 3.374
23 cents to 4.137 cents which is a increase of 22.61
24 percent. So, I'm tempted to ask if you can see why
25 we're having trouble, but I guess I'll just ask you,

1 can you help us understand if the -- Is it the
2 increasing percentage of DPSing that's causing the
3 processing costs to go up by 44.5 percent while
4 delivery goes up by 22.61 percent? If you have an
5 opinion on it.
6 A The mail processing part, I tried to state
7 to you, I have no opinion on. I haven't studied that.
8 I'd have to defer to Witness Kelly for an explanation
9 for the delivery costs.
10 Q Good, I'll tell him.
11 A You'll tell him that?
12 (Laughter).
13 Q Let me just ask you, I'm in the home
14 stretch. Let me ask you a couple of questions about
15 detached address labels.
16 We've been talking about letters shifting,
17 but I take it you know what a detached address label
18 is and you've had occasion to see them in the field?
19 A I have.
20 Q And my understanding is that some detached
21 address labels are also being shifted from carriers to
22 DOS operations. Is that your understanding?
23 A I don't have an understanding of that.
24 Q Do you have any information about whether
25 the DALs that you've seen have mailer-applied bar

1 codes to them?
2 A I don't have a recollection to that, no.
3 I'm saying I can't confirm it or not.
4 Q Can you tell me when you've been in the
5 field and seen the DALs as to whether they are,
6 whether you've ever seen them run through an OCR to
7 put a postal service applied bar code on them?
8 A I have not seen that, no.
9 Q Have you seen the -- Is there any
10 information you can give us about the number of DALs
11 that are being DPS'd?
12 A No I have no information.
13 Q If a DAL went through an OCR to have a bar
14 code put on it, do you know what cost pool that would
15 show up in?
16 A Generally it would be the OCR cost pool
17 although I can't say for sure that it would not show
18 up in other cost pools as well.
19 Q If it was in the OCR cost pool would that
20 be, those costs be allocated to letters or flats?
21 A I'm not sure.
22 Q How would I find out?
23 A Are you referring to particularly my library
24 reference and how I would treat DAL?
25 A Yeah, let's start there.

1 Q All I can say is that within the IOCS there
2 is an explanation on how DALs are classified. You can
3 refer there to the handbook for IOCS.
4 Q If a DAL is being OCR'd and you have a count
5 of the number of pieces that are OCR'd, those would go
6 to, for DPSing, those would go to letters, would they
7 not?
8 A Can you repeat that again?
9 Q Sure. If you had a DAL that did not have a
10 mailer-applied bar code, and a decision was made to
11 OCR them in order to have Postal Service-applied bar
12 code, then because they wanted to DPS the detached
13 address label, the costs of OCRing and bar coding the
14 DALs would go to letters, would they not?
15 A I don't know that to be true.
16 Q Do you know it to be false?
17 A No, I do not. I don't have an opinion. I
18 don't know specifically how DALs are treated within
19 the IOCS.
20 Q If we assume that some DALs are pre-bar
21 coded and some are OCR'd and some are DPS'd, can you
22 tell me how the mail processing costs of those DALs
23 are handled generally as to whether they're allocated
24 to letters or non-letters?
25 A One more time, I'm sorry.

1 Q Sure. I'm just saying that, I'm asking you
2 to assume that DALs are DPS'd now, some frequency that
3 we don't know because you don't have that information,
4 that if they're either run over DPS equipment or first
5 they're OCR'd and bar coded and then run over DPS
6 equipment, or some of them have mailer-applied bar
7 codes and they're run over DPS equipment, I'm asking
8 you how in general the cost of DPSing a DAL is
9 handled. Is it attributed to letters or non-letters,
10 and how that happens.
11 A The entire process, applying a bar code,
12 running through, sorting it on the bar code sorter and
13 all that, I don't know. I don't know if that would be
14 attributed to a letter or not.
15 Q You said the OCR cost pool, you didn't know
16 how that would be attributed. That's true for the DPS
17 -- Is there a DPS cost pool just by itself? Is that
18 what it's called? Is D -- What's the letters again?
19 A DCS/DBCS?
20 Q Yes.
21 A Is that generally known as the DPS cost
22 pool?
23 A I do not know it as that, generally known as
24 that.
25 Q Is that really what it describes, however?

1 A As I've previously answered, machines within
2 that cost pool can perform functions besides DPS
3 processing.
4 Q Oh, that's right. Thank you, yes. I recall
5 that now.
6 I'm going to ask similar questions to
7 Witness Kelly and see what he knows about DAL volumes
8 and DAL costs so I'll just leave it there.
9 My last question is this. There has been a
10 letter flat differential calculated since ECR, within
11 ECR, since Docket Number MC95-1, the creation of ECR.
12 Okay?
13 A Okay.
14 Q We went back and couldn't find it in the
15 early cases quite in this way, but let me just give
16 you these numbers, that the letter flat cost
17 differential in 2000-1 was 1.79 cents; in 2001-1 it
18 was 0.251 cents; and in this docket it's 0.020 cents.
19 Do you see a rend in those numbers?
20 A They are decreasing.
21 Q To the point of vanishing, correct?
22 A I would not say they're vanishing, but, yes.
23 They're non-zero.
24 Q Have you studied the letter flat cost
25 differential and have any thoughts about why the

1 letter flat cost differential is vanishing,
2 disappearing, diminishing, decreasing?
3 A When you say letter flat cost differential,
4 I have studied the letter flat cost differential
5 related to basic ECR letters and flats because that
6 was in the response to POIR-3, question 3C. That's as
7 much as I've studied it.
8 Q Just to clarify the record, the numbers I
9 gave you were for both mail processing and delivery.
10 It was not just mail processing. I should have said
11 that before, I just neglected to mention it.
12 A This is actually my last question. When
13 mailers I think about the Postal Service handling of
14 letters and flats they think about letters having a
15 sophisticated, low cost mail stream and there being a
16 higher cost mail stream which is now going to have
17 more and more automation but in the past there's been
18 a low cost mail stream for letters and a high cost
19 mail stream for flats. But it looks like the cost of
20 mail processing within both of those mail streams is
21 collapsing, that they're becoming the same. Is that
22 of concern? Is that of interest to you? Have you
23 studied that?
24 A As I commented, the only thing I studied was
25 the basic letter flat differential for the current

1 rate case. For the R-2005-1.

2 Q I am very grateful for your help. It's a

3 confusing topic and I appreciate the clarity you've

4 added to the record. Thank you for coming.

5 MR. OLSON: Thank you, Mr. Chairman. I'm

6 done.

7 CHAIRMAN OMAS: Thank you, Mr. Olson.

8 Mr. Weidner -- Excuse me, before that, is

9 there any follow-up Cross-Examination?

10 (No audible response)

11 CHAIRMAN OMAS: There being none, Mr.

12 Weidner, do you need time with your witness?

13 MR. WEIDNER: Five minutes?

14 CHAIRMAN OMAS: Fine.

15 (Whereupon from 12:02 until 12:05 p.m. a

16 brief recess was taken.)

17 CHAIRMAN OMAS: I would like to make a

18 general statement.

19 The Reporter has asked would all attorneys

20 please fill out one of the forms to make sure what she

21 needs, things like that. Some people forget to do it.

22 So if you all would kind of put that back in the back

23 of your mind and not forget to do that.

24 Mr. Weidner?

25 MR. WEIDNER: The Postal Service has no

1 Redirect, Mr. Chairman.

2 CHAIRMAN OMAS: With that, Mr. Cutting, that

3 completes your testimony here today. we appreciate

4 your contribution to the record and you are now

5 excused. Thank you.

6 (Whereupon the witness was excused.)

7 CHAIRMAN OMAS: With that, Ms. McKenzie

8 we're going to wait until after lunch. I think I'll

9 give everybody a 15 minute lunch break. Is that

10 enough time?

11 (Laughter).

12 CHAIRMAN OMAS: No. Why don't we leave now

13 and come back at about 1:15. How's that?

14 Oh, wait just a minute. Mr. Olson?

15 MR. OLSON: Mr. Chairman, before you break

16 can I just make two requests? One is that

17 yesterday's, or the transcript of Monday with Witness

18 Tayman identified the attachment of a document. You

19 may remember he amended USPS-6I, his exhibit, but it

20 was not in the amendment to the files, and so it was,

21 you ordered it into the transcript and it doesn't

22 actually appear in the transcript.

23 We'd ask if the Postal Service would provide

24 that document from Witness Tayman so that it could be

25 transcribed somewhere into the record. It was

1 witness Tayman, 6I, USPS-6I.

2 CHAIRMAN OMAS: Mr. Weidner?

3 MR. WEIDNER: I understand we gave that

4 document to y'all on Monday. To the Reporter on

5 Monday.

6 MR. OLSON: Perhaps an additional two copies

7 could be provided so that we can just get it in.

8 CHAIRMAN OMAS: Well if you have a copy,

9 could you provide Mr. Olson with a copy this afternoon

10 before we return, if you have that handy?

11 MR. WEIDNER: We don't have a copy with us.

12 CHAIRMAN OMAS: Can you get one faxed to us?

13 MR. WEIDNER: We can ask the attorney for

14 Mr. Tayman if he has a copy that he can fax to us.

15 CHAIRMAN OMAS: I would appreciate that. If

16 you say it's been given to the Reporter I don't know

17 how it got lost, but if it is available we'd like to

18 have it before the close of business today.

19 MR. WEIDNER: We need a fax number to give

20 him.

21 CHAIRMAN OMAS: I think they have the fax

22 number, thank you.

23 We'll see you at --

24 MR. OLSON: Just one -- I'm sorry, but the

25 Witness Tafiq when he was on the stand had not yet

1 responded to three ValPak interrogatories. C2843, 49
2 and 50. We were advised when he was on the stand that
3 they were being responded to by another witness and
4 that we would have them, but we don't have them yet.
5 Yesterday when Mr. Morgan was here he asked for
6 permission to designate them for the record out of
7 time because we haven't gotten them yet, if we get it.
8 I don't know when we'll get them, but I just wanted to
9 advise the Chair we haven't yet received them.
10 CHAIRMAN OMAS: All right. So what are you
11 asking?
12 MR. OLSON: I guess I'm asking that Postal
13 Service might tell us when they might file them and
14 that we would still have a chance to designate them
15 for the record, even though Witness Tafiq is off the
16 stand by several days.
17 CHAIRMAN OMAS: Can you do that?
18 MR. WEIDNER: Mr. Chairman, there are going
19 to be Postal Service responses.
20 CHAIRMAN OMAS: Okay. Thank you very much.
21 We'll see you at 1:15.
22 (Whereupon at 12:10 p.m. the hearing was
23 recessed, to reconvene at 1:15 p.m. this same day,
24 Wednesday, June 29, 2005.)
25 //

1 A F T E R N O O N S E S S I O N

2 (1:22 p.m.)

3 CHAIRMAN OMAS: Ms. McKenzie, can you call

4 the Postal Service's next witness so that I may swear

5 him in?

6 MS. McKENZIE: Before I do that, Mr.

7 Chairman, we do have a copy of Witness Tayman's

8 revised exhibit which I believe is marked USPS-6I.

9 CHAIRMAN OMAS: Thank you very much. That's

10 the one they used a lot yesterday.

11 MS. McKENZIE: Right. I'm handing two

12 copies to the reporter.

13 CHAIRMAN OMAS: Thank you very much.

14 MS. McKENZIE: The Postal Service's next

15 witness is Abdulkadir Abdirahman.

16 Mr. Abdirahman, could you please introduce

17 yourself?

18 MR. ABDIRAHMAN: My name is Abdulkadir

19 Abdirahman. I work for the United States Postal

20 Service at Department of Special Studies.

21 CHAIRMAN OMAS: Mr. Abdirahman, would you

22 stand?

23 Whereupon,

24 ABDULKADIR M. ABDIRAHMAN

25 having been duly sworn, was called as a

1 witness and was examined and testified as follows:
2 CHAIRMAN OMAS: Ms McKenzie, you may
3 proceed.
4 MS. McKENZIE: Thank you, Mr. Chairman.
5 DIRECT EXAMINATION
6 BY MS. McKENZIE:
7 Q Mr. Abdirahman, earlier I handed you two
8 copies of the testimony marked Direct Testimony of
9 Abdulkadir Abdirahman on behalf of the United States
10 Post Service, marked as USPS-T-21.
11 (The document referred to was
12 identified as USPS-T-21.)
13 Have you had an opportunity to review those
14 copies?
15 A Yes.
16 Q Would your testimony be the same today if
17 you were to testify?
18 A Yes.
19 Q I also understand that you have two library
20 references associated with your testimony.
21 USPS-LR-K48, and USPS-LR-K59, Attachment 1, is that
22 correct?
23 A Yes.
24 //
25 //

1 (The documents referred to
2 were identified as USPS-LR-
3 K48 and USPS-LR-K59.)
4 Q Are you sponsoring these library references?
5 A Yes.
6 MS. McKENZIE: Mr. Chairman, I would move --
7 MR. ABDIRAHMAN: And LR-K68.
8 MS. McKENZIE: Excuse me, I forgot. One
9 additional one.
10 BY MS. McKENZIE:
11 Q So you're sponsoring a third library
12 reference.
13 A Yes.
14 Q And it's USPS-LR-K68.
15 A That's correct.
16 (The document referred to was
17 identified as USPS-LR-K68.)
18 MS. McKENZIE: Mr. Chairman, at this point I
19 would move into evidence the testimony of Abdulkadir
20 Abdirahman on behalf of the United States Postal
21 Service marked as USPS-T-21. Also that we move into
22 evidence library references K-48, K-68 and attachment
23 one of K-59.
24 CHAIRMAN OMAS: Is there any objection?
25 (No audible response)

1 CHAIRMAN OMAS: Hearing none, so ordered.
2 I will direct counsel to provide the
3 Reporter with two copies of the correct Direct
4 testimony of Mr. Abdirahman. That testimony is
5 received into evidence. However, as is our practice
6 it will not be transcribed.
7 (The document referred to,
8 previously identified as
9 USPS-T-21, was received in
10 evidence.)
11 CHAIRMAN OMAS: Mr. Abdirahman, have you had
12 an opportunity to review the packets that were
13 presented to you in this room this afternoon?
14 MR. ABDIRAHMAN: Yes.
15 CHAIRMAN OMAS: If questions contained in
16 those packets were asked of you orally today, would
17 your answers be the same as those previously in
18 writing?
19 MR. ABDIRAHMAN: Yes.
20 CHAIRMAN OMAS: Are there any corrections or
21 additions you would like to make to those answers?
22 MR. ABDIRAHMAN: No.
23 CHAIRMAN OMAS: Counsel, would you please
24 provide two copies of the corrected designated written
25 Cross-Examination of Witness Abdirahman to the

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services

Docket No. R2005-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR ABDIRAHMAN
(USPS-T-21)

Party	Interrogatories
American Bankers Association and National Association of Presort Mailers	ABA&NAPM/USPS-T21-19, 23-25, 27-29, 31, 47a-b, 59b, 61, 62a-c
	ABA&NAPM/USPS-T13-10c, 14 redirected to T21
	APWU/USPS-T21-1, 3-8
	MMA/USPS-T21-7, 12-13, 18-20, 22-23, 28, 30-31, 34-40, 41(b)b, (b)c, (b)d, (b)e, (b)f, (c), (d), 42a-b, 43-54, 56, 59-69, 71-72, 74a, c, 75-79
	MMA/USPS-T22-7b, d redirected to T21
	PB/USPS-T21-1-11
American Postal Workers Union, AFL-CIO	ABA&NAPM/USPS-T21-61b
	APWU/USPS-T21-1-4, 6-8
	PRC/USPS-POIR No.1- Qa redirected to T21
Greeting Card Association	GCA/USPS-T21-1-2
Major Mailers Association	APWU/USPS-T21-5-6
	MMA/USPS-T21-1-2, 4, 6, 8-15, 18-20, 22-24, 27-29, 31-32, 34, 36, 38, 40, 41(a), (b)b, (b)c, (b)d, (c), (d), 42a-b, d, 43, 45-47, 48a-c, 49-53, 55c, 56, 59-64, 66-69, 71-79

Party	Interrogatories
Pitney Bowes Inc.	MMA/USPS-T21-7, 48, 61, 76 PB/USPS-T21-1-11 PRC/USPS-POIR No.1- Qa, POIR No.4- Q11a redirected to T21
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T28-8a-e, g, 9a, c-f, i, 14-15, 44a, 47g redirected to T21

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR ABDIRAHMAN (T-21)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
ABA&NAPM/USPS-T21-19	ABA&NAPM
ABA&NAPM/USPS-T21-23	ABA&NAPM
ABA&NAPM/USPS-T21-24	ABA&NAPM
ABA&NAPM/USPS-T21-25	ABA&NAPM
ABA&NAPM/USPS-T21-27	ABA&NAPM
ABA&NAPM/USPS-T21-28	ABA&NAPM
ABA&NAPM/USPS-T21-29	ABA&NAPM
ABA&NAPM/USPS-T21-31	ABA&NAPM
ABA&NAPM/USPS-T21-47a	ABA&NAPM
ABA&NAPM/USPS-T21-47b	ABA&NAPM
ABA&NAPM/USPS-T21-59b	ABA&NAPM
ABA&NAPM/USPS-T21-61	ABA&NAPM
ABA&NAPM/USPS-T21-61b	APWU
ABA&NAPM/USPS-T21-62a	ABA&NAPM
ABA&NAPM/USPS-T21-62b	ABA&NAPM
ABA&NAPM/USPS-T21-62c	ABA&NAPM
ABA&NAPM/USPS-T13-10c redirected to T21	ABA&NAPM
ABA&NAPM/USPS-T13-14 redirected to T21	ABA&NAPM
APWU/USPS-T21-1	ABA&NAPM, APWU
APWU/USPS-T21-2	APWU
APWU/USPS-T21-3	ABA&NAPM, APWU
APWU/USPS-T21-4	ABA&NAPM, APWU
APWU/USPS-T21-5	ABA&NAPM, MMA
APWU/USPS-T21-6	ABA&NAPM, APWU, MMA
APWU/USPS-T21-7	ABA&NAPM, APWU
APWU/USPS-T21-8	ABA&NAPM, APWU
GCA/USPS-T21-1	GCA
GCA/USPS-T21-2	GCA
MMA/USPS-T21-1	MMA
MMA/USPS-T21-2	MMA
MMA/USPS-T21-4	MMA
MMA/USPS-T21-6	MMA

Interrogatory	Designating Parties
MMA/USPS-T21-7	ABA&NAPM, Pitney Bowes
MMA/USPS-T21-8	MMA
MMA/USPS-T21-9	MMA
MMA/USPS-T21-10	MMA
MMA/USPS-T21-11	MMA
MMA/USPS-T21-12	ABA&NAPM, MMA
MMA/USPS-T21-13	ABA&NAPM, MMA
MMA/USPS-T21-14	MMA
MMA/USPS-T21-15	MMA
MMA/USPS-T21-18	ABA&NAPM, MMA
MMA/USPS-T21-19	ABA&NAPM, MMA
MMA/USPS-T21-20	ABA&NAPM, MMA
MMA/USPS-T21-22	ABA&NAPM, MMA
MMA/USPS-T21-23	ABA&NAPM, MMA
MMA/USPS-T21-24	MMA
MMA/USPS-T21-27	MMA
MMA/USPS-T21-28	ABA&NAPM, MMA
MMA/USPS-T21-29	MMA
MMA/USPS-T21-30	ABA&NAPM
MMA/USPS-T21-31	ABA&NAPM, MMA
MMA/USPS-T21-32	MMA
MMA/USPS-T21-34	ABA&NAPM, MMA
MMA/USPS-T21-35	ABA&NAPM
MMA/USPS-T21-36	ABA&NAPM, MMA
MMA/USPS-T21-37	ABA&NAPM
MMA/USPS-T21-38	ABA&NAPM, MMA
MMA/USPS-T21-39	ABA&NAPM
MMA/USPS-T21-40	ABA&NAPM, MMA
MMA/USPS-T21-41(a)	MMA
MMA/USPS-T21-41(b)b	ABA&NAPM, MMA
MMA/USPS-T21-41(b)c	ABA&NAPM, MMA
MMA/USPS-T21-41(b)d	ABA&NAPM, MMA
MMA/USPS-T21-41(b)e	ABA&NAPM
MMA/USPS-T21-41(b)f	ABA&NAPM
MMA/USPS-T21-41(c)	ABA&NAPM, MMA
MMA/USPS-T21-41(d)	ABA&NAPM, MMA

Interrogatory	Designating Parties
MMA/USPS-T21-42a	ABA&NAPM, MMA
MMA/USPS-T21-42b	ABA&NAPM, MMA
MMA/USPS-T21-42d	MMA
MMA/USPS-T21-43	ABA&NAPM, MMA
MMA/USPS-T21-44	ABA&NAPM
MMA/USPS-T21-45	ABA&NAPM, MMA
MMA/USPS-T21-46	ABA&NAPM, MMA
MMA/USPS-T21-47	ABA&NAPM, MMA
MMA/USPS-T21-48	ABA&NAPM, Pitney Bowes
MMA/USPS-T21-48a	MMA
MMA/USPS-T21-48b	MMA
MMA/USPS-T21-48c	MMA
MMA/USPS-T21-49	ABA&NAPM, MMA
MMA/USPS-T21-50	ABA&NAPM, MMA
MMA/USPS-T21-51	ABA&NAPM, MMA
MMA/USPS-T21-52	ABA&NAPM, MMA
MMA/USPS-T21-53	ABA&NAPM, MMA
MMA/USPS-T21-54	ABA&NAPM
MMA/USPS-T21-55c	MMA
MMA/USPS-T21-56	ABA&NAPM, MMA
MMA/USPS-T21-59	ABA&NAPM, MMA
MMA/USPS-T21-60	ABA&NAPM, MMA
MMA/USPS-T21-61	ABA&NAPM, MMA, Pitney Bowes
MMA/USPS-T21-62	ABA&NAPM, MMA
MMA/USPS-T21-63	ABA&NAPM, MMA
MMA/USPS-T21-64	ABA&NAPM, MMA
MMA/USPS-T21-65	ABA&NAPM
MMA/USPS-T21-66	ABA&NAPM, MMA
MMA/USPS-T21-67	ABA&NAPM, MMA
MMA/USPS-T21-68	ABA&NAPM, MMA
MMA/USPS-T21-69	ABA&NAPM, MMA
MMA/USPS-T21-71	ABA&NAPM, MMA
MMA/USPS-T21-72	ABA&NAPM, MMA
MMA/USPS-T21-73	MMA
MMA/USPS-T21-74	MMA
MMA/USPS-T21-74a	ABA&NAPM

Interrogatory	Designating Parties
MMA/USPS-T21-74c	ABA&NAPM
MMA/USPS-T21-75	ABA&NAPM, MMA
MMA/USPS-T21-76	ABA&NAPM, MMA, Pitney Bowes
MMA/USPS-T21-77	ABA&NAPM, MMA
MMA/USPS-T21-78	ABA&NAPM, MMA
MMA/USPS-T21-79	ABA&NAPM, MMA
MMA/USPS-T22-7b redirected to T21	ABA&NAPM
MMA/USPS-T22-7d redirected to T21	ABA&NAPM
PB/USPS-T21-1	ABA&NAPM, Pitney Bowes
PB/USPS-T21-2	ABA&NAPM, Pitney Bowes
PB/USPS-T21-3	ABA&NAPM, Pitney Bowes
PB/USPS-T21-4	ABA&NAPM, Pitney Bowes
PB/USPS-T21-5	ABA&NAPM, Pitney Bowes
PB/USPS-T21-6	ABA&NAPM, Pitney Bowes
PB/USPS-T21-7	ABA&NAPM, Pitney Bowes
PB/USPS-T21-8	ABA&NAPM, Pitney Bowes
PB/USPS-T21-9	ABA&NAPM, Pitney Bowes
PB/USPS-T21-10	ABA&NAPM, Pitney Bowes
PB/USPS-T21-11	ABA&NAPM, Pitney Bowes
PRC/USPS-POIR No.1- Qa redirected to T21	APWU, Pitney Bowes
PRC/USPS-POIR No.4- Q11a redirected to T21	Pitney Bowes
VP/USPS-T28-8a redirected to T21	Valpak
VP/USPS-T28-8b redirected to T21	Valpak
VP/USPS-T28-8c redirected to T21	Valpak
VP/USPS-T28-8d redirected to T21	Valpak
VP/USPS-T28-8e redirected to T21	Valpak
VP/USPS-T28-8g redirected to T21	Valpak
VP/USPS-T28-9a redirected to T21	Valpak
VP/USPS-T28-9c redirected to T21	Valpak
VP/USPS-T28-9d redirected to T21	Valpak
VP/USPS-T28-9e redirected to T21	Valpak
VP/USPS-T28-9f redirected to T21	Valpak
VP/USPS-T28-9i redirected to T21	Valpak
VP/USPS-T28-14 redirected to T21	Valpak
VP/USPS-T28-15 redirected to T21	Valpak
VP/USPS-T28-44a redirected to T21	Valpak

Interrogatory	Designating Parties
VP/USPS-T28-47g redirected to T21	Valpak

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

Revised June 23, 2005

ABA&NAPM/USPS-T21-19.

Please refer to the USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "ENTRY PROFILE." For the entire rate categories listed in this table the entry profiles are obtained from Docket No. R971-1, LR-H-185. Please confirm that between R97-1 and R2005-1 the values have not changed. If confirmed, please explain why you expect no change. If not confirmed, please explain why there was no study to update the entry profile data.

RESPONSE:

Confirmed. However, the mail characteristics data contained in the "ENTRY PROFILE" spreadsheet are only used to separate the First-Class Mail nonautomation presort letters rate category volume by presort level and machinability. Given that the definition of the nonmachinable surcharge was expanded to include nonmachinable nonautomation presort letters in Docket No. R2001-1, the machinability distribution of that rate category has likely changed to some extent. I did not update the entry profile data because more recent mail characteristics data results were not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-23. For the BMM mail flow model, please explain the notable decline in the pieces per hour for incoming secondaries during the "Auto 3-Pass DPS" operation, down from 32,363 pieces per hour in R2001-1 to 21,505 in R2005-1 (Ref. LR-K-48, page 3, and LR-J-60, page 15, rev, 11/15/01).

Response:

This change is due to MODS productivity volumes which were updated with new productivity data. Please refer to LR-K-56 for MODS productivity numbers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-24. Please refer to LR-K-48, p. 11 and LR-J-60, page 33 from R2001-1. Confirm that under the Outgoing RBCS operation, while the productivity or pieces per hour under the ISS operation have increased by 7.2%, the wage rate has increased by even more, namely by 16%.

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-25.

a. Please confirm that in R2000-1, the entire difference in unit mail processing costs between bulk metered mail (BMM) and single piece metered mail was assumed to be the MODS 17 cost pool 1CANCMPP, which was set at 0.30 cents for single piece metered in the test year for that case, and set with no entry for BMM in USPS witness Smith's spread sheets from LR-I-81. (See TY Letters (4), page 2 of 4, rows 45 and 47, column V; and column BC, total unit costs.)

b. Please confirm that in this case, you have eliminated the 1CANCMPP cost pool.
c. Please confirm that in this case you have replaced the 1CANCMPP cost pool with a MODS 17 cost pool 1MTRPREP and/or 1CANCEL and/or 1DISPATCH.
d. Please confirm that the BMM unit cost for 1CANCMPP in R2001-1 was 0.668 cents, LR-J-60, (p. 8 rev. 11/05/01) whereas the new value in R2005-1 for the 1MTRPREP cost pool is 0.10 cents.
e. What has been the level of craft wages associated with this meter prep activity by year since 1999?
f. What factor(s) explain the fall in your BMM unit cost estimate for this activity, however labeled, from 0.668 cents to 0.100 cents? If more cost pools in MODS 17 than this one replace the 1CANCMPP cost pool, then please do the appropriate "apples to apples" comparison, and then answer the question.
g. Why have you chosen to label this MODS 17 activity 1MTRPREP worksharing related proportional, whereas you did not label 1CANCMPP worksharing related proportional?
h. Why are the new cost pools that may have been part of 1CANCMPP, 1 CANCEL and 1DISPATCH classified as non-worksharing related when the older category, 1CANCMPP was listed as worksharing related fixed?

Response:

These cost pools are inputs to my cost studies. I obtain the cost pools from witness Smith (USPS-T-13)

a. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

Response to ABA&NAPM/USPS-T21-25 (Continued)

b. Not Confirmed. 1CANCMPP cost pool has been separated into 1CANCEL and 1MTRPREP.

c. Please refer to my response to b.

d. Partially confirmed. 1MTRPREP cost pool is 0.10 cents and 1CANCEL cost pool is 0.270.

e. Please refer to Docket No. R2001-1, LR-J-55, and in the instant proceeding, please refer to LR-K-55 for wage rate data used in LR-K-48.

f. My understanding is that the volume variability is lower. Please refer to my response to d.

g. The two cost pools have been reclassified to worksharing related fixed. Please refer to the revised model filed on 5/24/05.

h. Please refer the revised model filed on 5/24/04 where the 1CANCEL and 1MTRPREP were revised to be classified as workshare related fixed. 1DISPATCH is a new cost pool that contains the costs related to preparation for dispatch and should not be affected by mailer worksharing activities related to letters and cards.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-27. Since it appears that you could be using a single piece metered benchmark for mail processing costs, please answer the following questions:

a. Why would single piece metered letters be any more likely to be the mailstream most likely to convert to worksharing than any other single piece letter?
b. According to the figures in LR-K-53, "calculated total" in column BN relative to those in the last fully litigated case in R2000-1, mail processing unit costs have come down by 0.879 cents for single piece letters but have increased for single piece metered letters by 0.136 cents. Why would metering a letter rather than putting a stamp on it and depositing it, for example, in a USPS blue collection box with a stamped letter, cause the two single piece letter mail processing costs to have exhibited such totally different cost dynamics between R2000-1 and R2005- 1?

Response.

a. The benchmark for the First-Class Mail Automation presort rate categories is not metered letters, but is Bulk Metered Mail (BMM) letters. However, our cost system does not isolate BMM letters mail processing unit costs. Consequently, the costs for all metered letters are used as a proxy. As the Commission discussed in PRC Op; R2000-1 paragraph 5089, BMM letters is the mail most likely to convert to worksharing.

b. Redirected to witness Smith (USPST-13)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-28. *Please define the new cost pool MODS 17* 1OPTRANS for BMM and explain why it is not worksharing related. Why was this not identified in R2001-1? Does it replace a portion of any previous cost pool(s), if so which one(s) and by how much?

Response:

The 17 1OPTRANS cost pool contains the costs related to transporting containers of mail between work areas. It also contains weighing mail going into or coming from distribution area. Therefore, it should not be affected by mailer worksharing activities related to letters and cards. For the definitions and cost pool changes, please refer to the response of TW/USPST11 #1, #5-12 and USPS-LR-K-55.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-29. Please define the new cost pool MODS 17 1PRESORT for BMM. Why was this not identified in R2001-1? Does it replace a portion of any previous cost pool(s), if so which one(s) and by how much.

Response:

1BULK PR was renamed to 1PRESORT. For definitions and cost pool

changes, please refer to the response of TW/USPST11-1 and USPS-LR-K-55.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-31. Please confirm that total unit worksharing related mail processing costs for BMM, as you estimate them, have fallen from 9.763 cents in R2001-1 to 9.372 cents in R2005-1, or by 0.391 cents. What are the associated craft wage rates for all these activities making up the total mail processing costs for each period?

Response:

Not confirmed. Please see the revisions filed on 05/24/05. That change is now

0.122 cents. For wage rates data, please refer to USPS-LR-K-55.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-47. In LR-K-53, "Test Year Mail Processing Unit Costs by Cost Pool for Letters", page 3 of 4, please respond to the following concerning First Class automated presort letters:

a. In defining the costs related to computerized forwarding systems (CFS), namely cost pool MODS 49 LD49, in response to an ABA/NAPM interrogatory in R2000-1, the Postal Service stated "First Class presort mailers are required to meet strict addressing standards. However, these costs are not included in the cost models." Please confirm that whether or not the Postal Service includes such costs in their cost models, the presort mailers costs avoid these costs for the Postal Service.

b. Consider a hypothetical mail processing - related, transportation - related, cost incurred by presort mailers that, were it not incurred by them, would be incurred by the Postal Service. Assume further that the Postal Service does not measure this cost or define it in a cost pool because in fact it does not have to engage in the activity since presort mailers are. Please confirm that such an activity would be an avoided cost for the Postal Service.

c. Please confirm that if the presort industry supplied the Postal Service or the Commission with essentially MODS productivities for such activities, an adjustment for USPS wage rates could be applied to the productivity data and unit costs avoided estimated.

Response:

a. The "LD49" cost pool includes those tasks performed at computerized forwarding System (CFS) units. In Dockets No. R2000-1 and R2001-1, the Commission classified this cost pool as "work sharing related fixed." I have used that classification in this docket. My cost studies do not, however, contain cost savings analyses based on compliance with addressing standards.

b. Confirmed that, in the hypothetical scenario, the costs for the activities the Postal Service would have had to perform are avoided.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ADBDIRAHMAN TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

Response to ABA&NAPM/USPS-T21-47continued

c. Not confirmed. Mailer productivities are the result of their operational processes, including but not limited to the use of equipment, layouts, or processing methods, or the allocation of labor. If the Postal Service did the same work, it might not use the same equipment, layouts, or processing methods, allocation of labor or other operational processes. As a result, mailer productivities would not be applicable and a unit cost avoided estimate could not be estimated.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-59

In your answer to ABA&NAPM/USPS-T21-22, you state "Also, my understanding is that mail processing and delivery costs are not provided at the 3-digit operational level."

a. What do you mean by "3-digit operational level"? What was referenced in the question was the operation codes for MODS cost pools which are identified with 3 numbers in front of the operation name. With this clarification, please answer the question.

b. Please confirm that in your answer to a., where you state you are using "the cost pools for metered mail", that in fact you are using a "First Class single piece metered letters" unit cost measurement, which label appears explicitly in row 47 of USPS Witness Smith's TY2006 spread sheets in LR-K-53, page VI-, 4 of 4.

c. With respect to your answer to b.-d., the questions are perfectly clear, and the references to two library references do not answer the questions. Please state whose responsibility it is, or was as the USPS witness in this case, to reclassify cost pools, for example, from worksharing related proportional to worksharing related fixed, or worksharing related fixed to nonworksharing related. If that was your responsibility, as it was USPS witness Miller's in R2000-1 and R2001-1, please answer the questions. If it was not your responsibility, please redirect this question and have that witness answer the questions.

Response:

a. Redirected to witness Smith

b. Confirmed.

c. As I noted in the response to Interrogatory 22 (b-d), the classification of cost pools can be found USPS-LR-K-48, which I further note is a library reference that I sponsor. With the clarification now provided that the term "repartitioning" means changes in the classification of cost pools, please see my response to MMA/USPS-T-21-1 (A). For changes in the cost pools themselves, please see witness Smith's answer to part a.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-61

In your answer to ABA&NAPM/USPS-T21-26 a., you state "BMM is the benchmark in this case".

a. Please confirm that unlike R2000-1, no USPS witness has made any effort to create a unit mail processing cost estimate for "F-C Single Piece Bulk Entered Metered Letters", which was row 45 in USPS witness Smith's spread sheet from LR-J-81, TY Letters (4), page VI- 4 of 4, in R2000-1.

b. Please confirm that empirically you are in fact using mail processing unit costs for single piece metered letters as the benchmark in this case. If you can not confirm this, explain what you are using as the relevant benchmark.

Response:

a. It can be confirmed that the postal cost system does not isolate BMM letters mail processing unit costs. Consequently, the cost for all metered letters are used as a proxy.

b. Not confirmed. FCM single-piece metered letters are not the cost benchmark. BMM letters is the cost benchmark. No BMM letters cost estimate is available so the FCM single-piece metered letters estimate is used as a proxy.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T21-62

In your answer to ABA&NAPM/USPS-T21-27, you cite a Commission statement from R2000-1 that "BMM letters is the mail most likely to convert to worksharing."

a. Are you aware that the RCR read rates for processing single piece letters have increased substantially since R2000-1 due to better camera technology, and that compared to R2000-1, the "calculated total" TY unit mail processing costs for single piece letters has dropped in USPS witness Smith's spread sheets from 12.3 cents in R2000-1 (see LR-I-81) to 11.421 cents in this case (see LR-K-53).

b. Are you aware that presort bureaus and worksharing mailers also use the improved camera technology that has enabled more successful RCR read rates, and less manual keying in of OCR machine-unreadable addresses?

c. Please confirm that the difference in unit mail processing costs has shrunk dramatically between BMM/single piece metered and other single piece letters in USPS witness Smith's above referenced TY spreadsheets between R2000-1 and R2005-1, namely from 114.2% of the single piece unit cost (using the s. p. metered letter as reference) in R2000-1 to only 104.7%.

d. With the cost of processing all single piece letter mail in First Class rapidly converging to the costs of processing metered mail, what practical relevance does any metered mail benchmark (whether bulk or non-bulk) have any longer as a benchmark?

e. Assuming presort bureaus had equitable access relative to the Postal Service for all collection box mail, including blue boxes, residential mail boxes and other pick-up sources for First Class single piece letter mail, and assuming the costs of sorting BMM and other single piece mail were basically equivalent, please confirm that BMM would be no more likely to "convert to worksharing" than any other First Class single piece letter mail. If you do not confirm please fully explain your answer, including but not limited to a full economic explanation of why the apparent changes in, and convergence of, the relative costs of processing metered versus other single piece letter mail would not act as a strong economic signal for presort bureaus to process USPS collection box mail as willingly as BMM.

Response:

a. Yes, although RCR improvements may only be part of reason why costs declined. See witness Smith's responses to ABA/NAPM/USPS-T21-34 and 40.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

Response to ABA&NAPM T21-62 continued:

b. I am aware that presort bureaus and worksharing mailers use mail processing technology to prebarcode and presort mail. I am not particularly aware of their use of camera technology or mailer RCR rates.

c. I confirm that the change is from 114% to 104%.

~~d. Redirected to witness Taufique (USPS-T-28).~~

~~e. Redirected to witness Taufique (USPS-T-28).~~

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.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-1 In your response to POIR 1, you discuss the difficulties with properly identifying costs associated with First Class nonautomation presort mail. Is there a similar problem inherent in identifying the costs for nonautomation presort Standard A mail?

Response:

Yes.

APWU/USPS-T-21-2. If the same type of cost identification problems do exist, would that explain the large increase in unit mail processing costs for Basic presort and 3/5-digit presort when compared with the similar costs calculated in R2001-1? Was this identification problem also present in the cost allocations for Standard A letters in R2001-1?

Response:

Yes, this cost identification problem was also present in the cost allocations for Standard A letters in R2001-1. The cost identification issues I note in my response to POIR No. 1 may be one of the reasons for increases in the unit mail processing costs for Basic presort and 3/5-digit presort in Standard Mail. There may be other reasons as well, such as changes in the other cost model inputs.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-3 To clarify your response to POIR 1, the difficulties with identifying the costs associated with First Class nonautomation presort mail is an issue of correctly separating the costs for nonautomated presort mail from those of automated presort mail?

Response:

Correct.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-4 Please confirm that the CRA data for Bulk Metered Mail Letters used in the calculation of workshare savings for First Class mail, is actually for all First Class nonworkshare letter-shaped mail with meter indicia.

Response:

Confirmed.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-5 Is it correct to state that, for purposes of determining mail processing operations and mail processing cost characteristics, it is appropriate to distinguish between BMM letters and all other metered mail letters that do not have BMM characteristics?

Response:

I am not aware of any studies that have attempted to de-average the CRA mail processing unit cost estimate for all single-piece metered letters into separate mail processing unit cost estimates for BMM letters and the residual metered letters.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-6 For metered mail letters other than Bulk Metered Mail (BMM) letters, please list and describe the mail processing operations through which it would pass that are not included in the operations through which BMM letters are assumed to pass in the Postal Service model, and state the per piece costs of each of these additional operations through which metered mail letters other than BMM letters pass.

Response:

BMM letters are machinable mail pieces that are entered in full trays and weighed into the entry facility as "meter bypass," meaning that they bypass the 020 meter belt operation. They are then routed to the MLOCR-ISS operation. Other metered letters are typically entered as bundles. Those mail pieces arrive at the entry facility mixed with other collection mail pieces. They incur costs related to dock operations and would also incur the costs required to cull them from the residual collection mail. The mail could be culled manually by mail handlers or by postal equipment such as the Dual Pass Rough Cull system. Once culled, the bundles are routed to the 020 operation where they are unbundled, faced, and trayed. If the mail is machinable, it would be routed to the MLOCR-ISS operation. If the mail is determined to be non-machinable, it would be routed to manual operations. To the best of my knowledge, a study has not been conducted to estimate the costs of processing metered mail through these various operations. Reliable productivity data are not readily available from postal data collection systems.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-7 Please confirm that, in concept, the BMM letter benchmark is a subset of all the metered mail letters.

Response:

Confirmed.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-T-21-8 Please describe the characteristics of the mail that underlie the processing steps modeled in the BMM letters model.

Response:

BMM letters are generally considered to be machinable, homogeneous, non-barcoded mail pieces with machine printed addresses that are properly faced and entered in trays.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF GREETING CARD ASSOCIATION

GCA/USPS-T21- 1.

Please refer to R20051-1, Revised LR-K-48, Page 48 and R2001-1, LR-J-60, Page 51. For the R2005-1, MLOCR-ISS Accept Rate (Handwritten) you have a value of 4.8%. Please cross-reference this number to R2001-1.

RESPONSE:

There is no comparable number in Docket No. R2001-1. I note that I do not use the MLOCR accept rate for handwritten mail in my cost analysis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO THE INTERROGATORIES OF GREETING CARD ASSOCIATION

GCA/USPS-T21-2.

Please refer to R2005-1, Revised LR-K-48, Page 48, R2001-1, LR-J-60, Page 51, and USPS Witness McCrery (USPS-T29) regarding lettermail processing technology.

a) Please refer to R2001-1, LR-J-60 page 51. Please confirm that the following table is correct:

Description	FCM Sing Pc Meter	FCM Sing Pc Mach Prnt	FCM Sing Pc Hand	FCM Nonauto Upgr	FCM Nonauto Non-OCR	STD(A) Nonauto 3/5 Upgr	STD(A) Nonauto 3/5 NO	STD(A) Nonauto Basic Upgr	STD(A) Nonauto Basic NO
MPBCS OSS Accept	91.27%	90.52%	94.14%	93.28%	89.80%	92.03%	88.09%	91.33%	87.30%
MPBCS OSS Upgrade	91.46%	92.70%	92.99%	85.74%	87.57%	89.65%	91.19%	85.64%	87.65%
MPBCS OSS Errors									
OSS Refeeds	1.38%	1.19%	0.96%	1.76%	0.90%	1.72%	1.33%	2.67%	2.54%
LMLM - ID Tag	5.99%	6.49%	3.95%	3.63%	7.06%	5.07%	8.06%	4.79%	7.28%
Manual	1.36%	1.80%	0.95%	1.33%	2.24%	1.18%	2.52%	1.21%	2.88%

b) Please refer to Revised LR-K-48, Page 48. Please confirm that the following is correct.

OSS

Finalized	87.36%
ISS Refeeds	3.51%
OSS Refeeds	3.32%
LMLM	2.10%
Manual	3.71%

c) Please explain why in R2001-1 there were different "OSS Refeeds" values for each of a variety of categories (class subclass, or smaller subunit) whereas in R2005-1 there is only one value for all.

d) Please confirm that the average of all values for "OSS Refeeds" was 1.61% in R2001-1. If confirmed, please explain why in R2005-1 the average for "OSS Refeeds" is 3.32%, twice as large. If not confirmed, please provide the correct numbers.

e) Please confirm that the "OSS Refeeds" values in R2001-1 were obtained from R97-1 whereas for R2005-1 they are obtained from LR-K-68. If confirmed please explain what changes (technological or non-technological) might have caused the OSS refeed rate to shoot up since1997, despite the fact USPS has been installing the top of the line machines since 1997.

f) Please refer to the above table in a). Please confirm that in R2001-1 the average "OSS Manual" was 5.81% whereas in R2005-1 it is only 2.1%, less than one-half. Please explain what factors may have caused such a reduction and why you are using only one number for all classes and subclasses. If not confirmed, please provide the correct numbers.

g) Please refer to the above tables. Please confirm that in R2001-1 the average OSS Manual was about 1.72% whereas in R2005-1 has risen to 3.7%, more than two times. If confirmed, please explain what factors may have caused such a rise given the fact that since R97-1 there have been many technological improvements. If not confirmed, please provide the correct numbers.

h) Please refer to the tables above. Please confirm that in R2001-1 the average OSS finalized rate (Accept & Upgrade) was about 90.13% whereas in R2005-1, the corresponding number is 87.36%. If confirmed, please explain what factors might have caused this drop. If not confirmed, please provide the correct numbers.

i) Assuming that the R2001-1 finalized rate of 90.13% had been used in R2005-1 rather than 87.36%, please confirm that the numbers in the following table are correct.

FIRST-CLASS MAIL LETTERS NONMACHINABLE SURCHARGE COST SUMMARY		
	OSS Finalized Rate	
	90.13%	Original 87.36%
MAIL TYPE	**UNIT COST**	**UNIT COST**
Nonautomation Nonmachinable All Presort Levels	33.865	33.873
Nonautomation Machinable All Presort Levels	14.891	14.885
Cost Difference	**18.974**	**18.988**
Nonautomation Nonmachinable Mixed ADC	44.390	44.402
Nonautomation Machinable Mixed AADC	15.303	15.295
Cost Difference	**29.087**	**29.107**
Nonautomation Nonmachinable ADC	39.714	39.724
Nonautomation Machinable AADC	15.303	15.295
Cost Difference	**24.411**	**24.428**
Nonautomation Nonmachinable 3-Digit	36.122	36.130
Nonautomation Machinable 3-Digit	14.626	14.621
Cost Difference	**21.496**	**21.509**
Nonautomation Nonmachinable 5-Digit	26.794	26.798
Nonautomation Machinable 5-Digit	14.626	14.621
Cost Difference	**12.168**	**12.177**
Nonmachinable SP	36.691	36.691
Nonmachinable Presort	10.983	10.995
Cost Difference	**25.708**	**25.696**

RESPONSE TO GCA/USPS-T21 2:

a) Confirmed.

b) Confirmed.

c) The source of the R2001-1 data was the R97-1 study. The source of the R2005-1 data is the 1999 cards/letters density study presented in R2000-1, which is contained in USPS-LR-K-68. The 1999 study did not contain disaggregated data by subclass.

d) Not confirmed. There are several reasons why the requested comparison may not be valid. An average OSS refeed value was not provided in R2001-1, LR-J-60. The comparison of the R2001-1 average proposed in the interrogatory and the R2005-1 average does not account for volume differences by category. Moreover, the studies that provided the data for R2001-1 and R2005-1 were not conducted using the same methods, causing the introduction of some variation in the numbers. Any comparison of the results will likely reflect the effects of more variables than your question implies.

e) Confirmed. The studies were not conducted using the same methods. Any comparison of the results may reflect the effects of more variables than your question implies. Please refer to my response to part d above.

f) Confirmed. For the justification for the use of one number for all subclasses, see the response to part 2c. For the explanation of the factors that contribute to the difference, see the response to parts 2d and 2e.

g) Please see the response to parts 2d and 2e.

h) Confirmed. Please see the response to part 2c.

i) Confirmed.

MMA/USPS-T21-1

Please refer to page 2 of your direct testimony where you state "[t]he cost methodology that was used in Docket No. R2001-1 has again been used in this docket to develop letter and card total mail processing unit cost estimates and worksharing related savings estimates by rate category." Please refer also to USPS witness Miller's testimonies in R2000-1 and R2001-1 and R2000-1, and Library References USPS-LR-I-162 and USPS-LR-J-60.

A. Please confirm that you have made no methodological changes from the workshare cost savings methodology used by USPS witness Miller in R2001-1 and provided in R2001-1 Library Reference USPS-LR-J-60. If you cannot confirm, please identify separately each change in methodology that you made and the reason for such change.
B. Please confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162. If you cannot confirm, please explain why not.
C. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162, please confirm that the Commission did not approve any of the changes in methodology that USPS witness Miller made in his R2001-1 presentation. If you cannot confirm, please explain.
D. If you confirm that, in R2001-1 Library Reference USPS-LR-J-60, USPS witness Miller made certain changes in the workshare cost savings methodology that he had presented in R2000-1 Library Reference USPS-LR-I-162, please list each of Mr. Miller's R2001-1 methodological changes that you have adopted and used for your presentation of First-Class workshare cost savings in R2005-1.
E. Please indicate where in your testimony or Library References you provide any additional reasons why the Commission should adopt the changes in methodology that you list in your response to Interrogatory MMA/USPS-T21-1 D.

RESPONSE:

A. Not confirmed. In Docket No. R2001-1, witness Miller took exception to the Commission's Docket No. R2000-1 cost pool classification for the "1suppf1" and "1suppf4" cost pools. In Docket No. R2000-1, the Commission classified these cost pools as "worksharing related fixed." In Docket No. R2001-1, witness Miller classified these cost pools as "non worksharing related fixed." In the instant proceeding, I have

Response continued

relied upon the Commission's Docket No. R2000-1 cost pool classifications, to the extent that it has been possible to do so. The "1SUPP_F1" cost pool has been classified as "worksharing related fixed" in USPS-LR-K-48. There is, however, no longer a "1SUPP_F4" cost pool.

B. Confirmed.

C. It can be confirmed that, in Docket No. R2001-1, the Commission relied on the cost models for final adjustments only and that those models contain the Docket No. R2000-1 cost pool classifications. It cannot be confirmed that the Commission rejected the changes in cost pool methodology that witness Miller presented in R2001-1, as the question suggests. The Commission did not discuss the changes in its decision.

D. In Docket No. R2001-1, witness Miller made the following changes: the two cost pool classifications were revised as described in USPS-T-22, p. 8 at 10-11 and the Bulk Metered Mail (BMM) letters delivery unit cost estimate was revised as described in USPS-T-22, p. 20 at 18-23. Of those changes, I have adopted the revised BMM letters delivery unit cost estimate.

E. As stated above, I relied on the Docket No. R2000-1 Commission-approved cost pool classifications. I also relied on witness Miller's revised BMM letters delivery unit cost estimate, which was discussed in his Docket No. R2001-1 testimony, interrogatory responses, and hearing. These issues were therefore not revisited in my testimony.

MMA/USPS-T21-2

Please refer to pages 3-4 of your direct testimony where you discuss the different types of CRA mail processing costs and their relationship to worksharing.

A. For each cost pool that is "worksharing related fixed", please explain how such costs would be expected to vary with volume but not the degree of presort.
B. For each cost pool that is "non-worksharing related fixed", please explain what factors other than worksharing would affect these costs.
C. For each cost pool that is "non-worksharing related fixed", please explain why worksharing does not affect these costs.

RESPONSE:

A-C In my testimony and library references, I have relied on the Commission-approved cost pool classifications from Docket No. R2000-1, to the extent it was possible to do so (e.g., some cost pools have since been revised). I did not reanalyze these cost pool classifications during the course of preparing my testimony and library references.

MMA/USPS-T21-4

On page 6 of your testimony, you indicate that the mail flow densities for First-Class mail processing that you use in R2005-1 were updated in a field study conducted for the purposes of USPS witness Miller's presentation in R2000-1.

A. Please provide copies of all documents referenced directly or indirectly in footnote 10 of your testimony.
B. When, prior to the referenced update resulting from the field study for R2000-1, were the mail flow densities for First-Class mail processing updated?
C. Please explain why you have assumed that the mail densities from the field study used in R2000-1would still be accurate in TY 2006, in view of intervening changes in mail processing, including but not limited to deployment by the USPS of new sorting equipment (with higher numbers of possible sortations) and changes in the way mail is workshared.

RESPONSE:

A. This information can be found in Docket No. R2000-1, USPS-LR-I-162.

B. To the best of my knowledge, the next previous density study was conducted in 1994.

C. In general, letter automation operations have remained relatively stable over the past few years. There are some exceptions. For example, the Remote Computer Read (RCR) finalization rate continues to improve. Density tables are affected by bin capacity on the Bar Code Sorters (BCS). During the 1999 to 2004 time period, it is my understanding that the bin capacity for those machines did not change dramatically change. The usage of the Docket No. R2000-1 density tables was therefore appropriate.

MMA/USPS-T21-6

As discussed on page 10 of your testimony, you derive both delivery point sequence percentages (DPS %'s) and model unit costs for each First-Class rate category.

A. Please explain why you adjusted the model-derived unit costs to reconcile to the actual CRA costs.

B. Does the Postal Service have actual DPS %'s for BY 2004 that would allow you to reconcile your model-derived DPS %'s for automation letters and metered mail (either single piece or BMM)? If yes, please provide the actual DPS %'s. If the Postal Service does not have the actual DPS %'s, please explain why such information is not collected.

C. Do you believe there is a relationship between the accuracy of the model-derived unit costs and the accuracy of the model-derived DPS %'s. Please explain your answer.

D. Please confirm that (all other things being equal), as the DPS % increases, the model-derived unit cost decreases and alternatively, as the DPS % decreases, the model-derived unit cost increases. If you cannot confirm, please explain.

E. Please confirm that if (all other things being equal), a derived unit cost is found to be too low then it is likely that the associated derived DPS % will be too high and, alternatively, if a derived unit cost is found to be too high, then it is likely that the associated derived DPS % will be too low. If you cannot confirm, please explain.

RESPONSE:

A. CRA adjustment factors are applied to the model costs to account for the following:

(1) the fact that average data are used, (2) the fact that all tasks are not modeled, and

(3) the fact that the cost models are, by definition, a simplified representation of reality.

Furthermore, a hybrid cost methodology was also relied upon by both the Postal

Service and the Commission in Docket Nos. R97-1, R2000-1, and R2001-1.

B. The Postal Service does not collect DPS percentages by rate category. It is therefore

not possible to reconcile the model-derived DPS percentages with actual DPS

percentages.

C. I would not use such a characterization. DPS data are not used as inputs to the

model. The DPS percentages are a function of other model inputs, such as acceptance

rates, density tables, etc. The extent to which other model inputs are accurate estimates

Response continued

would obviously affect the accuracy of the model cost estimates by rate category. This is one reason, as discussed in the response to MMA/USPS-T21-6A, why the weighted average of the model cost estimates are compared to the corresponding CRA-derived costs.

D. Confirmed. As stated in the response to MMA/USPS-T21-6C, however, the various inputs are what affect the model cost estimates. The DPS percentages are only the results of those inputs.

E. It is not possible to confirm or not confirm the interrogatory as written. As stated in the response to MMA/USPS-T21-6B, DPS data by rate category are not available. It is therefore not possible to determine, at the rate category level, whether a DPS percentage is too high or too low. As stated above, the model inputs are what affect the model cost estimates. The DPS percentages are only a reflection of those inputs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-7

As discussed on page 11 of your testimony, you have used bulk metered mail (BMM) as the benchmark from which to measure workshare cost savings. As a proxy for BMM, you have used the CRA costs for single piece metered mail.

A. Is the purpose of the benchmark to estimate the cost savings due to worksharing on mail that is already clean and machinable, i.e., similar to workshared mail prior to workshared attributes? If not, please explain.

B. Please explain how using BMM as the benchmark for non-automation presort letters isolates the impact of workshare cost savings, when a significant portion of these workshared letters are not clean or machinable.

C. Please confirm that your use of BMM as the benchmark for non-automation presort letters incorporates a cost savings that results from worksharing that is entirely offset by the additional manual cost required to process nonmachinable letters. If you cannot confirm, please explain how your methodology removes the impact of machinability from the workshare cost savings analysis.

D. Do you agree that the unit cost for First-Class single piece metered letters is a good proxy for BMM because First-Class processing costs are not affected by the manner in which metered mail is presented to the Postal Service? If you do not agree, please explain.

E. Please describe in detail how you confirmed to your satisfaction that, in fact, there are significant volumes of BMM and that such BMM mailers pay the full First-Class single piece rate and voluntarily bring such mail to a local post office in Postal Service trays.

F. Please explain why a First-Class mailer with 500 or more pieces would apply the single piece First-Class postage by meter, and then voluntarily tray his mail and voluntarily bring his mail to a local post office.

RESPONSE:

A. The Postal Service endorses the Commission view, expressed in PRC Op. R2000-1, paragraph [5089], that Bulk Metered Mail (BMM) letters is the appropriate cost benchmark for the First-Class Mail presort letters rate categories. BMM letters are generally considered to be "clean," machinable, homogeneous, non-barcoded mail pieces with machine printed addresses that are entered, properly faced, in trays.

B. Machinable nonautomation presort letters exhibit mail characteristics similar to those for BMM letters, which were described in the response to MMA/USPS-T21-7A. In my testimony, I have calculated a savings estimate for machinable nonautomation presort

Response continued

letters. Please see USPS-LR-K-48, page 1, cell L19. In Docket No. R2001-1, a similar calculation supported rate design for the 1.8-cent discount. In the instant proceeding, a cost difference is measured between BMM letters and the aggregate of the eight nonautomation presort letters subcategories. This figure can be found in USPS-LR-K-48, page 1, cell L10. A similar estimate was contained in Docket No. R2001-1, USPS-LR-J-60, but was not used to support rate design. Furthermore, nonmachinable nonautomation presort letters are subject to the nonmachinable surcharge, which is supported by an analysis found in USPS-LR-K-48, page 38.

C. Not confirmed. Please see the response to MMA/USPS-T21-7B.

D. No. The IOCS system cannot be used to isolate BMM letters mail processing unit cost estimates by shape. Consequently, the cost estimate for all metered letters are used as a proxy for BMM letters.

E. As a Delivery Unit distribution clerk preparing the mail that was to be dispatched to the plant each day, I collected trays of BMM letters from various customers. I have also seen BMM letters while conducting field observations in postal facilities. The term "significant" is obviously subjective. It should be noted, however, that this issue becomes moot in light of the Commissions view expressed in PRC Op. R2000-1, paragraph [5089]) "The Commission also views a benchmark as a 'two-way street.' It represents not only the mail most likely to convert to worksharing, but also, to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities."

F. I do not know. This is an interrogatory that would best be answered by BMM letters mailers.

MMA/USPS-T21-8

In Table 1 on page 16 of your testimony, you show that nonautomation letters produce a negative savings of 1.4 cents per piece, i.e., they actually cost more to process because of worksharing.

A. How much of these extra costs are due to the fact that almost half of nonautomation letters (which must be processed manually whether they are presorted or not) incur manual processing costs whereas very few of your benchmark BMM letters incur such costs? Please provide your computations.

B. What percent of BMM is prebarcoded? Please provide the source(s) for this information. If you do not know what percent of BMM is prebarcoded, do you agree that it is likely to be zero or very close to zero? If you do not agree, please explain.

C. What proportion of BMM is likely to be courtesy return mail, i.e., a prebarcoded envelope that is being sent back to the party who originally sent out the envelope to the mailer in the first place? Please explain your answer.

D. What percent of single piece metered mail is prebarcoded? Please provide the source(s) for this information. If you do not know what percent of single piece metered mail is prebarcoded, do you agree that it is likely to be significantly greater than zero. If you do not agree, please explain.

E. What proportion of single piece mail is likely to be courtesy return mail, i.e., a prebarcoded envelope that is being sent back to the party who originally sent out the envelope to the mailer in the first place? Please explain your answer.

F. Do you agree that, to the extent that single piece metered mail is prebarcoded more often than BMM, using single piece metered mail costs as a proxy for BMM is likely to understate the actual CRA*** BMM costs? If you do not agree, please explain.

RESPONSE:

A. It is assumed that this interrogatory refers to the portion of nonautomation presort letters that is nonmachinable. The savings 1.4-cent savings estimate, however, relates to machinable nonautomation presort letters. Therefore none of that savings is driven by the fact that the mail pieces are not machinable.

B. To the best of my knowledge, this information is not available. As BMM letters are generally defined, I would agree that the percentage of barcoded BMM letters would be zero, or close to zero.

Response continued

C. To the best of my knowledge, this information is not available. As BMM letters are generally defined, I would not think any portion of that mail consists of Courtesy Reply Mail (CRM).

D. To the best of my knowledge, this information is not available. I do not know what percentage of single-piece metered letters are barcoded.

E. To the best of my knowledge, this information is not available. I do not know what percentage of single-piece metered letters consists of CRM.

F. I can not agree or disagree with this statement. There are also costs incurred by single-piece letter mail, in general, that would not be incurred by BMM letters. For example, the costs for isolating, sorting, and traying metered letters bundles are imbedded within the single-piece metered letters mail processing unit cost estimate, but would not actually be incurred by BMM letters.

MMA/USPS-T21-9

On page 11 of your testimony, you indicate that you have adopted USPS witness Miller's assumption that the delivery cost of nonautomation machinable mixed AADC (NAMMA) presort letters is a good proxy for BMM delivery cost.

A. Please confirm that you have included delivery cost savings as part of your overall derivation of First-Class workshare cost savings. If not, please explain.
B. Is the purpose of including delivery cost savings in your derivation of total First-Class workshare cost savings to derive delivery cost savings that can be specifically tied to worksharing? If not, please explain.
C. Have you studied the actual impact worksharing has upon delivery costs? Please explain your answer.
D. Do you agree with USPS witness Schenk testimony in R2001-1 that the unit cost to process presorted DPSed letters by city carriers could not be assumed to be the same as the unit cost to process nonpresorted DPSed letters? *See* R2001-1, TR 5/666, 817. If not, please explain.
E. Do you agree with USPS witness Schenk's testimony in R2001-1 that, if two letters are able to be DPSed, while one is presorted and the other is not, that presortation favorably impacts the delivery cost? *See* R2001-1, TR 5/859. If not, please explain.
F. Do you agree that if two letters are unable to be DPSed, while one is presorted and the other is not, that presortation favorably impacts the delivery cost? If not, please explain.
G. Could you have derived unit delivery costs for single piece metered mail and used that as a proxy for the unit delivery costs of BMM? If not, why not? If you can derive the unit delivery costs for single piece metered mail, please provide that calculation with appropriate data source(s) and footnotes.
H. Please confirm that you compared the delivery unit costs for a workshared rate category (automation letters) to the delivery unit costs of another workshared rated category (NAMMA), which was a proxy for a non-workshared rate category (BMM), in order to measure delivery cost savings that result from worksharing. If you cannot confirm, please explain.
I. Please explain the logic of using a workshared rate category (NAMMA) as a proxy for a non-workshared rate category (BMM) in order to isolate and estimate the impact of worksharing.MMA/USPS-T21-10

RESPONSE:

A. Confirmed.

B. The delivery unit cost estimates have been included in the analysis to reflect cost differences associated with the percentage of mail processed in Delivery Point Sequence by rate category.

Response continued

C. No.

D. The average in-office delivery unit cost estimates for presort DPS letters and non-presort DPS letters may or may not be the same. I am not aware of any studies in which an attempt was made to answer the question posed in this interrogatory.

E. The extent to which mail pieces are processed in delivery point sequence is a primary cost driver for in-office carrier costs. DPS letters that are presorted and non-presorted would not have to be sorted to the delivery point by the carrier. Non-DPS letters that are presorted and non-presorted would have to be sorted to the delivery point by the carrier. I am not aware of any studies in which an attempt was made to answer the question posed in this interrogatory.

F. Please see the response to MMA/USPS-T21-9E.

G. I did not calculate delivery unit cost estimates as part of my testimony, but did provide DPS percentages by rate category to the witness that made those calculations. Cost models have not historically been developed for components of the single-piece mail stream. DPS percentages for those components were therefore not available as a tool to further de-average delivery unit cost estimates.

H. The costs listed under automation presort letters line items in USPS-LR-K-48 were not compared to the costs listed under any nonautomation presort line items. It can be confirmed, however, that the nonautomation machinable mixed AADC presort letters delivery unit cost estimate was used as a proxy for BMM letters, due to the fact that they exhibit similar mail piece characteristics.

I. See the response to MMA/USPS-T21-9H.

MMA/USPS-T21-10

Please refer to the testimony of USPS witness Hatfield in R97-1 and the testimony of USPS witness Miller in R2000-1.

A. Please confirm that USPS witness Hatfield in R97-1 and USPS witness Miller in R2000-1 both assumed that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery costs. If you cannot confirm, please explain.

B. Please confirm that the Commission accepted the Postal Service's assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery costs in R97-1 and again in R2000-1. If you cannot confirm, please explain.

C. Please confirm that in R2001-1 the Commission did not reach a different conclusion as to assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery cost. If you cannot confirm, please explain.

D. Please confirm that the only support USPS witness Miller offered in R2001-1 for departing from the Service's and the Commission's assumptions that nonautomation presort delivery costs could be used as a reasonable proxy for BMM delivery cost was in his response to Interrogatory MMA/USPS-T22-49G, as follows:

> Q. Please confirm that the only explanation that you provide in your Direct Testimony and Library References for changing the assumption from the last case concerning BMM delivery costs is found on page 20 of your Direct Testimony. There you state:
>
> In this docket, I have refined that assumption and have assumed that delivery unit costs for BMM letters are the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters.
>
> If you cannot confirm, please provide all other record citations where you explain the rationale for your "refined" assumption.
>
> A. Confirmed.

If you do not confirm, please provide citations to any other support USPS witness Miller provided for departing from the Commission's approved methodology on this issue.

E. Please confirm that the impact of USPS witness Miller's new assumption in R2001-1 that the unit delivery costs of for BMM were the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters reduced derived workshare savings by an average of 1.86 cents per pieces in that case. If you cannot confirm, please provide your estimate of by how much derived workshare savings was reduced as a result of USPS witness Miller's "refined" assumption that delivery unit costs for BMM letters are

the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters.

F. Please confirm that your adoption in R2005-1 of USPS witness Miller's "refined" assumption in R2001-1, namely that the unit delivery costs of BMM are the same as the unit delivery costs for First-Class machinable mixed AADC nonautomation presort letters, reduced derived workshare savings by 3.01 cents for each rate category within First-Class workshare letters. If you cannot confirm, please provide your own computations that derive the specific quantitative impact of this particular assumption that you have adopted from R2001-1.

RESPONSE:

A. Confirmed.

B. Confirmed.

C. It can be confirmed that this issue was not addressed in PRC Op. R2001-1.

D. Not confirmed. The correct response to the referenced interrogatory was, "Confirmed. In addition, please see the response to MMA/USPS-T22-19(B)." The interrogatory itself only directed a response based on the content of the testimony and a library reference. Interrogatory MMA/USPS-T21-10(D) above asks about the supporting rationale in Docket No. R2001-1 as a whole. In Docket No. R2001-1, the responses to other parts of MMA/USPS-T22-49 (Tr. 14/5584-5586), as well as the responses to MMA/USPS-T22-19 (Tr. 7/1378-1379) provided rationale concerning the proxy that was used for the BMM letters delivery unit cost estimate.

E. Please see the response to MMA/USPS-T22-49(C) and (D) in Docket No. R2001-1 (Tr. 14/5586).

F. It can be confirmed that had the aggregate nonautomation presort letters delivery unit cost estimate been used as the proxy for BMM letters, the worksharing related savings estimates for the First-Class Mail presort letters rate categories would have increased by 3.01 cents.

MMA/USPS-T21-11

In your autobiographical sketch, you indicate that you started working for the Postal Service as a letter carrier and later became a distribution and retail window clerk.

A. Please explain specifically how your personal experience in the jobs you have held since joining the Postal Service relates to First-Class worksharing.

B. Have you ever toured the mail preparation facilities of High Volume (HV) First-Class workshare mailers? If yes, please provide the locations and dates of any such tours, and any notes or reports you made regarding the workshare activities performed by such HV mailers. For purposes of this set of interrogatories, please assume that a "High Volume" First-Class workshare mailer is a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month.

Response:

A. As a letter carrier, my responsibilities included sorting, casing and delivering all types of mail including workshared mail. As a distribution clerk, my responsibilities included receiving the dispatch at the delivery unit, distributing mail to clerks and carriers and preparing afternoon and evening dispatches to the Processing and Distribution Center (P&DC). As a Retail Clerk, I provided assistance to Business Mail Entry Unit (BMEU) clerks, explaining the DMM rules and guidelines on worksharing mail. In addition, I have conducted field observations and visits to Processing and Distribution Centers.

B. In this docket, the purpose of my testimony was to develop estimates of worksharing related savings that accrue to the Postal Service. It was not necessary to be familiar with mailer operations. During recent field observations at a postal facility, I had the opportunity to tour one mailer facility in Boulder on 10/20/04. Management at the mailer's facility conducted a general tour. I did not receive any handouts and took no notes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-12

Please confirm that HV workshare mailers perform all or most of the following mail preparation operations:

A. Traying letters

1. Unloading empty trays provided by USPS, storing them, and distributing them to appropriate workstations;
2. Removing old tray labels and printing and inserting new labels;
3. Sleeving the trays;
4. Banding the trays;
5. Preparing and applying Destination and Routing (D&R) labels;
6. Preparing and applying Air Contract Transportation (ACT) tags;
7. Postage verification, including the use of Postal One;
8. Electronic transmission of weight and volume data to Postal data centers, including the use of Postal One;
9. Electronic transmissions of all postal paperwork, including the use of Postal One; and
10. Presorting the trays of mail prior to placing them onto pallets, including the use of the Automated Mail Processing System (AMPS).

B. Palletizing the trays

1. Unloading, storing, and distributing to appropriate workstations empty pallets provided by the USPS;
2. Stacking trays onto pallets;
3. Shrinkwrapping full pallets to secure trays during transport by USPS;
4. Labeling pallets; and
5. Separating and presorting pallets prior to the point at which they are loaded onto trucks.

C. Loading mail onto trucks

6. Moving full labeled pallets to the workshare mailer's loading dock;
7. Loading pallets onto USPS trucks;
8. Meeting USPS scheduling requirements; and
9. Presorting trucks with presorted pallets.

If you cannot confirm, please explain and indicate what operations such mailers do not perform or what additional operations HV mailers do perform.

Response to MMA/USPS-T21-12 continued:

(A, B, C) I am not an expert on how HV workshare mailers perform their internal mail preparation operations, nor is it necessary for me to understand the mailer's activities. My responsibility is to consider the costs to the Postal Service of different types of mail prepared in accordance with postal regulations.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-13

Please confirm that if HV mailers did not perform the functions described in Interrogatory MMA/USPS-T21-12, Postal Service employees would have to perform them. If you do not confirm, please identify the specific functions Postal Service employees would not have to perform and explain why such employees would not have to perform each function.

Response:

Postal Service employees perform a variety of tasks for mail processing operations.

Please refer to Docket No. R2005-1, USPS-T-29 for the operations involved in letter and card processing, and Docket No. R2005-1, USPS-T-13 for descriptions of tasks included in cost pools.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-14

Please confirm your understanding that Low Volume (LV) workshare mailers perform most or all of the following operations. For purposes of this set of interrogatories, please assume that a "Low Volume" First-Class workshare mailer is a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 500 pieces, but not more than 2,500 pieces in a given mailing.

A. Traying the letters; and

B. Dropping their letters off at a window, BMEU or Postal Service loading dock.

If you cannot confirm, please explain and indicate what operations such mailers do not perform or what additional operations LV mailers do perform.

Response:

(A B) I am not an expert on Low Volume workshare mailers' operations. Please see my response to MMA/USPS-T21-12.

MMA/USPS-T21-15

Please confirm that, except for the functions listed in Interrogatory MMA/USPS-T21-14, postal employees have to perform all functions listed in Interrogatory MMA/USPS-T21-12 for the mailings made by LV mailers. If you do not confirm, please identify the specific functions Postal Service employees would not have to perform and explain why such employees would not have to perform each function.

Response:

Please see my response to MMA/USPST21-13.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-18

Please describe your understanding of AMPS and explain how this form of worksharing saves the Postal Service money.

Response:

The Automated Mail Processing System is not something I am familiar with as it is not part of the mail processing cost models.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-19

Please describe your understanding of plant loading and explain how this form of worksharing saves the Postal Service money.

Response:

My understanding is that plant loading occurs when the Postal Service sends trucks to a mailer's plant and the mail is loaded on the truck which then bypasses the local mail processing plant and travels directly to an airport facility or a distant postal facility. The savings likely would show up in transportation costs which are beyond the scope of my mail processing cost models.

MMA/USPS-T21-20

Please describe your understanding of special pallet separations that the Postal Service now requires or strongly recommends that some mailers make in order to meet certain transportation requirements and explain how this form of worksharing saves the Postal Service money in terms of both reduced processing and transportation costs.

Response:

I am not familiar with the specifics your question is addressing. My models focus on piece handlings. It is my understanding that First Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letters and card mail processing network, despite the fact that First Class mailers do, on occasion, enter palletized mailings.

MMA/USPS-T21-22

Please state which of the worksharing functions identified in Interrogatories MMA/USPS-T21-12 and 16-18 and any that you identify in response to Interrogatory MMA/USPS-T21-21 are not reflected in your models for deriving workshare cost savings.

Response:

Due to the complexities and variations that exist among field operations, the cost models are simplified representations of the mail processing network. The tasks that have been included in the cost models represent piece and package distribution activities for MODS operation numbers mapped to the cost pools that have been classified as "worksharing related proportional".

These tasks in MMA/USPS-T21-12 (A) items 7, 8, 9, 10 have not been modeled. With regard to MMA/USPS-T21-12 (B), please refer to my response to MMA/USPS-T21-20.

MMA/USPS-T21-23

Do you agree that worksharing reduces postal transportation costs? If you do not agree, please explain.

Response:

Under certain circumstances, I agree. For relatively local mail, it is not clear that worksharing reduces transportation costs. However, transportation cost savings are captured as part of dropship cost saving analyses where appropriate. Under certain circumstances, the amount of mail in a mailer-prepared container that takes up a given amount of floor space in a truck may be less than the amount of mail in a postal-prepared container that requires the same amount of floor space in a truck.

MMA/USPS-T21-24

Do you agree that, to the extent worksharing reduces postal transportation costs, you have not accounted for such savings in your derivation of workshare cost savings? If you do not agree, please explain.

Response:

I agree that transportation costs are not in my models. Please refer to my responses to MMA/USPS-T21-22.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-27

In R2001-1, USPS witness Kingsley stated that the following attributes could cause an otherwise machinable letter to become nonmachinable:

10. aspect ratio of less than 1.3 or more than 2.5;
11. closure device;
12. non-square corners;
13. rigid or odd-shaped contents;
14. stiffness;
15. flimsiness;
16. misplacement of address;
17. self mailer whose folded edge not parallel to longest dimension;
18. booklet whose spine is not the longest edge; and
19. unreadable or improper address.

Source: Docket No. R2001-1, USPS-T-39, pages 9-10.

A. Do you agree or disagree with the above statements of USPS witness Kingsley? If you disagree with USPS witness Kingsley, please explain.

B. Is it your understanding that USPS regulations require First-Class automation letters to be machinable by definition, that USPS acceptance personnel can and do strictly enforce postal qualification regulations, and that such acceptance personnel can and do deny workshare discounts to automation letters that do not meet all applicable machinability standards? If this is not your understanding, please identify the basis for your disagreement and explain it in detail.

C. Is it your understanding that there are no regulations whatsoever that prevents mailers of First-Class single piece letters, including BMM, from mailing letters that have any or all of the nonmachinable attributes identified by USPS witness Kingsley and listed above? If this is not your understanding, please explain.

D. In your BMM cost model, did you assume that BMM would exhibit none of the nonmachinable attributes shown above, and that fully 100% of the pieces would be sent to the Outgoing RBCS for immediate processing? If no, please explain. If yes, please explain why, according to your BMM cost model, the Postal Service's culling operators never remove any BMM pieces before they reach the Outgoing RBCS.

Response to MMA/USPS-T21-27 continued:

A. I agree.

B. It is my understanding that USPS Acceptance personnel and workshare mailers follow the Domestic Mail Manual regulations to the extent possible.

C. Please refer to my response to MMA/USPST21-27(B)

D. BMM are generally defined. Please refer to my response to MMA/USPST21-7(A). BMM letters would not incur the cost of isolating, sorting, and traying. BMM letters would therefore be directly sent to RBCS. The costs used in my models for BMM are actually the costs for all metered letters, some of which are nonmachinable.

MMA/USPS-T21-28

This is the third consecutive rate case in which the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service mail flow models have understated the unit workshare-related costs for single piece metered mail (and BMM by assumption) compared to the CRA-derived costs.

A. Please confirm the unit costs (cents) and CRA Proportion Factors as shown in the following table.

	Bulk Metered Mail		
Docket No.	CRA Cost	Model Cost	Prop Factor
R2000-1 (1998)	6.979	5.269	1.325
R2000-1 (1999)	6.856	5.407	1.268
R2001-1	6.447	4.276	1.508
R2005-1	6.576	4.461	1.474

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

B. Please confirm that the model-derived unit costs for BMM understated the actual CRA unit costs by 50.8% in Docket No. R2001-1 and by 47.4% in R2005-1. If you cannot confirm, please explain.

C. What measures, if any, has the Postal Service taken to determine why its models consistently and significantly understate the actual costs to process single piece and, by assumption, BMM? If the Postal Service has not taken measures to improve the accuracy of the models, please explain why not?

Response:

The model cost is only for BMM letters but the CRA cost includes BMM letters and metered bundles. Therefore, one would not expect to see a CRA proportional adjustment factor of 1.0.

Response to MMA/USPS-T21-28 continued:

A. Not confirmed. The R2005-1, worksharing CRA proportional cost pool unit costs is 6.476 cents and the proportional factor is 1.4539. I anticipate filing errata to reflect these corrections next week.

B. Not confirmed. The proportional adjustment factor in R2005-1 is 1.4539.

C.The IOCS system cannot be used to isolate BMM letters mail processing unit costs. That is why we used CRA derived costs for all metered mail as a proxy for BMM. As a result the modeled costs will never perfectly equal the CRA costs.

MMA/USPS-T21-29

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service mail flow models have overstated the unit workshare-related costs for First-Class automated letters compared to the CRA-derived costs.

A. Please confirm the unit costs (cents) and CRA Proportion Factors as shown in the following table.

	Bulk Metered Mail		
Docket No.	CRA Cost	Model Cost	Prop Factor
R2000-1 (1998)	2.553	2.866	0.891
R2000-1 (1999)	2.630	2.923	0.900
R2001-1	2.138	2.683	0.797
R2005-1	1.892	2.661	0.711

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

B. Please confirm that the model-derived unit costs for Automation letters understated the actual CRA unit costs by 20.3% in Docket No. R2001-1 and by 28.9% in R2005-1. If you do not confirm, please make any corrections you think appropriate, explain each correction and specify the information you believe supports your correction.

C. Please confirm that the accuracy of the model-derived unit costs for Automation letters has decreased considerably from R2000-1 to R2005-1. If you cannot confirm, please explain.

D. What measures, if any, has the Postal Service taken to determine why its models consistently and significantly overstate the actual costs to process First-Class automation letters? If the Postal Service has undertaken measures to improve the accuracy of these models, please

MMA/USPS-T21-29 continued:

describe all such measures and provide all documents that discuss such measures. If the Postal Service has not taken any measures to improve the accuracy of these models, please explain why not.

E. Please confirm that the most significant difference in your models between the costs of processing of BMM and the costs of processing Automation letters is attributable to the fact that BMM letters are processed through the RBCS whereas Automation letters completely bypass that operation. If you cannot confirm, please explain.

Response:

Your table refers to BMM. I assume you meant automation letters. Please refer to the response to POIR 1, question (a).

A. Not confirmed. The worksharing proportional unit cost is 1.886 cents, automation model cost is 2.668 and CRA proportional adjustment factor is 0.707 cents. I anticipate filing revised numbers next week.

B. Not confirmed. The revised CRA proportional adjustment factor is 0.707.

C. Please refer to the May 9, 2005, responses to POIR 1. I confirm that the CRA proportional adjustment factor has declined.

D. Please see the response to POIR 1, question (a).

E. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-30

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service seems to have treated cancellation and mail preparation differently on worksharing's impact on that cost pool.

A. Please confirm that in Docket No. R2000-1, USPS witness Miller assumed a zero cost for the mail preparation operation costs related to BMM and that this was shown in the cost pool entitled 1CANCMMP. If you cannot confirm, please explain.

B. Please confirm that in Docket No. R2000-1, USPS witness Miller treated the costs for 1CANCMMP as non-workshare related. If you cannot confirm, please explain.

C. Please confirm that in Docket No. R2001-1, USPS witness Miller assumed that the single piece metered mail cost for the mail preparation operation could be used, without modification, as a proxy for BMM, and that this was shown in the cost pool entitled 1CANCMMP. If you cannot confirm, please explain.

D. Please confirm that in Docket No. R2001-1, USPS witness Miller treated the costs for 1CANCMMP as workshare-related but fixed. If you cannot confirm, please explain.

E. Please explain the relationship between the cost pool entitled 1CANCEL that you incorporate in this case, and the cost pool entitled 1CANCMMP that was used in the previous two cases.

F. Please confirm that in this case, you have treated the costs associated with 1CANCEL as non-workshare related. If you cannot confirm, please explain.

G. How did the Commission handle this cost pool in its Docket No. R2000-1 Opinion?

H. Please explain why your handling of this cost pool is (1) different from the way the Commission handled 1CANCMMP in Docket No. R2000-1 and (2) different from the way USPS witness Miller handled 1CANCEL in Docket No. R2001-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS-T21-30:

A. Confirmed. Witness Miller followed the PRC approach from R97-1.

B. Confirmed.

C. Confirmed. For more details, please refer to Docket No. R2001-1, USPS-T22.

D. Confirmed.

E. The 1CANCMMP cost pool has been separated into two, 1CANCEL and 1MTRPREP cost pools.

F. I anticipate filling errata next week which will, among other things, reclassify this cost pool as worksharing related fixed.

G. In R2000-1, the PRC classified 1CANCMMP as worksharing related fixed.

H. Please see my response to part F.

MMA/USPS-T21-31

This is the third consecutive rate case where the Postal Service has provided somewhat similar methods for deriving workshare cost savings. In all three presentations, the Postal Service has eliminated certain cost pools because such cost pools allegedly do not vary as a result of worksharing.

A. Please confirm the non-workshare related unit costs presented by the Postal Service for the last three rate cases, as shown in the table on the following page.

   If you do not confirm, please make any corrections you think appropriate, explain each correction, specify all information of record in R2005-1 you believe supports your correction, and specify and provide a copy of any information not in the R2005-1 record that you believe supports your correction.

First Class Non-Worksharing Related
CRA Mail Processing Costs (Cents)
(USPS Costing Method)

Cost Pools		Docket No. R2005-1			Docket No. R2001-1			Docket No. R2000-1		
		BMM Non Work-Sharing Related	Auto Non Work-Sharing Related	BMM - Auto	BMM Non Work-Sharing Related	Auto Non Work-Sharing Related	BMM - Auto	BMM Non Work-Sharing Related	Auto Non Work-Sharing Related	BMM - Auto
MODS 12	FSM 100	0.037	0.003	0.034						
MODS 12	FSM/	0.000	0.000	0.000	0.027	0.006	0.021			
MODS 12	FSM/1000	0.027	0.004	0.023	0.012	0.002	0.011	0.040	0.009	0.031
MODS 13	MECPARC	0.000	0.000	0.000	0.001	0.001	0.000	0.001	0.000	0.001
MODS 13	SPBS OTH	0.026	0.001	0.024	0.016	0.005	0.010	0.016	0.008	0.007
MODS 13	SPBSPRIO	0.002	0.001	0.001	0.006	0.002	0.005	0.001	0.001	0.000
MODS 13	1SACKS_M	0.000	0.012	-0.012	0.038	0.015	0.023	0.035	0.019	0.016
MODS 13	1TRAYSRT	0.166	0.157	0.009						
MODS 14	MANF	0.021	0.002	0.019	0.022	0.003	0.019	0.020	0.002	0.017
MODS 14	MANP	0.014	0.005	0.010	0.005	0.001	0.004	0.003	0.002	0.001
MODS 14	PRIORITY	0.005	0.007	-0.002	0.006	0.002	0.005	0.004	0.001	0.003
MODS 17	1CANCEL	0.270	0.013	0.256						
MODS 17	1DISPATCH	0.159	0.074	0.085						
MODS 17	1FLATPRP	0.007	0.001	0.007						
MODS 17	1OPTRANS	0.086	0.033	0.053						
MODS 17	1SACKS_H	0.006	0.012	-0.006	0.103	0.043	0.060	0.103	0.053	0.050
MODS 17	1SCAN	0.046	0.038	0.008	0.040	0.018	0.022	0.041	0.021	0.020
MODS 18	BUSREPLY	0.014	0.002	0.012	0.012	0.001	0.010	0.007	0.004	0.003
MODS 18	EXPRESS	0.007	0.001	0.005	0.007	0.001	0.006	0.0013	0.000	0.001
MODS 18	MAILGRAM	0.003	0.002	0.001	0.000	0.000	0.000	0.0000	0.000	0.000
MODS 18	REGISTRY	0.013	0.001	0.012	0.013	0.001	0.012	0.0143	0.001	0.014
MODS 18	REWRAP	0.015	0.001	0.014	0.015	0.002	0.013	0.008	0.003	0.005
MODS 18	1EEQMT	0.030	0.010	0.019	0.026	0.005	0.021	0.031	0.012	0.018
MODS 19	INTL ISC	0.017	0.001	0.016	0.017	0.004	0.014	0.006	0.002	0.004
MODS 19	PMPCS	0.006	0.002	0.004						
MODS 48	LD48 EXP				0.000	0.000	0.000			
MODS 48	LD48_SSV				0.020	0.010	0.010	0.022	0.009	0.013
MODS 99	1SUPP_F1				0.131	0.040	0.091			
MODS 99	1SUPP_F4				0.311	0.062	0.249			
	1CANCMMP							0.000	0.025	-0.025
	1PLATFRM							0.761	0.293	0.468
	1SUPP F1							0.116	0.039	0.077
	1SUPP F4							0.290	0.070	0.221
	ALLIED							0.435	0.185	0.250
MODS Subtotal		**0.977**	**0.385**	**0.593**	**0.829**	**0.224**	**0.606**	**1.955**	**0.760**	**1.195**
NON MODS	MANF	0.027	0.005	0.022	0.008	0.002	0.006	0.006	0.000	0.006
NON MODS	MANP	0.006	0.003	0.003	0.003	0.001	0.002	0.001	0.000	0.000
NON MODS	MISC	0.450	0.123	0.326	0.197	0.080	0.117	0.171	0.079	0.093
NON MODS	REGISTRY	0.072	0.003	0.070	0.023	0.006	0.017	0.008	0.003	0.005
Non MODS Subtotal		**0.555**	**0.134**	**0.421**	**0.231**	**0.088**	**0.142**	**0.186**	**0.082**	**0.104**
Total		**1.532**	**0.519**	**1.014**	**1.060**	**0.312**	**0.748**	**2.141**	**0.842**	**1.299**

	Source: USPS LR-K-53	*Source:* USPS LR-J-53	*Source:* USPS LR-I-81

MMA/USPS-T21-31 continued:

B. For each the following cost pools, please explain why the unit costs are always higher for BMM (single piece metered mail), compared to workshare letters for each of the three rate cases:

1. FSM/1000
2. SPBS OTH
3. MANF
4. MANP
5. 1OPTRANS
6. 1SCAN
7. BUSREPLY
8. REGISTRY
9. REWRAP
10. 1EEQMT
11. INTL ISC
12. Non MODS MANF
13. Non MODS MISC
14. Non MODS REGISTRY

Response:

A. I anticipate filing revisions to my model next week which will move the MODS 17 1CANCEL cost pool from nonworksharing to worksharing fixed.

B. We do not actually have costs for BMM letters at the cost pool level. The costs are for all metered letters and may be overstated.

MMA/USPS-T21-32

The following questions concern the effect that volume has on workshare cost savings. Please answer the questions based on your experience and knowledge of Postal worksharing operations. Please assume that a High Volume workshare mailer sends out at least 5 million pieces per month, whereas a small workshare mailer sends at least 500 pieces, but not more than 2,500 pieces in a given mailing.

A. Do you agree that the volume presented to the Postal Service for any given mailing impacts the cost savings realized by the Postal Service? If you do not agree, please explain.

B. Please confirm that a small workshare mailer performs only the workshare functions listed in MMA/USPS-T21-14 and does not perform any of the worksharing functions listed in Interrogatory MMA/USPS-T21-12 (Parts A-C) that are performed by a High Volume workshare mailer. If you cannot confirm, please explain.

C. Please confirm that plant loading saves the Postal Service more money on a per-piece basis than the Postal Service would save if the High Volume mailer brought all its mail to the USPS' loading dock or BMEU. If you cannot confirm, please explain why the Postal Service would offer plant loading service if it did not save money on a per piece basis.

D. Please confirm that the deployment of Postal One saves the Postal Service more money than the Postal Service saves by having mailers fill out paperwork necessary to qualify for workshare discounts. If you cannot confirm, please explain.

E. Please confirm that current rates for High Volume workshare mailers and Low Volume workshare mailers are identical (as long as the degree of presort is the same) and that such rates are unrelated to volume. If you cannot confirm, please explain.

Response:

A-E. I cannot agree or disagree nor confirm or not confirm these statements. Please refer to my response to MMA/USPS-T21-21.

Please refer to your model-derived unit costs for BMM and Automation Mixed AADC Automation Letters (MAADC), as shown in Library Reference LR-USPS-K-48, file LR-K-48FCLTRS, pages 3,4,7,8.

A. Does it seem reasonable to you that compared to BMM, Workshared MAADC letters should have more readable addresses (addresses in the correct location, no conflict with colors, simple font), more reliable addresses (fewer UAA pieces), better addresses (full and correct), more likely to be machinable, (correct stiffness, not flimsy, square corners, no enclosures), and are prebarcoded so as to completely bypass the RBCS operation? If not, please explain.

B. Does it seem reasonable to you that the unit costs for the Postal Service to process non-workshared BMM should be more than to process Workshared MAADC letters? If not, please explain.

C. Please confirm that, according to your models (before application of the CRA Proportional Factors), the unit costs to process BMM and MAADC letters are 4.461 and 4.532, respectively? If you cannot confirm, please explain.

D. Please confirm the following unit cost figures in cents, as taken from your library reference.

Operation Category	BMM	MAADC	BMM - MAADC
Outgoing RBCS	1.153		1.153
Other Outgoing	0.368	0.932	-0.564
Incoming Primary	0.970	1.472	-0.502
Incoming Secondary	1.971	2.128	-0.158
Total	**4.461**	**4.532**	**-0.070**

If you do not confirm, please make any corrections you think appropriate, explain each correction, specify the record information you believe supports your correction, and provide a copy of any information not yet in the record that you believe supports your correction.

E. Please explain why, according to your model, MAADC letters incur (1) higher incoming primary sortation costs, and (2) higher incoming secondary sortation costs than BMM letters?

F. Please confirm that after applying your CRA Proportional Factor, your BMM model-derived unit cost is increased from 4.461 to the CRA-derived unit cost of 6.5756. If you cannot confirm, please explain.

G. Please confirm that after applying your CRA Proportional Factor, your MAADC model-derived unit cost is decreased from 4.532 to the CRA-derived unit cost of 3.2213. If you cannot confirm, please explain.

H. Do you believe that the cost of the outgoing RBCS operation, as depicted in your model for BMM letters, is understated? If so, by how much? If not, why not?

MMA/USPS-T21-34 continued:

I. Please confirm that the DPS percentages that you derived for BMM and MAADC letters are 82.14% and 79.57%, respectively. If you cannot confirm, please provide the correct percentages and explain how they were derived or obtained.

J. Please explain why it is reasonable that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters, in view of the fact that MAADC must be machinable by definition whereas BMM letters are not required to be machinable.

K. Please confirm that the model-derived DPS percentages are based entirely upon the mail flow depicted in the derivation of your model-derived unit costs. If you cannot confirm, please explain what the model-derived DPS percentages are based upon.

L. Please explain why you adjusted the BMM model-derived unit cost upward and the MAADC model-derived unit cost downward, according to your derived CRA Proportional Factors, but made no attempt to adjust model-derived DPS percentages.

M. Please confirm that it is important to derive accurate DPS percentages because the DPS percentages were provided to USPS witness Kelley, who, in turn, relied upon your DPS percentages to compute the unit delivery cost savings due to worksharing. If you cannot confirm, please explain.

Response:

A. BMM has been used as the benchmark because of its similarities to workshared mail. Mixed AADC mail would be more likely to be barcoded.

B. These two types of mail go through different processes so I would not expect the costs to be identical. That is why the hybrid cost approach to the cost model is used.

C. Not confirmed. The BMM revised model cost is 4.454 cents and MAADC revised model cost is 4.543 cents. I anticipate filing errata revising my model next week.

D. Not confirmed. The revised BMM model cost is now 4.454 cents. I anticipate filing errata revising my model next week.

E. This comparison is not meaningful in the context of hybrid cost model. Furthermore, the BMM cost model is not used to calculate the worksharing related savings estimates.

Response to MMA/USPS-T-34 continued:

F. Not confirmed. The BMM CRA unit cost is now 6.476 cents. I anticipate filing errata revising my model next week. I do not use the CRA proportional adjustment factors in my analysis.

G. Not confirmed. The decrease will be 3.2119.

H. No. The cost models are a simplified representation of reality and reflect the best data available.

I. Confirmed.

J. Please refer to my responses to parts A and B. These figures reflect the full array of inputs into the cost models and are very similar.

K. Confirmed, however, the various other inputs are what affect the model cost estimates. The DPS percentages are only the results of those inputs.

L. I am not familiar with any data that I could use to make such adjustments.

M. Confirmed that these percentage estimates are the best available and are used to deaverage delivery costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-35

Please refer to your Automation Letter summary, as shown in Library Reference LR-USPS-K-48, file LR-K-48FCLTRS, and page 5.

A. Please confirm that, in order to derive the CRA Proportional Cost Factor for First-Class Automation letters, you have assumed that 7.82% of the letters destinate at "CSBCS/Manual offices." If you cannot confirm, please explain.

B. Please confirm that letters requiring an incoming secondary sortation at "CSBCS/Manual offices" incur additional costs not because of reduced worksharing, but because the Postal Service does not have the necessary automation equipment in place to capture possible cost savings. If you cannot confirm, please explain.

C. What percent of BMM letters destinate at "CSBCS/Manual offices"?

D. What percent of single piece metered letters destinate at "CSBCS/Manual offices"?

E. What percent of BMM letters do you assume will destinate at "CSBCS/Manual offices" in your BMM

Response:

A. Confirmed.

B. Confirmed that CSBCS offices have different equipment than do non-CSBCS offices.

C. This data are not available.

D. This data are not available

E. This data are not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-36

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, pages 4, 8, 10, and 12. These pages refer to your mail flow models for bulk metered mail (BMM), Automation Mixed AADC, Automation AADC and Automation 3-digit, respectively.

A. Please confirm the percentages shown in the following table that lists how much mail is barcoded and processed fully by automation from mail acceptance through the incoming secondary operations for various rate categories. If you cannot confirm, please make any necessary corrections and document your calculations.

Model	% Barcode by USPS	% Processed 100% by Auto
BMM	99.23%	91.25%
MAADC	0.00%	88.39%
AADC	0.00%	91.11%
3-Digit	0.00%	92.34%

B. Please confirm that the Postal Service currently barcodes, or will barcode in the test year, 99.23% of all machine printed addresses. If you cannot confirm, please explain why your model assumes that 99.23% of BMM letters can be barcoded by the Postal Service.

C. Please confirm that the further downstream a mailing enters the postal mailstream, the greater are the chances that an automated operation can reject a letter so that it must be processed manually from that point on. If you cannot confirm, please explain.

D. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation mixed AADC letters enter further downstream at the outgoing secondary operation. If you cannot confirm, please explain.

E. Please explain why, according to your models, fewer Automation mixed AADC letters (88.39%) than BMM letters (91.25%) can be processed by Automation through the incoming secondary operation.

F. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation AADC letters enter further downstream at the incoming MMP automation operation. If you cannot confirm, please explain.

G. Please explain why, according to your models, fewer Automation AADC letters (91.11%) than BMM letters (91.25%) can be processed by Automation through the incoming secondary operation.

H. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation 3-digit letters further downstream at the incoming SCF/Primary automation operation. If you cannot confirm, please explain.

I. Please explain why the percentage of Automation AADC letters (92.34%) that can be processed by Automation through the incoming secondary is only slightly more than the percentage of BMM letters (91.25%).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

J. Please confirm that your model-derived cost for BMM is 32.2% lower than the CRA actual cost. If you cannot confirm, please explain
K. Please confirm that your model-derived unit cost for Automation letters was higher than the CRA actual cost by an average of 28.9%. If you cannot confirm, please explain.
L. Do you agree that the percentages shown in the table in Part A for BMM are probably much too high and the percentages for Automation letters are probably too low? If no, please explain.

RESPONSE:

A. Confirmed.

B. Partially confirmed. The figure listed in the table above is a result of the inputs (e.g., accept rates, etc.) used in the cost models and represents the percentage of mail that flowed from one operation to another. The percentage of barcodes that would be applied to machine printed mail pieces was not an input to the cost models.

C. Not confirmed. For example, the acceptance rates in USPS-LR-K-48, page 48 show that the highest acceptance rates are those shown for two-pass and three-pass incoming secondary operations. These figures represent averages for the operations and do not represent figures based on mail type (e.g., First-Class single-piece machine printed letters, First-Class presort automation cards, etc.). This is one reason why a hybrid cost methodology has been relied upon for the past several cases.

D. Partially confirmed. The BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation mixed AADC presort letters are entered at the automation outgoing secondary operation.

E. First, these figures are close in their magnitude. Second, the automation MAADC letters and BMM letters mail pieces are not processed through the exact same operations and, as a result, they are not expected to have an identical percentage.

Third, the cost models that yield these results are simplified representation of the mail processing network. They are the result of the best available data and apply methodologies that have been relied upon in past several rate cases.

F. Partially confirmed. BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation AADC presort letters are entered at the automation incoming Managed Mail Program (MMP) operation.

G. Please see the response to MMA/USPS-T21-36E.

H. Partially confirmed. BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation 3-digit presort letters are entered at the automation incoming SCF / primary operation.

I. Please see the response to MMA/USPS-T21-36E.

J. Not confirmed. The BMM letters model cost is 31.2% lower than the sum of the CRA worksharing related proportional cost pool estimates for all First-Class single-piece metered letters, which has been used as the proxy for BMM letters in the past several dockets. The BMM model cost, as shown in USPS-LR-K-48, will be revised shortly and will support this percentage.

K. Not confirmed. The weighted average model cost for the automation presort letters rate categories is 29.3 % higher than the sum of the CRA worksharing related proportional cost pool estimates for First-Class automation presort letters. The weighted average model cost for the automation presort letters rate categories, as shown in USPS-LR-K-48, will be revised shortly and will support this percentage.

L. I can neither agree nor disagree. The cost models are an accurate analysis of costs using the best available data, and they apply cost methodologies that have been relied upon in the past several rate cases.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-37

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 51, where you **indicate** that the RBCS leakage rate is 6.1%. Is 6.1% the leakage rate just for pieces processed by the outgoing Remote Computer Read (RCR) operation or is this the leakage rate for the RBCS operation as a whole? Please explain exactly what the 6.1% RBCS leakage rate is.

RESPONSE:

Leakage is defined in USPS-T-21, page 13 at 24-26. It is the percentage of mail pieces for which an image is lifted, but the result was never retrieved from the Decision Storage Unit (DSU). The mail pieces for which an image was lifted would at least have been processed through the RCR. The percentage is not expressed as a function of all the mail processed through the Remote Bar Code System (RBCS). For example, the Multi-Line Optical Character Reader Input Sub System (MLOCR-ISS) is a component of RBCS. Some images processed through the MLOCR-ISS, however, can be "read" by the machine such that an image is never lifted.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-38

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 4 and USPS witness Hatcher's Library Reference USPS-LR-K-69, pages 3 and 5. These pages provide the mail flow models for BMM letters, Hand Addressed (HAND) letters, and QBRM letters, respectively.

A. Please confirm that, after the entry point for BMM letters (RBCS Operation), 99.23% of the pieces are successfully barcoded and sent to various downstream automation sortations whereas .77% of the pieces cannot be successfully barcoded and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.

B. Please confirm that, after the entry point for QBRM letters (Automation Outgoing Primary), 95.76% of the pieces are successfully sorted and sent to various downstream automation sortations whereas 4.24% of the pieces cannot be successfully process and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.

C. Please explain why the reject rate for the Automation Outgoing Primary (4.24%) is five times the reject rate for the RBCS (0.77%), in view of the facts that QBRM letters have reliable addresses and barcodes that must be pre-approved by Postal Service before they are authorized for use, whereas there are no machinability or address cleanliness conditions or requirements applicable to BMM letters.

D. Please confirm that, after the entry point for HAND letters (RBCS Operation), 92.49% of the pieces are successfully barcoded and sent to various downstream automation sortations whereas 7.51% of these pieces cannot be successfully barcoded and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.

E. Please explain why the RBCS reject rate for HAND letters (7.51%) is almost 10 times the rate for BMM letters (.77%), but less than twice the reject rate for QBRM letters (4.24%) in the automation outgoing primary operation.

RESPONSE:

A. Partially confirmed. The result of the BMM letters cost model is that 99.23% of the mail flowing from the outgoing RBCS operations is barcoded and sent to downstream automation operations and 0.77% of the mail flowing from the outgoing RBCS operations are sent to the manual outgoing primary operation.

B. Partially confirmed. The result of the QBRM cost model is that 95.76% of the mail flowing from the automation outgoing primary operation is successfully sorted and

Response to MMA/USPS-T21-38 (Continued)

sent to downstream automation operations and 4.24% of the mail flowing from the automation outgoing primary operation is sent to the manual outgoing primary operation.

C. The only link between the QBRM cost study found in USPS-LR-K-69 and the First-Class Mail automation presort cards / letters cost study found in USPS-LR-K-48, is the fact that the analysis in USPS-LR-K-69 relies on a BMM letter CRA proportional adjustment factor calculated in USPS-LR-K-48. In fact, the BMM letters cost model in USPS-LR-K-48 is only included as a means to estimate that factor and has no bearing on the worksharing related savings estimates measured for First-Class Mail presort letters. The cost model in USPS-LR-K-48 presents estimates of BMM costs based on the best available data and uses a methodology that has been relied upon in the past several rate cases. Moreover, I have reviewed pages 3 and 5 of USPS-LR-K-69, and the results are not inconsistent with K-48.

D. Partially confirmed. The result of the handwritten mail piece cost model is that 92.49% of the mail flowing from the outgoing RBCS operations is barcoded and sent to downstream automation operations and 7.51% of the mail flowing from the outgoing RBCS operations is sent to the manual outgoing primary operation.

E. The figures cited in this interrogatory part occur as a result of the cost model inputs used to support the various cost studies. QBRM mail pieces, handwritten mail pieces, and BMM letters follow different processing paths upon first entering the postal mail processing network. Moreover, the cost models use the best available data and apply

Response to MMA/USPS-T21-38 (Continued)

methodologies that have been relied upon in the past several rate cases. In some cases, the best available data are average figures and do not represent figures specific to mail type (QBRM, handwritten, BMM letters). Therefore, these mail types would not be expected to have the same reject percentages.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-39

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 3 and USPS witness Hatcher's Library Reference USPS-LR-K-69, page 2. These pages provide the model-derived costs for BMM and Hand Addressed letters, respectively.

A. Please confirm that you show that the "Total Cents Per Piece" for the RCR operation is .478 cents, as shown in column 7 of your library reference. If you cannot confirm, please explain.

B. Please confirm that USPS witness Hatcher shows that the "Total Cents Per Piece" for the RCR operation is .342 cents, as shown in column 8 of USPS-LR-K-69, page 2. If you cannot confirm, please explain.

C. Please explain why your Total Cents Per Piece for BMM letters for the RCR operation is different from USPS witness Hatcher's Total Cents Per Piece for Hand Addressed letters.

D. Please confirm that you show that the "Premium Pay Adjustment Factor" that you obtained from Library Reference USPS-LR-K-55 and used in your analysis to compute the "Premium Pay Adjust" is 1.00994. If you cannot confirm, please explain.

E. Please confirm that USPS witness Hatcher's "Premium Pay Factor" also obtained from Library Reference USPS-LR-K-55 and used in her analysis to compute the "Premium Pay Adjust" is 1.014. If you cannot confirm, please explain.

F. Please explain why your "Premium Pay Adjustment Factor" for BMM letters is different from USPS witness Hatcher's "Premium Pay Factor" for Hand Addressed letters.

RESPONSE:

A. Not confirmed. The correct figure is 0.342 cents. The total cents per piece for the RCR operation shown in USPS-LR-K-48 will be revised shortly to reflect the correct number.

B. Confirmed.

C. Please see my response to A.

D. Confirmed.

E. Confirmed.

F. The correct Premium Pay factor for single piece letters is 1.014. Library Reference USPS-LR-K-48 will be revised shortly to reflect the correct number

MMA/USPS-T21-40

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, pages 4, 8 and 55. These pages provide the mail flow models for BMM and Automation MAADC letters, and the densities from R2000-1 that you have used in R2005-1.

A. Please confirm that for BMM, 26.36% of the letters entering that operation are sent from the Outgoing ISS directly to the automation incoming secondary sortation. If you cannot confirm, please explain.

B. Please confirm that for BMM, 34.00% of the letters entering that operation are sent from the Outgoing OSS directly to the automation incoming secondary sortation. If you cannot confirm, please explain.

C. Please confirm that for BMM, 27.06% of the letters are sent from the RBCS operation directly to the automation incoming secondary sortation. If you cannot confirm, please explain.

D. How is it that 27.06% of BMM letters can be sent directly from the outgoing RBCS operation directly to the incoming secondary operation, bypassing all outgoing secondary and incoming primary operations? Does this mean that such pieces are local?

E. Please confirm that for Automation MAADC letters, only 4.68% of the pieces can be sent to the automation incoming secondary sortation. If you cannot confirm, please explain.

F. Do you assume in your models, in order to be isolating the impact of worksharing on cost savings, that the local-nonlocal mix between your benchmark (BMM) and each of the Automation letter categories is similar? If not, please explain how your models isolate the impact of worksharing on your derived cost savings and remove the impact of the local-nonlocal mix which can also affect costs.

G. Please explain why you show that BMM can be sorted directly to the automation incoming secondary operation almost 6 times more often than MAADC can be sorted directly to the incoming secondary operation?

H. Please explain why, according to the densities listed on page 55, the outgoing ISS and the outgoing OSS can sort letters to the incoming secondary 26.36% and 34.00% of the time, respectively, whereas, the outgoing automation primary and automation secondary sortations can sort letters to the incoming secondary only 6.59% and 4.87% of the time, respectively?

RESPONSE:

A. Not confirmed. The model in USPS-LR-K-48, page 4, shows that 23.05% of the 10,000 mail pieces flow from the Outgoing ISS operation to the automation incoming secondary operations.

Response to MMA/USPS-T21-40 (Continued)

B. Not confirmed. The model in USPS-LR-K-48, page 4, shows that 4.01% of the 10,000 mail pieces flow from the Outgoing OSS operation to the automation incoming secondary operations.

C. Confirmed.

D. The data obtained in the 2000 cards / letters density study showed that Multi-Line Optical Character Reader Input Sub Systems (MLOCR-ISS) sort plans were used to isolate high volume local ZIP Codes, which then would be routed to the appropriate automation incoming secondary operation. This is not surprising because the MLOCR-ISS has only 60 bins. Many of those bins have to be used for Remote Bar Code System (RBCS) housekeeping purposes, such as isolating image lift mail, capturing ID tag errors, etc. Given that it is not possible to separate the 164 AADC separations (see label list L801) on the MLOCR-ISS, that machine was typically used to isolate local 5-digit ZIP Codes and the mail for nearby AADCs, SCFs, or P&DCs/P&DFs. The mail for the remaining AADCs, SCFs, and P&DCs/P&DFs was typically "jackpotted" to one or more bins and routed to an automation outgoing primary or automation outgoing secondary operation. Those operations are typically performed on the Delivery Bar Code Sorter (DBCS) which has enough bins to perform the required separations.

E. Confirmed.

F. A statistic related to the "local-nonlocal mix" is not used as an input to the cost models. I am not aware of any data source that could be used to make such an adjustment. Furthermore, the First-Class Mail presort letters cost savings estimates are not affected in any way by the BMM letters cost model. That cost model is used for one

purpose: to develop a BMM letters CRA adjustment factor that supports witness Hatcher's QBRM cost study.

G. Please see the response to MMA/USPS-T21-40D for a description of the MLOCR-ISS sort plan structure. The function of the automation outgoing secondary operations is different than that of the MLOCR-ISS. Automation outgoing secondary operations are typically used to separate the outgoing mail at a given facility to the AADC, or finer, level. Due to the bin capacity on most DBCSs, these separations can now be performed in one pass on one machine. Prior to the deployment of the DBCSs, these separations had to be performed on the Mail Processing Bar Code Sorter (MPBCS), which only had 96 bins. In those days, two distinct passes / operations were required to make all the separations. Those separations were often grouped based on whether the destinating plant was within the 2-day or 3-day service area.

H. Please see the response to MMA/USPS-T21-40D for a description of the MLOCR-ISS sort plan structure. Please see the response to MMA/USPS-T21-40G for a description of the automation outgoing secondary sort plan structure. The automation outgoing primary operation is often referred to as the "FIM" program at many plants and is typically used to process prebarcoded Courtesy Reply Mail (CRM), or "FIM A" mail, and Business Reply Mail (BRM), or "FIM C" mail. These mail pieces are isolated from the residual collection mail in bins 1 and 2 on the Advanced Facer Canceler System Input Sub System (AFCS-ISS). Some plants, especially smaller plants, may not generate a lot of FIM mail and therefore have automation outgoing primary operations that are structured similar to most automation outgoing secondary operations. This is

Response to MMA/USPS-T21-40 (Continued)

the reason that a small percentage of the Outgoing ISS and Outgoing OSS mail flows to this operation. The bulk of the outgoing residual mail for those two operations, however, flows to the automation outgoing secondary operations. The outgoing Output Sub System (OSS) operations are used to barcode and sort RBCS mail that was staged while the corresponding images were being processed by the Remote Computer Read (RCR) system or Remote Encoding Center (REC) keyers. Many sites still rely on the MPBCS-OSS to perform this function. Given that the MPBCS-OSS only contains 96 bins, most sites set up those programs to isolate local and regional mail, similar to what was described for the MLOCR-ISS above. Several bins must also be used to isolate RBCS errors. Mail for "the rest of the world" is therefore jackpotted in one or more bins and routed to automation outgoing primary operations or automation outgoing secondary operations, where AADC, or finer, separations are made.

MMA/USPS-T21-41

Please refer to your Library References USPS-LR-K-48 and USPS-LR-K-110. These library references derive the First-Class unit cost savings due to worksharing using the Postal Service's cost attribution methodology and the Commission's cost attribution methodology, respectively.

A. Please confirm that in both library references, you have deviated from the latest Commission-approved methodology for deriving workshare cost savings that was provided in library reference PRC-LR-12 Part B in Docket No. R2000-1. If you cannot confirm, please explain.

B. Please confirm that in order to derive processing workshare cost savings using the latest Commission-approved methodology in R2000-1, you would have to take your analysis provided in USPS-LR-K-48 but make the following changes. If you cannot confirm, please explain.
   a. Replace the CRA Mail Processing Costs for BMM, Automation and Nonautomation letters in USPS-LR-K-53 with the CRA Mail Processing Costs for BMM, Automation and Nonautomation letters in USPS-LR-K-99.
   b. Replace the Mail Flow Models, with all of the input parameters, in USPS-LR-K-48 with those in USPS-LR-K-110.
   c. Divide the amount for cost pool 1CANCEL for BMM in USPS-LR-K-99 by 3.
   d. Re-categorize the cost pool 1CANCEL for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".
   e. Re-categorize the cost pool LD48_ADM for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".
   f. Re-categorize the cost pool LD48 OTH for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".

C. Please confirm that in order to derive delivery workshare cost savings using the latest Commission-approved methodology in R2001-1, you would have to take your analysis provided in USPS-LR-K-48 but make the following changes. If you cannot confirm, please explain.
   a. Replace the Unit Delivery costs in USPS-LR-K-67 with those provided in USPS-LR-K-101.
   b. Derive the unit delivery cost for all Nonautomation letters combined from the delivery cost derivations provided in USPS-LR-K-101.
   c. Utilize the derived unit delivery cost for all Nonautomation letters combined that you developed in Part 2 as a proxy for the BMM unit delivery cost.

D. Please confirm that, had you updated the latest Commission-approved methodology for deriving First-Class workshare cost savings, the results would be as follows:

'HMARK ATE CATEGORY	Mail Processing Total Unit Cost (1)	Mail Processing Worksharing Related Unit Cost (2)	Delivery Worksharing Related Unit Cost (3)	Total Worksharing Related Unit Cost (4)	Total Worksharing Related Unit Cost Savings (5)
Bulk Metered Mail (BMM)	12.773	11.032	6.487	17.519	
Nonauto Presort	22.275	19.583	6.487	26.069	(8.550)
Auto Mixed AADC	5.431	4.965	4.155	9.120	8.399
Auto AADC	4.503	4.037	3.981	8.018	9.501
Auto 3-Digit	4.169	3.703	3.903	7.606	9.913
Auto 5-Digit (Other)	2.973	2.507	3.695	6.202	11.317
Auto 5-Digit (CSBCS/Manual Sites)	3.318	2.852	6.280	9.132	
Auto Carrier Route	2.402	1.936	6.136	8.072	1.059

If you do not confirm, please provide the correct figures using the latest Commission-approved methodology for deriving First-Class workshare cost savings and show your calculations and/or sources for any corrections.

Response:

As stated in my testimony, I do not sponsor USPS-K-110. I only sponsor USPS-LR-K-48 in association with my testimony. Library References USPS-LR-K-48 uses Postal Service's cost attribution methodology while USPS-LR-K-110 uses the Commission's cost attribution methodology. The differences between the two library references are the volume variabilities, the CRA mail processing costs, piggyback factors, and premium pay factors.

A. Partially confirmed. As stated above, my library reference USPS-K-48 deviates from the Commission methodology. Library reference USPS-K-110 deviates from the Commission methodology in R2000-1

B.

a. Confirmed.

b. Confirmed.

c. Not confirmed. In Docket No. R2000-1, the PRC divided the 1CANCMMP cost pool by 3. The 1CANCMMP is now split into 1CANCEL and 1MTRPREP. The Commission has not yet decided how to treat the divided cost pools.

d. Confirmed. Please see the revised library reference USPS-LR-K-48.

e-f. Not confirmed. Library Reference PRC-LR-12 Part B in Docket No. R2000-1 does not contain these specific cost pools. The only LD48s listed under the Commission R2000-1 analysis were classified as "non worksharing related fixed."

C. Not confirmed. In Docket No. R2001-1 the Commission did not address delivery unit cost proxy for BMM letters in their Opinion and Recommended Decision. However, the Commission did address it in R2000-1 Opinion and Recommended Decision.

D. Not confirmed. Use of the Docket No. R2000-1 Commission-approved methodology, including the corrections noted in Parts B and C, would yield the following results:

	Mail Processing		Delivery	Total	Total
BENCHMARK RATE CATEGORY	**Total Unit Cost**	**Worksharing Related Unit Cost**	**Worksharing Related Unit Cost**	**Worksharing Related Unit Cost**	**Worksharing Related Unit Cost Savings**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
Bulk Metered Mail (BMM)	12.773	10.823	6.486	17.309	
Nonauto Presort	22.275	19.222	6.486	25.708	(8.399)
Auto Mixed AADC	5.426	4.917	4.155	9.072	8.237
Auto AADC	4.501	3.992	3.981	7.973	9.336
Auto 3-Digit	4.168	3.659	3.903	7.562	9.747
Auto 5-Digit (Other)	3.051	2.542	3.695	6.237	11.072
Auto 5-Digit (CSBCS/Manual Sites)	**3.320**	**2.811**	6.280	9.057	
Auto Carrier Route	**2.407**	1.898	6.136	8.034	1.056

MMA/USPS-T21-42

In your response to Interrogatory MMA/USPS-T21-1A, you state that the "1SUPP_F1" cost pool has been classified as "worksharing related fixed" in USPS-LR-K-48, in order to be consistent with the Commission's treatment of such costs in Docket No. R 2000-1.

A. Please explain why, in this instance, you deviated from USPS witness Miller's methodology in R2001-1 and decided instead to follow the Commission's R2000-1 treatment of this cost pool.
B. Please confirm that, in R2001-1, the Postal Service indicated that costs for "1SUPP_F4" were reported under cost pools "MODS 48,LD48 OTH" and "MODS 48, LD48-ADM". See the Postal Service's answer to Interrogatory MMA/USPS-T22-7E, originally directed to USPS witness Miller. If you cannot confirm, please explain.
C. Please explain why, in USPS-LR-K-110, you did not follow the Commission's classification of cost pools "MODS 48, LD48 OTH" and "MODS 48, LD48-ADM" as "worksharing related fixed"?
D. Under the Postal Service's cost attribution methodology, where are the costs that are currently reported in cost pools "LD48 OTH" and "LD48-ADM"? Please explain how you classified such costs.

Response:

A. After careful evaluation of "1SUPP_F1" cost pool, I refined and accepted the Commission's recommendation for worksharing related fixed classification.

B. Confirmed. However, my understanding is that the "1SUPP_F4" is no longer listed and reported under cost pools "MODS 48,LD48 OTH" and "MODS 48, LD48-ADM". Please refer to USPS-LR-K-55.

C. Redirected to the Postal Service.

D. Please refer to USPS-T-11, page 5; also please see my response to POIR 4, Question 11 (b) regarding the cost pools LD48 OTH and LD48-ADM.

MMA/USPS-T21-43

You refer to the RBCS data system in your response to Interrogatory MMA/USPS-T21-5.

A. Please explain exactly what the RBCS data system is and what data it collects.
B. Please provide a summary of the data collected for GFY 2004.

Response:

A. It is the Remote Barcode Computer System (RBCS) data base from Corporate Information System. The following data is produced by this system for FY 2004: the RCR finalization rate, the total images processed through RBCS, and the RBCS leakage Rate.

B. For GFY 2004, there were 12,314,082,937 RCR finalized images and 4,873,856,837 IPU images for a 72.5% RCR finalization rate. The leakage rate was 6.1%.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-44

In your answer to Interrogatory MMA/USPS-T21-6B, you indicate that the Postal Service does not collect DPS percentages by rate category.

A. If the Postal Service does not collect DPS %'s by rate category, how is such information broken down, if at all?
B. Please provide whatever DPS volumes and DPS % the Postal Service did collect for FY 2004.

Response:

A. The Postal Service does not collect DPS percentages by rate category. The DPS percentages in my cost study are the result of various inputs in my model.

B. Please refer to the response to MMA/USPS-T29-4(C).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-45

In response to Interrogatory MMA/USPS-T21-7D, you indicate that, because the IOCS does not provide cost estimates for BMM, you use the IOCS costs of single piece metered mail as a proxy for BMM.

A. Is this a correct characterization of your testimony? If no, please explain.
B. Do you agree that, notwithstanding your claim that you have estimated BMM costs, you have nevertheless used the processing costs for single piece metered letters, ***without modification***, as the benchmark from which workshare processing cost savings were measured? If you do not agree, please explain.

Response:

A. Correct. My analysis relies upon shape-specific CRA mail processing unit costs.

B. Agreed. The cost estimate for all metered letters is used as a proxy for BMM letters.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-46

Please refer to your responses to Interrogatories MMA/USPS-T21-9B and 9C. You state that you have not studied the impact of worksharing on delivery costs and that the purpose of including delivery costs is to derive "Delivery Worksharing Related Unit Costs" and then to incorporate that result into "Total Worksharing Related Unit Cost Savings" (as you use those words in Library Reference LR-USPS-K-48, page 1) is to not to reflect the effect of worksharing, but to reflect "cost differences associated with the percentage of mail processed in Delivery Point Sequence by rate category".

A. Please state what effect, if any, worksharing has on the ability for letters to be DPSed in the incoming secondary sort.

B. Please explain why you categorize your analysis of delivery unit costs as "Delivery Worksharing Related Unit Costs" when deriving "Total Worksharing Related Unit Costs", yet you fail to agree that your derived delivery cost savings results from worksharing. Please explain why the delivery cost savings shown in your workshare cost savings do not result from worksharing?

Responses:

A. To the best of my knowledge, no study has been conducted that attempts to quantify DPS percentages at the rate category level. In the cost models, however, less finely presorted mail pieces are processed in more operations, which results in those mail pieces having a greater chance of being rejected and processed manually. The less finely presorted rate categories therefore have lower DPS percentage estimates and higher delivery unit cost estimates.

B. The delivery unit costs are included in the worksharing related savings calculations to reflect the fact that, to varying degrees, different mail categories capture different levels of Delivery Point Sequencing (DPS).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-47

Please refer to your responses to Interrogatories MMA/USPS-T21-9D, 9E and 9F. You state that you know of no studies that examine the impact of worksharing on the delivery costs for a letter that is (1) DPSed or a letter that is (2) non-DPSed. If the Postal Service has not studied this issue, please explain how the Commission should quantify the cost savings that worksharing provides for delivery operations for the purpose of determining workshare discounts.

Response:

A. The delivery unit costs are included in the total worksharing related savings calculations to reflect the fact that, to varying degrees, different mail categories capture different levels of Delivery Point Sequencing (DPS). The DPS percentages are relied upon by witness Kelley in developing delivery unit cost estimates found USPS-LR-K-67.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-48

Please refer to your responses to Interrogatories MMA/USPS-T21-9H and 9I. You attempt to justify the use of the delivery costs for a workshared category, Nonautomation, machinable Mixed AADC letters (NAMMA), as a proxy for BMM letters. You state that they exhibit similar mail piece characteristics.

A. Please confirm that, at the very least, these categories differ in that NAMMA letters are workshared including rigorous address hygiene requirements whereas BMM letters are not. If you cannot confirm, please explain.

B. Please confirm that, as reflected by your mail flow models, there are no differences whatsoever between NAMMA letters and BMM letters. If you cannot confirm, please explain.

C. Please confirm that as derived by your mail flow models, there are no unit processing cost differences whatsoever between NAMMA letters and BMM letters. If you cannot confirm, please explain.

D. Please explain why, according to your final results, the processing workshare-related unit cost for BMM is 1.822 cents less than the comparable cost for NAMMA letters. In your explanation, please concentrate upon the logic reflected by your results rather than rehashing how application of different CRA Proportional Adjustment factors causes this disparate result.

Response:

A. Confirmed that nonauto machinable must meet address hygiene requirements and BMM does not. Please refer to MMA/USPS-T21-9H and 9I.

B. Confirmed. Please refer to MMA/USPS-T21-9H and 9I

C. Confirmed. Please refer to MMA/USPS-T21-9H and 9I

D. This cost difference is the result of the nonautomation presort letters costs being overstated. Please see the response to POIR No. 1a.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-49

Please refer the derivation of BMM processing costs, based on your mail flow model, as provided on pages 3 and 4 of Library Reference LR-USPS-K-48. You show that BMM mail enters the mailstream at the "Out ISS" operation, and that there are 12 other possible entry points at which mail can be introduced.

A. Please confirm that, in practice and theory, mail processing costs decline as the point at which a particular rate category enters is further down the Postal mail stream. If you cannot confirm, please explain.
B. Please confirm that the "Out Prim Auto" is further downstream than the "Out ISS". If you cannot confirm, please explain.
C. Please confirm that, if you altered your BMM model so that the 10,000 theoretical pieces are entered at the "Out Prim Auto" rather than the "Out ISS", this would imply that all BMM letters were prebarcoded and allow such pieces to completely bypass the RBCS. If you cannot confirm, please explain.
D. Please confirm that if BMM were prebarcoded as suggested in Part C of this interrogatory, the unit costs that you derived for BMM should decline since the Postal Service would not have to apply barcodes to the letters. If you cannot confirm, please explain.
E Please confirm that if you altered your BMM model so that the theoretical 10,000 pieces are entered at the "Out Prim Auto" rather than the "Out ISS," the BMM model-derived unit cost increases from 4.461 cents to 4.712 cents. If you cannot confirm, please provide the correct answer and explain how you obtained that answer.

Response:

A In general, this can be confirmed. However, the comparison of an ISS operation, which is designed to apply barcodes to non-barcoded mail pieces, to an automation operation, which is designed to sort barcoded mail, may not necessarily be a meaningful one. These two operations rely on distinct technologies to accomplish different tasks. A better analysis would involve the comparison of the automation outgoing primary operation to the automation outgoing secondary operation, or some other automation operation.

B. It is confirmed that mail flows from the ISS operation to the automation outgoing primary operation. However, this comparison may not be the most accurate use of the term "downstream." Please see the response to MMA/USPS-T21-49A.

Response to MMA/USPS-T21-49 continued

C. Confirmed.

D. Not confirmed. These two operations involve distinct technologies, which would incur distinct costs. Please see the response to MMA/USPS-T21-49A.

E. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-50

Please refer the derivation of BMM processing costs, based on your mail flow model, as provided on pages 3 and 4 of Library Reference LR-USPS-K-48.

A. Please confirm that if you altered your BMM model so that the theoretical 10,000 pieces are entered at the "Out Prim Auto" rather than the "Out ISS," the DPS % is reduced, from 82.14% to 79.16%. If you cannot confirm, please provide the correct answer and explain how you obtained that answer.
B. Please explain the logic behind why your model shows the DPS % is lower if the mailer rather than the Postal Service applies the barcode?
C. Do you agree that this phenomenon is an unrealistic reflection of the real world processing? If you do not agree, please explain.

Response:

A Confirmed

B Confirmed. It should be noted that the two figures, which are estimates, are close to one another. The DPS percentages are a reflection of the cost inputs in the models. I have made an attempt to include the best input data possible.

C Not necessarily. To the best of my knowledge, no one has ever conducted a study that has attempted to estimate DPS percentages by rate category level, or by mail type level (e.g., BMM letters).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-51

Please refer the derivation of BMM processing costs, based on your mail flow model, as provided on pages 3 and 4 of Library Reference LR-USPS-K-48.

A. Please confirm that the "Out SEC Auto" is further downstream than the "Out ISS". If you cannot confirm, please explain.

B. Please confirm that, if you altered your BMM model so that the 10,000 theoretical pieces are entered at the "Out Sec Auto" rather than the "Out ISS", this would imply that all BMM letters were prebarcoded and presorted to allow such pieces to completely bypass the RBCS and the "Out Prim Auto". If you cannot confirm, please explain.

C. Please confirm that if BMM were prebarcoded and presorted as suggested in Part B of this interrogatory, the unit costs that you derived for BMM should decline since the Postal Service would not have to apply barcodes to the letters or sort them in the outgoing primary operation. If you cannot confirm, please explain

D. Please confirm that, if you altered your BMM model so that the theoretical 10,000 pieces are entered at the "Out Sec Auto" rather than the "Out ISS", the BMM model-derived unit cost increases from 4.461 cents to 4.532 cents. If you cannot confirm, please provide the correct cost and explain how you obtained that answer.

E. Is it possible that your models significantly understate the cost of the RBCS operation? If that is not possible, please explain.

F. If, according to your models, BMM letters cost less to process than "prebarcoded" Mixed AADC letters, how would this affect USPS witness Hatcher's derived unit cost savings, which relies on aspects of your model to estimate the cost savings between hand-addressed letters and QBRM letters? Please explain your answer.

Response:

A. In general, this can be confirmed. However, the comparison of an ISS operation, which is designed to apply barcodes to non-barcoded mail pieces, to an automation operation, which is designed to sort barcoded mail, may not necessarily be a meaningful one. These two operations rely on distinct technologies to accomplish different tasks. A better analysis would involve the comparison of the automation outgoing secondary operation to the automation incoming MMP operation, or some other automation operation.

Response to MMA/USPS-T21-51 continued

B. Confirmed.

C. Not confirmed. These two operations involve distinct technologies, which would incur distinct costs. Please see the response to MMA/USPS-T21-51A.

D. The BMM model-derived unit cost increases from 4.461 cents to 4.534 cents.

E. It is possible that the RBCS costs are either overstated or understated. The extent to which the costs may be overstated or understated, however, is unknown.

F If the BMM letters model costs were to decrease, the CRA adjustment factor I provide to witness Hatcher would increase. This change would have the effect of incrementally increasing the QBRM cost avoidance estimate.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-52

Please refer to the derivation of BMM processing costs, based on your mail flow model, as provided on pages 3 and 4 of Library Reference LR-USPS-K-48.

A. Please confirm that, if you altered your BMM model so that the theoretical 10,000 pieces are entered at the "Out Sec Auto" rather than the "Out ISS", the DPS % decreases from 82.14% to 79.57%. If you cannot confirm, please provide the correct answer and explain how you obtained that answer.

B. Please explain the logic behind why your model shows that the DPS % is lower if the Postal Service does not have to barcode the letters because the mailer both prebarcoded and presorted the letters so they can completely bypass the outgoing primary sort?

C. Do you agree that this phenomenon is an unrealistic reflection of the real world processing? If you do not agree, please explain.

Response:

A Confirmed.

B It should be noted the two figures, which are estimates, are close to one another. The DPS percentages are a reflection of the cost inputs in the models. I have made an attempt to include the best input data possible.

C Not necessarily To the best of my knowledge, no one has ever conducted a study that has attempted to estimate DPS percentages by rate category level, or by mail type level (e.g., BMM letters) The truth is that no one knows what the actual DPS percentages are for these mail categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-53

Please refer the derivation of automation mixed AADC processing costs, based on your mail flow model, as provided on pages 7 and 8 of Library Reference LR-USPS-K-48. You show that this mail enters the mailstream at the Out Auto Sec operation, meaning that it is prebarcoded and able to bypass the entire RBCS operation.

A. Please confirm that if automation mixed AADC letters were not already prebarcoded or presorted by the mailer, such letters should cost more for the Postal Service to process simply because the Postal Service would have to spray on a barcode and provide an outgoing primary sortation. If you cannot confirm, please explain.

B. Please confirm that if automation mixed AADC letters were not already prebarcoded or presorted by the mailer, they should exhibit a lower DPS%. If you cannot confirm, please explain.

C. Please confirm that if you altered your Auto MAADC model so that the theoretical 10,000 pieces are entered at the "Out ISS" rather than the "Out Sec Auto," the Auto MAADC model-derived unit cost decreases from 4.532 cents to 4.461 cents. If you cannot confirm, please provide the correct answer and explain how you obtained that answer.

D. Please confirm that if you altered your Auto MAADC model so that the theoretical 10,000 pieces are entered at the "Out ISS" rather than the "Out Sec Auto," the DPS % increases from 79.57% to 82.14%. If you cannot confirm, please provide the correct answer and explain how you obtained that answer.

Response:

A. Confirmed.

B. I am not able to confirm this interrogatory. As discussed in previous responses, DPS data are not available at the rate category / mail type level.

C. Not confirmed. Based on the revised figures filed on 5/24/04, the Auto MAADC model-derived unit cost decreases from 4.543 cents to 4.454 cents.

D. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-54

Please refer to the summary of results on page 1 of your Library Reference USPS-LR-K-48. If you had used prebarcoded BMM as your benchmark, as discussed in Interrogatories MMA/USPS/T21-49 and 50, please confirm that your workshare cost savings would have increased by .252 cents for each of the automation rate categories. If you cannot confirm, please indicate by how much your results would have changed and provide a complete explanation of how you derived your revised workshare cost savings.

Response:

Not confirmed. The model-generated cost numbers for the benchmark letter are never compared with the model-generated cost numbers for the automated letters during the cost savings calculations. Please refer to MMA/USPS/T21-49 and 50.

MMA/USPS-T21-55

Please refer to your response to Interrogatory MMA/USPS-T21-12, which sought information regarding your knowledge of specific enumerated workshare activities performed by a High Volume (HV) First-Class workshare mailer (defined as a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month). In your response, you state "I am not an expert on how HV workshare mailers perform their internal mail preparation operations, nor is it necessary for me to understand the mailer's [sic]
Activities."

A. Please explain how you can possibly provide accurate estimates of postal cost savings due to worksharing if you do not understand nor are you familiar with the specific requirements, in addition to those listed in postal regulations, that comprise worksharing?

B Please explain your view of how changes in technology have changed the nature and extent of mailer worksharing over the past ten years.

C Please explain how your workshare cost savings methodology focuses on the appropriate cost drivers that are affected by worksharing as it existed in FY 2004 or will exist in TY 2006.

Response:

A Redirected to Altaf Taufique (USPS-T-28).

B Redirected to Altaf Taufique (USPS-T28).

C My cost studies focus on the costs avoided as a result of mailer prebarcoding and/or presorting efforts. Each of my cost models consist of two spreadsheets: a mail flow spreadsheet and cost spreadsheet. Cost factors and inputs that are used in the mail flow model and the cost spreadsheet are explained in my direct testimony, which was revised on 5/24/05, USPS-T-21, pages 6 -10.

MMA/USPS-T21-56

Please refer to your response to MMA/USPS-T21-13. Your answer does not seem responsive to the original question MMA posed to you. For **each** of the activities listed in Interrogatory MMA/USPS-T21-12, please state whether the task would have to be performed by Postal Service employees if HV First-Class mailers did not perform the task. For purposes of this interrogatory, please assume that HV First-Class mailers do in fact perform all of the tasks listed in Interrogatory MMA/USPS-T21-12. For purposes of clarity, please reproduce all the activities listed in Interrogatory MMA/USPS-T21-12 A-C. Please place a check mark before each task that Postal Service employees would have to perform if HV First-Class mailers did not perform the task. If there are any tasks that you do not check, please explain separately for each specific task why Postal Service employees would not have to perform that task.

Response:

Some of the tasks are performed by the Postal Service whether or not the tasks are performed by the HV mailers. Moreover, not all HV mailers perform all tasks.

A Traying letters

1. Unloading empty trays provided by USPS, storing them, and distributing them to appropriate workstations; ***Postal employees would not unload or store or move trays at mailer facilities.***
2. Removing old tray labels and printing and inserting new labels; ✓
3. Sleeving the trays; ✓
4. Banding the trays; ✓
5. Preparing and applying Destination and Routing (D&R) labels; ✓
6. Preparing and applying Air Contract Transportation (ACT) tags;
7. Postage verification; ***HV mailers do not perform postage verification***
8. Electronic transmission of weight and volume data to Postal data centers, including the use of Postal One; ***Postal Service employees enter data from the postage statement into the PostalOne! system, whether or not the mailer uses PostalOne! to prepare the postage statement.***
9. Electronic transmissions of all postal paperwork, including the use of Postal One; ***See A 8.***
10. Presorting the trays of mail prior to placing them onto pallets, including the use of the Automated Mail Processing System (AMPS). ***The Postal Service does not use pallets for letters and cards operations. Trays and rolling stock are often used.***

Response to MMA/USPS-T21-56 (Continued).

B. Palletizing the trays ***The Postal Service does not use pallets for letters and cards operations. Trays and rolling stock are often used.***

1. Unloading, storing, and distributing to appropriate workstations empty pallets provided by the USPS;

2. Stacking trays onto pallets;

3. Shrinkwrapping full pallets to secure trays during transport by USPS;

4. Labeling pallets; and ;

5. Separating and presorting pallets prior to the point at which they are loaded onto trucks.

C Loading mail onto trucks

6. Moving full labeled pallets to the workshare mailer's loading dock. ***Please see the response to part B.***
7. Loading pallets onto USPS trucks. ***Please see the response to part B.***
8. Meeting USPS scheduling requirements; and ***Postal Service employees meet scheduling requirements, whether or not mailers do.***
9. Presorting trucks with presorted pallets. ***Please see the response to part B.***

MMA/USPS-T21-59

Please refer to your response to Interrogatory MMA/USPS-T21-23 where you agree that worksharing saves transportation under certain circumstances. You did not mention whether transportation costs are saved when (1) mailers presort pallets of letters destined to a particular area, or (2) mailers presort trucks of letters destined to a particular area, and the plant loaded trucks are then sent directly to a HASP or airport, bypassing intermediate facilities where cross docking might be necessary.

A. When HV First-Class mailers perform the tasks described above, are transportation costs saved? If not, please explain.

B. In your response to Interrogatory MMA/USPS-T21-24, you have already confirmed that your workshare cost savings methodology does not include any such savings. Please explain why the Postal Service in general, and you specifically, did not take such savings into account in determining workshare cost savings.

Response:

A. Under certain circumstances, yes. Please refer to MMA/USPS-T21-23.

B. My testimony presents the cost savings estimates associated with the current rate structure. The testimony of witnesses Potter, Robinson and Taufique discuss why the Postal Service has not proposed classification changes in this docket. First Class Mail does not currently have dropship rates, and I was not asked to prepare cost avoidance estimates associated with a potential FCM drop ship rate or any possible transportation savings that have not been incorporated into the cost estimates provided in prior dockets. Therefore, no transportation cost savings measured in this docket.

MMA/USPS-T21-60

Please refer to your response to MMA/USPS-T21-27C where you were asked about regulations that require BMM to meet machinability requirements.

A. Please explain how the machinability requirements for BMM differ, if at all, from the machinability requirements for First-Class automation letters.
B. Is it your testimony that 100% of BMM is machinable by definition? If so, please provide all information you believe supports that claim.
C. In your answer, you indicate that you use the costs for metered mail as a proxy for BMM, some of which are not machinable. Please provide your best estimate as to the percentage of metered mail that is not machinable.
D. Please confirm that in BY 2004, 509 million or only about 1% of First-Class single piece letters paid the nonmachinable surcharge. If you cannot confirm, please explain.

Response:

A. BMM letters in general, meet the Postal Service's requirements for machinable letters.

B. No. Most, but not all, BMM letters meet the definition. Please see my response to A.

C. To the best of my knowledge, these data are not available.

D. Confirmed.

MMA/USPS-T21-61

Please refer to your response to Interrogatory MMA/USPS-T21-30 where you indicate that the old cost pool 1CANCMMP was replaced by two new cost pools, 1CANCEL and 1MTRPREP.

A. Please confirm that the BMM cost pool for 1CANCMMP for TY 2003 in R2001-1 was .668 cents, yet the TY 2006 BMM costs for 1CANCEL and 1MTRPREP combined in this case are only .37 cents. If you cannot confirm, please provide the correct costs and the sources for them.
B. What is the reason for this decline?
C. Please confirm that the automation cost pool for 1CANCEL in this case is .013 cents. If you cannot confirm, please explain.
D. Please explain why Automation letters should incur any costs reported by the 1CANCEL cost pool.

Response:

A. Confirmed.

B. Please refer to ABA&NAPM/USPS-T21-25 (f).

C. Confirmed.

D. It is my understanding that very small number of automation letters may inadvertently end up in cancellation processing mail as indicated by 0.013 cent cost for cancellation associated with automation letters.

MMA/USPS-T21-62

Please refer to your response to MMA/USPS-T21-31B where you were asked to explain why in the last three cases the unit costs for "BMM (single piece metered mail)" for the following cost pools are always higher than the unit costs for workshare letters:

1. FSM/1000
2. SPBS OTH
3. MANF
4. MANP
5. 1OPTRANS
6. 1SCAN
7. BUSREPLY
8. REGISTRY
9. REWRAP
10. 1EEQMT
11. INTL ISC
12. Non MODS MANF
13. Non MODS MISC
14. Non MODS REGISTRY

You failed to answer the original interrogatory claiming that the Postal Service does not actually have costs for BMM letters at the cost pool level, even though you use single piece metered mail costs as a proxy for BMM. Please answer the original question with respect to the costs of single piece metered mail letters, the costs of BMM letters, or however you prefer to characterize the costs.

Response:

I do not know.

MMA/USPS-T21-63
Please refer to your response to MMA/USPS-T21-34A. You failed to confirm that, compared to BMM, workshared MAADC letters should have more readable addresses (addresses in the correct location, no conflict with colors, simple font), more reliable addresses (fewer UAA pieces), better addresses (full and correct), more likely to be machinable, (correct stiffness, not flimsy, square corners, no enclosures). Please provide the specific basis for your conclusion that, as compared with workshared MAADC letters, BMM will not suffer from any of the extra cost-causing deficiencies described above. Please cite all regulations that BMM must meet to ensure that BMM suffers from none of these deficiencies.

Response:

This interrogatory asks for a comparison between BMM and MAADC letters on address quality and machinability. To the best of my knowledge, no one has conducted a study to determine how BMM letters address quality compares to MAADC mail. Therefore, I cannot compare the address quality of BMM and MAADC mail.

BMM is defined as machinable but MAADC mail, unlike BMM, is subject to the machinability requirement. Therefore, I would expect MAADC mail to be more machinable than BMM mail.

MMA/USPS-T21-64

Please refer to your response to MMA/USPS-T21-34B. You failed to answer the question posed: "[d]oes it seem reasonable to you that the unit costs for the Postal Service to process non-workshared BMM should be ***more*** than to process Workshared MAADC letters?" In your response, you stated your belief that the costs for BMM and workshared MAADC letters should not be identical because they go through different operations but you failed to indicate whether BMM letters should have a ***higher*** unit processing cost than workshared MAADC letters. Please provide your expert opinion on the specific question posed to you.

Response:

In my revised model, the modeled costs for MAADC are .089 cents higher than the modeled costs for BMM letters. It is reasonable for the model to yield such results. The models are simplified representations of processing networks which rely on a hybrid approach that incorporates both cost models and CRA data. Furthermore, the model is not designed to compare modeled costs of BMM and MAADC and therefore such a comparison should not be made.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-65

Please refer to your response to MMA/USPS-T21-34E. In your response you claim that it is "not meaningful in the context of hybrid cost model" to compare your model results for BMM letters with the results for workshare MAADC letters. You also state that the BMM cost model is not used to calculate the worksharing related savings estimates.

A. Please explain what you mean by a "hybrid cost model".

B. Please confirm that, notwithstanding any errata that you may file, the BMM model-derived unit cost is less than the MAADC model-derived unit cost and that such a result is the opposite of what you might expect. If you cannot confirm, please explain.

C. Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you did provide a CRA Proportional Factor, based on that BMM cost model, to USPS witness Hatcher. If you cannot confirm, please explain.

D. Please confirm that USPS witness Hatcher utilized the CRA Proportional Factor that you provided to adjust her model-derived unit costs for hand-addressed and QBRM letters If you cannot confirm, please explain.

E Please confirm that, while BMM letters and Hand addressed letters require the Postal Service to spray on barcodes in the RBCS operation, QBRM letters completely bypass the RBCS operation because they are required to be prebarcoded by postal regulation. If you cannot confirm, please explain.

F Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you used the BMM CRA Proportional Factor in your analysis of nonmachinable costs. If you cannot confirm, please explain

Response:

A The hybrid cost model uses a methodology that incorporates both Cost and Revenue Analysis (CRA) and model-based mail processing unit costs to estimate worksharing related savings.

B Partially confirmed. Please refer to my response to MMA/USPS-T21-64.

C Confirmed.

D Confirmed.

E Confirmed assuming the barcode is readable and no other processing problems occur.

F. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-66

Please refer to your response to MMA/USPS-T21-34H where you state your belief that your models do not understate actual RBCS costs because "the cost models are a simplified representation of reality and reflect the best data available."

A. What sensitivity studies or other tests, if any, have you performed that lead you to conclude that the model's derived costs for the RBCS operation are not understated?

B. Please explain the basis for your conclusion that the data subsumed in the derivation of RBCS costs are the "best data available".

C. If, as you state, the models reflect the "best data available", please explain how this alleged fact can prevent the model from understating the actual RBCS costs?

D. Please confirm that, as shown in the following summary table provided for your review, in all of the Postal Service models since R97-1 where mail is entered at the RBCS operation, the model-derived unit costs are lower than the CRA-derived unit costs. If you cannot confirm, please provide the correct costs and explain.

Docket No	Model	Model-Derived Unit Cost (Cents)	CRA-Derived Unit Cost (Cents)	Model Understatement (Cents)
R2005-1	BMM	4.46	6.58	2.11
	Non-AUTO	8.20	10.80	2.60
R2001-1	BMM	4 28	6.45	2.17
	Non-AUTO	6 62	9.89	3.27
R97-1	BMM	5 27	6.98	1.71

E If you confirm part D, please explain why this fact does not support a conclusion that the model consistently and reliably understates RBCS costs.

Response:

A. I have not performed sensitivity analyses or studies. The BMM letters cost estimate that is relied upon to measure worksharing related savings are from the CRA. BMM letters cost estimate includes the costs for <u>all</u> metered letters, many of which are entered as metered bundles. Consequently, it is likely overstated.

B. Please see my response to A. The cost models are a simplified representation of reality and reflect the best data available.

C. The cost model could understate or overstate the costs.

Response to MMA/USPS-T21-66 (continued)

D. It can be confirmed that BMM modeled cost are lower than the CRA- derived BMM unit costs. However, the BMM modeled cost is not used to compare with other rate category modeled costs. The BMM model cost estimates are 4.454 cents and BMM proportional workshare related cost pool is 6.476 cents.

E. Please see my response to D.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-67

Please refer to your response to Interrogatory MMA/USPS-T21-34J where you failed to explain "why it is reasonable that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters, in view of the fact that MAADC must be machinable by definition whereas BMM letters are not required being machinable." From either a theoretical or a practical point of view, is it reasonable to expect that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters? If so, please explain.

Response:

The two estimates of 82.14% and 79.57% are close to one another. The DPS percentages are a reflection of the cost inputs in the models. I have included the best input data possible

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-68

Please refer to your response to MMA/USPS-T21-34L. You indicate that you could not reconcile your derived DPS %'s because you are "not familiar with any data that I could use to make such adjustments".

A. Do you believe that it would have added a significant degree of confidence to your results had you been able to reconcile your derived DPS %'s in any way to actual data? If no, please explain.
B. Please explain fully what kind of information you would have needed in order to reconcile your derived DPS %'s to actual DPS %'s.
C. Did you make any attempt whatsoever to obtain actual information with which to compare your derived DPS %'s in order to judge the reasonableness of your model results? If yes, please provide a complete explanation of what you did and any documents that were produced by or for you in connection with that effort. If you did not attempt to obtain any actual information, please explain why you did not do so.
D. What is the overall DPS % for all letter-shaped mail?
E. Do you agree that the DPS % for all nonmachinable letters is zero. If not, please explain.
F. If the Postal Service knows the DPS % for all letter-shaped mail, why could you not de-average this total into an average DPS % for machinable letters and nonmachinable letters and use that average DPS % to reconcile your model-derived average DPS %?

Response:

A. I note that I do not use DPS percentages as an input in my model. My model develops the DPS percentage which is then used by witness Kelly to produce the delivery unit cost estimates.

B. No. If actual DPS data were available then the DPS percentages would not need to modeled and there would be no reason to compare modeled percentages to actual percentages.

C. No. Please see my response to B.

D. Please refer to the response to MMA/USPS-T29-4(C).

E. I agree.

F. This data are not sufficient to produce DPS percentage for all mail categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERRCGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-69

In your response to Interrogatory MMA/USPS-T21-34M you seem to disagree that USPS witness Kelley used your DPS %'s to derive unit delivery cost savings due to worksharing. Do you agree that the purpose of USPS witness Kelley's delivery cost study, which utilized your DPS %'s to de-average unit delivery costs for various rate categories, was to provide you with the unit delivery costs for each workshare rate category, including all eight sub-categories of non-automation presorted letters, so that you could estimate delivery cost savings that result ***strictly*** from worksharing? If no, please explain why you would bother incorporating delivery costs as part of your study of workshare cost savings.

Response:

If it is assumed that more finely presorted automation mail pieces have higher DPS

percentages, then I agree.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-71

Please refer to your response to Interrogatory MMA/USPS-T21-11B, which sought general information about the nature and extent of your knowledge of how High Volume (HV) First-Class workshare mailers (defined as mailers that mail on their own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month) operate. In your response, you refer a tour of one mailer's facility that took place on October 20, 2004 in Boulder. Please indicate whether the mailer in question is an HV First-Class workshare mailer and provide a complete narrative description of the tour, including the approximate length of the tour, and everything you saw, asked, and were told, during that tour. Please indicate whether the mailer palletized its trays, utilized Postal One, or provided "special" separations to meet the specific requests of local postal officials. In addition, please explain the purpose of your trip to Boulder and the particular mailer's facility. Finally, please provide details regarding any other postal or mailer facilities you visited during the referenced trip.

Response:

Please refer to my response to MMA/USPS-T21-11B for an overview of my October 20, 2004 visit in Boulder/Denver. I did not see a heavy volume of mail, therefore, I can not categorize whether the mailer was HV First-Class workshare mailer. There were several employees working while the Multi Line Optical Character Reader (MLOCR) was used to prebarcode/ or presort the outgoing letter mail. I observed trays of mail but not palletization. I did not see Postal One being used. I visited the facility to get an understanding on how mailers workshare their mail.

My general purpose of my visit to Denver was to conduct field observations at Denver P&DC. I conducted a general tour of the plant and observed the various processing operations for letters and cards. I visited the Valmont Station to observe BRM operations. Finally, I conducted a general tour of the Denver BMC parcel sorting operations.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-72

Please refer to your response to Interrogatory MMA/USPS-T21-41B5 and B6, which suggested that you re-categorize cost pools LD48_ADM and LD48 OTH for BMM, Nonautomation and Automation letters from "non worksharing-related fixed" to "worksharing-related fixed", in order to be consistent with the Commission's workshare cost savings methodology from R2000-1. You rejected this suggestion by stating:

> Library Reference PRC-LR-12 Part B in Docket No. R2000-1 does not contain these specific cost pools. The only LD48s listed under the Commission R2000-1 analysis were classified as "non worksharing related fixed".

A. Please confirm that according to Library Reference PRC-LR-12 Part B in Docket No. R2000-1, the Commission classified cost pools "1SUPP F1" and 1SUPP F4" as "worksharing-related fixed". If you cannot confirm, please explain.

B Please confirm that, in Docket No. R2001-1, USPS witness Miller stated in response to Interrogatory MMA/USPS-T22-7E that the costs for "1SUPP F1" were reported in cost pools "MODS 18, 1 MISC" and "MODS 18, 1SUPPORT". If you cannot confirm, please explain.

C Where are the costs that previously were reported in cost pool "1SUPP F1" now reported?

D Please confirm that, in Docket No. R2001-1, USPS witness Miller stated in response to Interrogatory MMA/USPS-T22-7E that the costs for "1SUPP F4" were reported in cost pools "MODS 48, LD48 OTH" and "MODS 48, LD_ADM". If you cannot confirm, please explain.

E Where are the costs that previously were reported in cost pool "1SUPP F4" now reported?

F. Please confirm that, in R2005-1, you have classified cost pools "MODS 48, LD48 OTH" and "MODS 48, LD_ADM" as "non worksharing-related fixed". If you cannot confirm, please explain.

G Why did you reclassify as "non worksharing-related fixed" the costs now reported in cost pools "MODS 48, LD48 OTH" and "MODS 48, L D_ADM" that had been reported in cost pool "1SUPP F4" and classified by the Commission as "worksharing-related fixed" in R2000-1?

Response:

A. Confirmed.

B. Not confirmed. Witness Miller did not make such a statement. MMA/USPS-T-22E was redirected to United Postal Service. I confirm, however, that the Postal Service's response was as stated.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

Response to MMA/USPS-T21-72 continues.

C. It is my understanding that 1SUPPORT F1 did not change and is reported in the same manner as in Docket No. R2001-1.

D. Not confirmed. Witness Miller did not make such a statement. MMA/USPS-T-22E was redirected to United Postal Service. I confirm, however, that the Postal Service's response was as stated.

E. Please refer to my response to USPS-T21-42 (B) and ABA&NAPM/USPS-T21-35.

F Confirmed.

G Please see my responses to MMA/USPS-T21-41 B(e-f) and to E above.

MMA/USPS-T21-73

Please refer to your response to Interrogatory MMA/USPS-T21-1A where you indicate that you deviated from USPS witness Miller's workshare cost savings methodology with respect to cost pool 1SUPP_F1. Why, in this one instance, did you follow the Commission's determination in R2000-1 that these costs were "workshare-related fixed" rather than adopting USPS witness Miller's position in R2001-1 that these costs were "non workshare-related fixed"?

Response:

Please refer to my response to MMA/USPS-T-21-42 (A).

MMA/USPS-T21-74

Please refer to the "delivery worksharing related unit delivery costs" that were provided to you by USPS witness Kelley and shown on page 1 of Library Reference LR-USPS-K-48.

A. Is it your understanding that these unit costs represent the volume variable unit cost for the Postal Service to deliver a letter for each of the First-Class rate categories shown? If not, what is your understanding of what each of those unit cost figures?
B. Please compare two BMM letters where one is addressed and delivered to a post office box and the other is required to be delivered by a rural or city delivery carrier. If both letters become workshared, please explain whether the Postal Service enjoys the same workshare cost savings from each.
C. Please confirm that you did nothing in your analysis of delivery cost savings due to worksharing that differentiates between letters that require delivery by rural or city carriers and letters that are addressed and delivered to a post office box. If you cannot confirm, please explain.

Response:

A. Yes. That is my understanding.

B. I cannot provide an explanation because I have not conducted a study on this issue.

C. Confirmed. Also please refer to USPS-LR-K-67 for delivery costs.

MMA/USPS-T21-75

Please refer to your response to Interrogatory MMA/USPS-T21-9 where you discuss your assumption that delivery cost for Mixed AADC Automation (MAADC) letters is a good proxy for BMM letters. In your response to part B you state that the unit delivery costs provided to you by USPS witness Kelley "reflect cost differences associated with the percentage of mail processed in Delivery Point Sequence by rate category."

A. Do you assume that the DPS % for MAADC letters is similarly a good proxy for BMM letters? If not, please explain.
B. Do you assume that if a MAADC letter and a BMM letter are both DPSed, the unit cost for the MAADC letter is a good proxy for the BMM letter? If not, please explain.
C. Do you assume that if a MAADC letter and a BMM letter are both nonDPSed, the unit cost for the MAADC letter is a good proxy for the BMM letter? If not, please explain.
D. Is it inappropriate to assume that, if a workshared and non-workshared letter are both DPSed, the unit cost for the DPSed workshared letter is a good proxy for the non-workshared letter? Please explain your answer.
E. Is it inappropriate to assume that if a workshared and non-workshared letter are both nonDPSed, the unit cost for the workshared letter is a good proxy for the non-workshared letter? Please explain your answer.

Response:

In Interrogatory MMA/USPS-T21-9, I do not discuss or make the assumption that the delivery cost for Automation Mixed AADC (MAADC) letters is a good proxy for BMM letters. In my response to MMA/USPS-T21-9(H) I stated "It can be confirmed, however, that the nonautomation machinable mixed AADC presort letters delivery unit cost estimate was used as a proxy for BMM letters, due to the fact that they exhibit similar mail piece characteristics." Therefore, I am assuming that this interrogatory is referring to Nonautomation Mixed AADC (NAMMA).

A. In the context of our cost models, DPS percentages are not used as "proxies" because they are not a cost model input. I note, however, that the DPS percentages for the BMM letters and nonauto mach mixed

Response to MMA/USPS-T21-75 continued.

AADC/AADC cost models are both 82.14%

B. In my cost models, I do not make this assumption. I assume that both mail types exhibit similar mail characteristics and are processed through the same operations. The fact that DPS percentages are similar is a byproduct of the assumptions listed above.

C. Please refer to my response to B.

(D-E). DPS percentages are not inputs to the cost models. My understanding is that delivery unit cost estimate for presort letters is de-averaged by rate category using the cumulative DPS percentage for those rate categories, which were calculated in the cost models.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-76

Please refer to your response to Interrogatory MMA/USPS-T21-62 where you indicate that you do not know why certain cost pools are consistently and reliably higher for single piece metered letters than for workshared letters.

A. In evaluating these cost pools, why has the Postal Service not seriously considered the possibility that worksharing does, in fact, favorably affect the costs associated with the functions reflected in these cost pools?
B. Why has the Postal Service not further studied these cost pools to find out why the costs incurred for workshared letters are lower?
C. In the absence of such a study, why does the Postal Service simply assume that the factors that cause the costs for workshared letters to be lower than the costs for single piece metered letters are not related to worksharing?

Response:

(A-C) The cost pool classifications have historically been based on the operations mapped to those cost pools. The operations that were determined to be directly affected by mailers' presorting and prebarcoding activities have been classified as worksharing related. The distribution keys or other factors may also affect the specific magnitude of the cost pools. This might be part of the reason why the magnitude of some BMM letters cost pools is generally higher.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-77

Please refer to your responses to Interrogatories MMA/USPS-T21-63 and MMA/USPS-T21-64. You seem to agree that BMM should be less machinable than Mixed AADC letters, stating "I would expect MAADC mail to be more machinable than BMM mail." However, you also indicate that "the model is not designed to compare modeled costs of BMM and MAADC and therefore such a comparison should not be made."

A. Please confirm that your models indicate that, prior to application of your CRA Proportional Factors, Mixed AADC letters cost more to process and have a higher DPS % than BMM letters. If you cannot confirm, please explain.
B. Please explain why the model is not designed to compare the modeled cost between your benchmark (BMM) and one of the workshared rate categories (MAADC)?
C. Please explain what your modeled costs are designed to compare.

Response:

A Confirm.

B The BMM letters cost model in USPS-LR-K-48 is only included as a means to estimate BMM letter CRA proportional adjustment factor used by witness Hatcher and has no bearing on the worksharing related savings estimates measured for First-Class Mail presort.

C The models are generally used to deaverage the CRA mail processing unit cost estimates for presort letters and cards rate categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-78

Please refer to your response to Interrogatory MMA/USPS-T21-66. In response to part D you confirm that, historically, the modeled unit costs for rate categories that require RBCS processing, i.e., BMM and non-automation letters, have always been low compared to the actual CRA costs. In part C, you are unwilling to concede a strong possibility that the models overestimate the efficiency of the RBCS operation and thereby understate RBCS costs. In part E, you were asked why the first, historical fact (Part D) does not lead to the conclusion that there is a strong possibility that your models overestimate the efficiency of the RBCS operation and thereby understate RBCS costs, but you did not answer the question. Please explain why the overwhelming evidence – that the models consistently and reliably significantly understate the costs for categories of mail that require RBCS processing – does not lead you to conclude anything at all about whether the models understate or overstate the costs for the RBCS operation.

Response:

It is difficult to form an opinion on this topic given that BMM letters CRA cost proxy includes the costs for all metered letters, not just BMM. Therefore, one would expect the modeled costs to understate the costs when compared to a CRA cost proxy that is likely overstated.

MMA/USPS-T21-79

Please refer to your response to Interrogatory MMA/USPS-T21-67 where you compare the DPS % outputs from your BMM and MAADC letter models and conclude they are "close" and based on "the best input data possible."

A. Please confirm that, when you apply your CRA Proportional Factors to each of these categories, the BMM model-derived unit cost was raised by 45.4% and the MAADC model-derived unit cost was lowered by 29.3%. If you cannot confirm, please explain.

B. Please confirm that, as the degree of machinability increases for a rate category, the unit cost will decrease and the DPS % will increase. If you cannot confirm, please explain.

C. When raising your model-derived unit cost as a result of applying the CRA Proportional Factor, as was the case for BMM letters, do you think it would have been appropriate to lower the BMM model-derived DPS % by an equivalent amount, if this could be done? If yes, why did you not caution USPS witness Kelley that the DPS % could be overstated when you provided the BMM DPS % to him? If not, why not?

D. When lowering your model-derived unit cost as a result of applying the CRA Proportional Factor, as was the case for MAADC letters, do you think it would have been appropriate to increase the MAADC model-derived DPS % by an equivalent amount, if this could be done? If yes, why did you not caution USPS witness Kelley that the DPS % could be understated when you provided the MAADC DPS % to him? If not, why not?

Response:

A. Confirmed. One would expect the BMM letters cost model to understate a cost proxy that includes all metered letters both machinable and nonmachinable. BMM letters are entered in full trays and bundles. Based on the response to POIR No. 1 concerning the auto / nonauto issue , one would expect the CRA adjustment factor to move closer to 1.0 when the auto / nonauto costs are ultimately combined in the analysis and only one CRA presort letters mail processing unit cost estimate is used.

B. Confirmed, if one holds all other inputs constant.

(C-D). No. The DPS percentages are not entered as an input. Furthermore, there is no empirical basis for making an adjustment Third, and most

Response to MMA/USPS-T-21-79 continued.

importantly, the CRA adjustment factors are not tied to DPS percentages in a directly proportional relationship, such that when one goes up the other should go down.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION; REDIRECTED FROM WITNESS HATCHER

MMA/USPS-T22-7

Please refer to Library Reference LR-USPS-K-69, page 1, where you show the derived workshare related unit processing costs for HAND and QBRM letters. You apply a 1.454 CRA Proportional Cost Factor to both model-derived unit costs for HAND and QBRM letters.

A. Please explain why you applied the CRA Proportional Cost Factor of 1.454 to each of your model-derived unit costs for HAND and QBRM letters.
B. Please confirm that, as shown in revised Library Reference LR-USPS-K-48, the BMM CRA-derived unit cost of 6.476 cents is 2.022 cents higher than USPS witness Abdirhaman's BMM model-derived unit cost of 4.454 cents. If you cannot confirm, please explain.
C. Please confirm that USPS witness Abdirhaman's mail flow model did not and could not account for 2.022 cents of the CRA unit cost for single piece metered mail that he uses as a proxy for BMM letters. If you cannot confirm, please explain.
D. Please confirm that the 2.022 cents that USPS witness Abdirhaman's mail flow model did not and could not account for represents 45.4% of the BMM model-derived unit cost of 4.454 cents. If you cannot confirm, please explain.
E. Please confirm that the reason you apply the CRA Proportional Factor to both HAND and QBRM letters is to adjust your model-derived unit costs for the strong possibility that your models have not accounted for the same costs that USPS witness Abdirhaman's BMM model did not account for? If you do not agree, please explain

RESPONSE:

A. Retained by witness Hatcher.

B. Confirmed.

C. Please refer to my response to MMA/USPS-T-21-28 (C).

D. It can be confirmed that 2.022 cents is 45.4% of 4.54 cents.

E. Retained by witness Hatcher.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF PITNEY BOWES, INC.

PBI/USPS-T21-1. Please refer to USPS-LR-K-48 and USPS-LR-K-110 for CRA mail processing costs by cost pool and to USPS-LR-K-1 for high-level descriptions of the cost pools.

(a) Please confirm that cost pool MODS 13 1TRAYSRT contains costs for tray sorting activities that include mechanical tray sorter and robotics operations. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(b) Please confirm that cost pool MODS 17 1DISPATCH contains costs for dispatch activities that include separating, staging, and moving processed mail for subsequent distribution or outbound transportation. If you do not confirm, please explain. Please describe how this cost pool processes/handles rolling stock and trays of First-Class Mail letters.

(c) Please confirm that cost pools MODS 17 1OPBULK and MODS 17 1OPPREF contain costs for opening units that include breaking down containers of mail and preparing letters for processing in piece sorting operations. If you do not confirm, please explain. Please explain how these cost pools process/handle pallets, rolling stock, and trays of First-Class Mail letters.

(d) Please confirm that cost pool MODS 17 1OPTRANS contains costs for transporting containers of mail between work areas and weighing mail to and from distribution operations. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(e) Please confirm that cost pool MODS 17 1PLATFRM contains costs for platform operations that include loading and unloading trucks, crossdocking pallets and other containers of mail, sorting mail during the vehicle unloading process, and activities performed by transfer clerks, ramp clerks, and expediters. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(f) Please confirm that cost pool MODS 17 1SCAN contains costs for scanning mail operations that include loading, scanning, labeling, and unloading of trays utilizing Air Contracting Data Collection System, Automatic Airline Assignment, Automatic Tray Sleeving, or Scan-Where-You-Band equipment. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(g) Please confirm that cost pools MODS 18 1MISC, MODS 18 1SUPPORT, and MODS 99 1SUPP_F1 contain costs for general mail processing support operations. If you do not confirm, please explain. Please describe the mail processing support activities that constitute these cost pools.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF PITNEY BOWES, INC.

(h) Please confirm that cost pool NONMODS ALLIED contains costs for allied labor activities that include platform and collection activities, moving mail to/from other operations, and separating/breaking down mail. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(i) Please confirm that cost pool NONMODS MISC contains costs for all mail processing activities not otherwise classified in the other non-MODS cost pools. If you do not confirm, please explain. Please describe the mail processing activities that constitute this cost pool.

(j) Please confirm that cost pools MODS 48 LD48 OTH and MODS 48 LD_ADM contain mail processing distribution, allied, support, miscellaneous, and admin costs in customer service facilities. If you do not confirm, please explain. Please describe the mail processing activities that constitute this cost pool.

RESPONSE:

(a) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(b) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(c) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(d) Confirmed Please refer to POIR No. 4, Question 11 (a).

(e) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(f) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(g) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(h) Partially confirmed. Please refer to POIR No. 4, Question 11 (a).

(i) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(j) Partially confirmed. Please refer to POIR No. 4, Question 11 (a).

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PBI/USPS-T21-2. Please refer to Table 1 on page 16 of your testimony and confirm that the worksharing-related savings are the expected savings of the marginal mail piece that converts to worksharing. If you do not confirm, please explain.

Response:

Confirmed.

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PBI/USPS-T21-3. Please confirm that there are no mail preparation and addressing requirements for Bulk Metered Mail letters. If you do not confirm, please explain.

Response:

Confirmed.

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PBI/USPS-T21-4. Please refer to page 11, lines 26-27 of your testimony which states that "BMM letters is the mail most likely to convert to worksharing."

(a) Please discuss if BMM letters are the average or marginal mail pieces most likely to convert to worksharing.

(b) Please confirm that other types of single-piece letters could convert to worksharing. If you do not confirm, please explain.

(c) Please confirm that PRC Op., R2000-1, paragraph 5089 states that the Commission "also views a benchmark as a "two-way street." It represents not only that mail most likely to convert to worksharing, but also, to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities."

(d) Do you agree that the benchmark "represents not only that mail most likely to convert to worksharing, but also, to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities." If you agree, please discuss if BMM letters are the average or marginal mail pieces most likely to revert. If you do not agree, please explain

(e) Please confirm that PRC Op., MC95-1, page IV-102, footnote 37 states that, for a mature workshare category such as presort First-Class Mail, "additional volume is considered less likely to come from low-cost nonpresort mail that requires few changes to convert, and more likely to come either from average-cost nonpresort mail that requires more extensive change in order to convert, or from new mail "

(f) Do you agree that, for a mature workshare category of mail whose volumes have stabilized, additional volume is considered less likely to come from low-cost nonpresort mail and more likely to come either from average-cost nonpresort mail or new mail? If you do not agree, please explain.

(g) Please confirm that BMM letters, when compared to other non-workshared letters, require relatively few changes to convert to worksharing. If you do not confirm, please explain.

RESPONSE:

(a) BMM letters are the marginal mail pieces, assuming that the term "marginal"

refers to whether a BMM piece is the next piece to convert to worksharing.

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(b) Partially confirmed. There are single piece letters that will not convert to worksharing such as Courtesy Reply Mail, Business Reply Mail pieces and hand written greeting cards. It is possible that some machine printed mail that is typically generated by business might convert to worksharing. However, from a cost standpoint, those machine printed mail pieces would be quite similar to BMM letters.

(c) Confirmed.

(d) I agree. Please see the response to (a) above.

(e) Confirmed.

(f) I have not studied this issue and therefore have no basis for forming an opinion.

(g) Confirmed

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF PITNEY BOWES, INC.

PBI/USPS-T21-5. Please confirm that, all else equal, addressing requirements, including Move Update requirements, decrease in-office delivery unit costs for First-Class Mail workshared mail as compared to what these costs would be if there were not addressing requirements. If you do not confirm, please explain.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF PITNEY BOWES, INC.

PBI/USPS-T21-6. Please provide any analyses, research, reports, studies, or data that quantify the volume or describe the mail characteristics of the First-Class Mail letters that have converted from single piece to presort or that reverted from presort to single piece within the past five years.

RESPONSE:

It is my understanding that no such analyses, research, reports, studies or data have been conducted or produced.

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PBI/USPS-T21-7. Please refer to USPS-LR-K-48 and confirm that, ignoring the CRA component of your costing methodology, flipping trays onto the equipment ledge, and sweeping letter trays during piece distribution, the First-Class Mail letter mail processing mailflow models model piece sortation/handling activities (and, for nonmachinable presort letters, package sortation activities) and do not model tray and container sortation/handling activities. If you do not confirm, please describe with specificity how the models model tray and container sortation/handling activities.

RESPONSE:

It can be confirmed that USPS-LR-K-48 model takes into account the piece and package distribution costs of letters and cards and does not model tray and container sortation/handling costs.

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PBI/USPS-T21-8. Please refer to USPS-LR-K-48. Ignoring the CRA component of your costing methodology, please confirm that the First-Class Mail letter mail processing mailflow models explicitly model (i.e., using activity-specific data such as productivities, accept rates, and downflow densities) loading, inducting, sorting, and sweeping letters in outgoing and incoming piece distribution schemes, sweeping letter trays onto rolling stock, some disposal of empty letter trays, some retrieval, staging, and labeling of empty letter trays, some scheme loading, and piggybacks. If you do not confirm, please explain.

RESPONSE:

Confirmed. Please see my response to PBI/USPS-T21-7.

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PBI/USPS-T21-9. Please refer to USPS-LR-K-48. Ignoring the CRA component of your costing methodology, please confirm that the First-Class Mail letter mail processing mailflow models do not explicitly model (i.e., using activity-specific data such as productivities, accept rates, and downflow densities) tray sorting, dispatch, opening unit, platform, scanning mail, general mail processing support, allied labor, and empty equipment handling operations and moving mail to staging areas in the plant, moving mail between operations, and moving the mail from the final sorting operation to the outbound dock. If you do not confirm, please explain.

RESPONSE:

Confirmed. Please see my response to PBI/USPS-T21-7.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF PITNEY BOWES, INC.

PB/USPS-T21-10. Please refer to the attached modified versions of USPS-LR-K-48, LR-K-48FCLTRS-RevisedV4.xls and USPS-LR-K-110, LR-K-110 FCLTRSRevisedV4.xls entitled, respectively, LR-K-48FCLTRS-RevisedV4_CRA MOD.xls and LR-K-110 FCLTRSRevisedV4_CRA MOD.xls.

(a) Please confirm that the modified versions only introduce changes to the three worksheets entitled CRA – Bulk Metered Letters, CRA – Auto Letters, and CRA – Non Auto Letters. If you do not confirm, please explain.

(b) Please confirm that the modifications are highlighted in yellow and allow a user to input a value of 1, 2, or 3 for each cost pool that classifies the cost pool and assigns the cost as either worksharing-related proportional, worksharing-related fixed, or non-worksharing-related fixed. If you do not confirm, please explain.

(c) Please confirm that entering values in the modified worksheets to match the cost pool classifications in revised USPS-LR-K-48 and revised USPS-LR-K-110 computes the same worksharing-related unit cost savings found in revised USPS-LR-K-48 and revised USPS-LR-K-110. If you do not confirm, please explain.

(d) Please confirm that the modified versions compute worksharing-related unit cost savings correctly under any assignment of cost pools to worksharing-related proportional, worksharing-related fixed, or non-worksharing-related fixed. If you do not confirm, please explain.

(e) Please confirm that classifying all cost pools as worksharing-related proportional in LR-K-48FCLTRS-RevisedV4.xls and LR-K-48FCLTRS-RevisedV4_CRA MOD xls computes the following selected results. If you do not confirm, please explain

RESULTS CLASSIFYING ALL COST POOLS AS WORKSHARING-RELATED PROPORTIONAL
(cents)

		Total Worksharing-Related Unit Cost	Total Worksharing-Related Unit Cost Savings
1	Bulk Metered Mail	14.835	n/a
2	Automation MAADC Letter	10.110	4.725
3	Automation AADC Letter	8.465	6.370
4	Automation 3-Digit Letter	7.865	6.970
5	Automation 5-Digit Letter	5.875	8.960

(f) Please confirm that classifying all cost pools as worksharing-related proportional in LR-K-110 FCLTRSRevisedV4.xls and LR-K-110

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FCLTRSRevisedV4_CRA MOD.xls computes the following selected results. If you do not confirm, please explain.

RESULTS CLASSIFYING ALL COST POOLS AS WORKSHARING-RELATED PROPORTIONAL
(cents)

		Total Worksharing-Related Unit Cost	Total Worksharing-Related Unit Cost Savings
1	Bulk Metered Mail	16.745	n/a
2	Automation MAADC Letter	10.675	6.070
3	Automation AADC Letter	8.940	7.805
4	Automation 3-Digit Letter	8.299	8.446
5	Automation 5-Digit Letter	6.205	10.540

Response:

I note that the electronic files contained in PB LR-1 are the same as the ones attached to this interrogatory. My answers to these interrogatories, therefore, reference PB LR-1.

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

(e) Confirmed.

(f) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORY OF PITNEY BOWES, INC.

PB/USPS-T21-11. Please refer to your response to PB/USPS-T21-1 subpart h where you partially confirmed that cost pool NONMODS ALLIED contains costs for allied labor activities that include platform and collection activities, moving mail to/from other operations, and separating/breaking down mail and you refer to your response to POIR No. 4, Question 11 (a) which indicates that this cost pool "contains the costs related to platform operations."

(a) Please confirm that witness Miller's response to POIR No. 4, Question 11 (b) states that the "costs mapped to [the NONMODS ALLIED] cost pool represent various allied operations performed at non-MODS sites." If you do not confirm, please explain.

(b) Please confirm that USPS-LR-K-1 page 3-11 indicates that the allied cost pool for non-MODS facilities contains clerk and mail handler costs involved in "[p]latform and collection activities, moving mail to/from other operations, separating/breaking down mail, [and] other allied labor activities." If you do not confirm, please explain.

(c) Please discuss if the NONMODS ALLIED cost pool contains costs only related to platform operations or if it also contains costs related to other allied operations such as moving mail to/from other operations and separating/breaking down mail. If the NONMODS ALLIED cost pool does not contain costs related to other allied operations at non-MODS facilities, please indicate which cost pool does

Response:

(a) Confirmed.

(b) Confirmed.

(c) Please see my response to part b.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) NO. 1, PART A

Please refer to USPS-T-21 Tables 1 and 2, USPS LR-K-48 and LR-K-110. The workshare-related savings for (machinable) First-Class Mail Nonautomation Presort letters is *negative* 1.413 cents using the USPS proposed methodology and *negative* 1.652 cents using the methods in the R2001-1 PRC Opinion. These results imply that presorted First-Class letters that are not prebarcoded are more costly for the Postal Service to process than similar letters that are not presorted.

a. Please provide any operational, methodological, data collection or other explanation for this result. Include a discussion of how changes in the entry profile of Nonautomation Presort letters since Docket No. R97-1 might affect the calculation of the workshare-related mail processing costs of machinable Nonautomation Presort letters.
b. Please explain the rationale for preserving and increasing the rate incentive for mailers to perform work that increases Postal Service costs.

RESPONSE:

(a) The negative nonautomation machinable presort letters savings estimates are a result of the cost methodologies that were relied upon in the past two rate cases. In Docket No. R2000-1, the Base Year (BY) was 1998. Under the approach used to classify tallies in the "BY 1998" methodology, First-Class Mail presort letters tallies associated with mail pieces bearing 9-digit and 11-digit barcodes were classified as "automation" tallies. All other First-Class Mail presort letters tallies were classified as "nonautomation" tallies.

Due to the timing of Docket No. R2000-1, updated Cost and Revenue Analysis (CRA) data were available for Fiscal Year (FY) 1999 before the record was closed. On May 26, 2000, the Commission instructed the Postal Service in Order No. 1294 to update the record to incorporate FY 1999 CRA costs into the Test Year (TY) forecasts, to the extent practicable.

Response to POIR No. 1a continued

However, between the production of the FY 1998 and FY 1999 cost results, a change had been made in the classification of tallies between automation and nonautomation. Under the "BY 1999" cost methodology, only First-Class Mail presort letters tallies associated with mail pieces bearing 11-digit barcodes were classified as automation tallies. All other First-Class Mail presort letters tallies, including those associated with mail pieces bearing 9-digit barcodes, were classified as nonautomation tallies.

This change in the treatment of the tallies resulted in costs being moved from the high volume automation presort letters category to the lower volume nonautomation presort letters category. Due to the large volume differences between the two categories, the nonautomation presort letters unit costs increased dramatically, while the automation presort letters unit costs decreased slightly. Consequently, the worksharing related savings estimates for the nonautomation presort letters rate category decreased, while those for the automation presort letters rate categories increased. The nonautomation presort letters volumes have also declined steadily over time. This trend appears to have magnified the effect of the BY 1999 methodology on nonautomation costs.

In its R2000-1 Opinion and Recommended Decision, the Commission relied on the BY 1999 cost methodology. In Docket No. R2001-1, the Postal Service also relied on the BY 1999 cost methodology.

Response to POIR No. 1a continued

An alternative cost methodology would be to combine the nonautomation presort letters and automation presort letters costs by shape into one category for all presort letters. All nonautomation and automation model costs would then be weighted together and compared to one IOCS cost by shape for all presort letters. This would likely result in a positive cost savings. This methodology may be more appropriate given that existing mail preparation standards may yield inaccurate IOCS nonautomation costs. As the volume of nonautomation presort mail has declined, the effects of any inaccuracies would be magnified.

Under current mail preparation standards, a mailing can qualify for automation rates even if, during acceptance and verification, it is determined that less than 100 percent of the mail pieces have legitimate 11-digit barcodes. A percentage of letters accepted at the automation presort letter rates may therefore have 9-digit barcodes, 5-digit barcodes, or no barcodes at all. Classifying tallies as automation presort letters based solely on the presence of a specific barcode may therefore not be valid. Nonautomation presort letters are also problematic. If a given automation mailing fails to meet the standard described above at the time of acceptance, the mailer may choose to be assessed the nonautomation presort letters rate, rather than rework the mail. This means that some nonautomation presort letters mailings could contain a significant number of mail pieces with legitimate 11-digit barcodes. Based solely on the physical examination of mail piece characteristics (e.g., barcodes), it is not always possible for data collectors

Response to POIR No. 1a continued

to determine whether the revenue of a given mail piece, and the piece itself, was recorded at the nonautomation rates or automation rates

The Postal Service's across-the-board rate increase proposals do not rely on the results of the special cost studies presented in this case; those results have only been used to estimate final adjustments to the rollforward model. Under these circumstances, the Postal Service used the cost methodology from the R2001-1 case, the BY 1999 nonautomation / automation cost methodology, to develop the cost studies found in USPS-LR-K-48 and USPS-LR-K-110. However, the Postal Service expects to continue consideration of alternative cost study approaches prior to the filing of the next omnibus case.

In regard to the entry profile for nonautomation presort letters, the percentage of nonmachinable mail appears to have decreased over time. This change is not surprising given that the definition of the nonmachinable surcharge was expanded in Docket No. R2001-1 to include nonmachinable nonautomation presort letters.

(b) Please see the response of witness Taufique.

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO
POIR NO. 4, QUESTION 11(a)

11. Refer to Docket No. R2000-1, the response to ABA&NAPM/USPS-T24-12 (Tr. 7/3047-3062). In this response, witness Miller provides a brief description of each component of mail processing costs used to estimate letter and card worksharing savings and explains the rationale for categorizing each pool as worksharing related proportional, worksharing related fixed, or non-worksharing related fixed.

(a) Please provide a revised description and rationale for categorization (for both First-Class Mail and Standard Mail) for each of the letter cost pools in the current case. Please identify and explain any pools that have been combined, separated, created, eliminated, renamed, or otherwise changed in definition since the R2000-1 case.

RESPONSE:

Please refer to responses provided to TW/USPS-T11-1-12 for cost pools that have been combined, separated, created, eliminated, renamed or otherwise changed. Also please refer to USPS-LR-K-55 for Management Operating Data system (MODS) operations numbers that are "mapped" to this cost pool.

In this docket, I have used Commission approved hybrid cost methodology to calculate the worksharing related savings for each rate category similar to Docket No. R2001-1. Rather than assuming that all cost pools are affected by mailer worksharing (prebarcoding and presorting) activities, I have only included those cost pools that contain presort letter/card piece distribution and/or package distribution costs. The remaining cost pools have been classified as "non-worksharing related fixed" cost pools. The rational behind the cost pool classifications is as follows:

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO
POIR NO. 4, QUESTION 11(a)

1. BCS/ FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the costs related to Bar Code Sorter (BCS) operations at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

2. BCS/DBCS

FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the cost related to Bar Code Sorter (BCS) operations at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

3. OCR/

FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the costs related to Optical Character reader (OCR) operations at MODS facility. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities

for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

4. FSM100

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

5 FSM/

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

6. FSM/1000

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

7. MECPARC

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the cost related to mechanized parcel sorting operations at MODS facilities and should not be affected by mailer working activities related to letters and cards. Therefore, it has been classified as "non-worksharing related fixed."

8. MODS SPBS OTH FCM: Non-Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD (AUTO): Worksharing Related Fixed

This cost pool contains the cost related to Small Parcel and Bundle Sorter (SPBS) bundle sorting operations at MODS facilities. The SPBS is not typically

used to process first-Class Mail letter bundles. It is, however, used to process standard letter bundles. Standard nonautomation presort letter trays can contain bundles and bundle sorting costs are included in the cost model; therefore a "worksharing related proportional" classification is used. Standard automation presort letter trays should not contain bundles. In this instance the classification "worksharing related fixed" is used. Automation letters are still classified as "worksharing related" in order to maintain the proper cost relationship between nonautomation and automation presort letters. However, the "fixed" classification is used in order not to skew the relationship between the three automation rates that are being de-averaged using cost models.

9. MODS SPBSPRIO FCM: Non-worksharing Related Fixed
STD: Non-worksharing Related Fixed

This cost pool contains the costs related to Small Parcel and Bundle Sorter (SPBS) priority mail sorting operations at MODS facilities and should no be affected by mailer worksharing activities related to letters and cards. Therefore, it has been classified as "non-worksharing related fixed."

10. 1SACK_M FCM: Non-worksharing Related Fixed
STD: Non-Worksharing Related Fixed.

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO
POIR NO. 4, QUESTION 11(a)

This cost pool contains the costs related to mechanized sack sorting operations at MODS facilities. On occasions, these sorting machines may be used to process letter trays. However, these operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

11. 1TRAYSRT FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to mechanized tray sorting and robotic equipments in MODS operations. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

12 MANF FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual flat sorting operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards.

13. MANL FCM: Worksharing Related Proportional

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO
POIR NO. 4, QUESTION 11(a)

STD: Worksharing Related Proportional

This cost pool contains the costs related to manual letter sorting operations in MODS facility. These costs are included in both the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

14. MANP FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual parcel sorting operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

15 PRIORITY FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual Priority Mail sorting operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

16. LD15 FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the costs related to labor distribution (LDC) 15 operations in MODS facilities. This LDC contains the costs related to REC keying operations and LMLM operations. These costs are included in both the First-Class Mail and Standard Mail cost models and are directly affected by mailer working activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

17. 1CANCEL FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

This cost pool contains the costs related to cancellation operations in MODS facilities. These costs are not included in the mail flow model. These costs, however, would be incurred as a result of a given mailer choosing to engage in worksharing activities. As result, the "worksharing related fixed" classification is used.

18. 1DISPATCH FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to preparing mail for dispatch, removing trays from Tray Management System (TMS), and moving equipment into the unit in MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

19. 1FLATPRP FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flats Mail Cart (FMC) preparation tasks at MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

20. 1MTRPREP FCM: Worksharing Related Fixed
STD: Worksharing Related Fixed

This cost pool contains the costs related to meter belt operations at MODS facilities. This cost pool contains the costs related to meter belt operations at MODS facilities. These costs are not included in the mail flow model. These costs, however, would be incurred as a result of a given mailer choosing to

engage in worksharing activities. As result, the "worksharing related fixed" classification is used.

21. 1OPBULK FCM: Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD: (Auto): Worksharing Related Fixed

This cost pools contains the costs related to opening units and package sorting operations in MODS facilities. For both the First-Class Mail and Standard nonautomation presort rate categories, these costs are classified as "worksharing related proportional" because package sorting costs are included in the cost models. For the automation presort rate categories, these cost pools are still classified as "worksharing related" in order to maintain the proper cost relationships between the nonautomation presort rate categories and automation presort rate categories. However, a fixed classification is used so that the cost relationships between the automation rate categories themselves are not skewed when cost models are used de-average CRA mail processing.

22. 1OPPREF FCM: Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD: (Auto): Worksharing Related Fixed

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO
POIR NO. 4, QUESTION 11(a)

This cost pool contains the costs related to opening units and package sorting operations in MODS facilities. For both the First-Class mail and Standard Mail nonautomation presort rate categories, these costs are classified as "worksharing related proportional" because package sorting costs are included in the cost models. For the automation presort rate categories, these costs are still classified as "worksharing related" in order to maintain the proper cost relationship between the nonautomation presort rate categories and the automation presort rate categories. However, a fixed classification is used so that the cost relationships between the automation rate categories themselves are not skewed when the cost models are used to de-average CRA mail processing unit costs.

23. 1OPTRANS FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to transporting containers of mail between work areas and distribution operations in MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

24. 1PLATFRM FCM: Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

The cost pool contains the costs related to platform operations performed by postal dock workers in MODS. In R2000-1, this cost pool was debated and resolved that for First Class Mail, this costs were to be classified as worksharing related fixed and non-worksharing related fixed for Standard Mail. It is assumed that these costs are identical for FC rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the "worksharing related fixed" classification is used for First-Class Mail.

25 1POUCHING FCM: Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD: (Auto): Worksharing Related Fixed

This cost pool contains the costs related to pouch racks and package sorting operations in MODS facilities. For both the First-Class Mail and Standard Mail nonautomation presort rate categories, these costs are classified as "worksharing related proportional" because package sorting costs are included in the cost models. For the automation presort rate categories, these costs are still classified as "worksharing related" in order to maintain the proper cost relationship between the nonautomation presort rate categories and the automation presort rate categories. However, a fixed classification is used so that the cost relationships between the automation rate categories themselves are not

skewed when the cost models are used to de-average CRA mail processing unit costs.

26. 1PRESORT FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

The cost pool contains the costs related to tray sortation (based on the next operations) once presort mail has been accepted and verified by Bulk Mail Enty unit (BMEU). These costs have therefore been classified as worksharing related. However, it is assumed that these costs are identical for rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the "worksharing related fixed" classification is used.

27. 1SACK_H FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual sack sorting operations at MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the "non-worksharing related fixed" classification is used.

28. 1SCAN FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool includes the costs for activities related to the AIR contract Data collection System (ACDCS) that is used to route First-Class air shipment. These operations do not involve piece distribution or package sorting activities. In addition, the costs are affected by whether mail is local and non local, rather than whether mail is prebarcoded and/or presorted. As a result, it has been classified as "non-worksharing related fixed."

29 BUSREPLY FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs for postage due activities. In a sense, its title is a misnomer. Some Business Reply Mail (BRM) costs (e.g., accounting) will fall into this cost pool. However, the automation and manual BRM sorting operations do not have their own operation numbers. As result, some BRM costs will be found in other cost pools (e.g., BCS/ MANL). In any event, these costs are not related to the piece distribution or package distribution or presort letters and cards. Therefore, a non-worksharing related fixed classification" has been used.

30. EXPRESS FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Express Mail operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

31. MAILGRAM FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to mailgrams and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

32 REGISTRY FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs relate to registered mail operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

33. REWRAP FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to rewrap operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

34. 1EEQMT FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to empty equipment operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

35. 1MISC FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

This cost pool contains the costs related to various administrative tasks at MODS facilities. These costs are obviously worksharing related, but they are not included in the cost models. As result, the "worksharing related fixed" classification is used.

36. 1SUPPORT FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

This cost pool contains the costs related to various administrative tasks at MODS facilities. These costs are not included in the mail flow model. These costs, however, would be incurred as a result of a given mailer choosing to engage in worksharing activities. As result, the "worksharing related fixed" classification is used.

37. INTL ISC FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to International Service Centers (ISC) operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

38. PMPCS FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Priority Mail operations in MODS facilities and should not be affected by mailer worksharing activities related to

letters and cards. Therefore, the "non-worksharing related fixed" classification is used.

39. LD41 FCM: Worksharing Related Proportional
STD: Worksharing Related Proportional

This cost pool contains the costs related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

40. LD42 FCM: Worksharing Related Proportional
STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

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41. LD43 FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

42. LD44 FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

43. LD48 EXP FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Express mail tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

44. LD48 OTH FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

45. LD48_ADM FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

46. LD48_SSV: FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as "non-worksharing related fixed."

47. LD49 FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

This cost pool contains the costs related to Computerized Forwarding System (CFS) operations at MODS facilities. The costs are worksharing related in the sense that mailers are required to meet strict addressing standards. However, these costs are not included in the cost model. As result, this cost pool is classified as "worksharing related fixed".

48. LD79 FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

The cost pool contains the costs related to Bulk Entry acceptance and verification at MODS facilities. These costs are working related, but they are not in the cost model. As result, the "worksharing related fixed" classification is used.

49. 1SUPP_F1 FCM: Worksharing Related Fixed
STD: Worksharing Related Fixed

This cost pool contains the costs related to support operations at MODS facility. It is assumed that these costs are identical for rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the "worksharing related fixed" classification is used.

50. NMO FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related allied labor at BMCs. First-Class Mail is not processed at BMCs and would therefore be classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

51. OTHR FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to allied labor at BMCs. First-Class Mail is not processed at BMCs, would therefore be classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

52. PLA FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to platform operations at BMCs. First-Class Mail is not processed at BMCs and is therefore classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

53. PSM FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Parcel Sorting Machines (PSM) at BMCs and should not be affected by mailer working activities for letters and cards. Therefore, it has been classified as indicated.

54. SPB FCM: Non-Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD: (Auto): Worksharing Related Fixed

This cost pool contains the costs related to Small Parcel and Bundle sorter (SPBS) operations at BMCs. First-Class Mail is not processed at BMCs and is therefore be classified as indicated. The SPBS, however is used to process Standard Mail bundles at BMCs. Standard Mail nonautomation presort letter trays can contain bundles and bundle sorting costs are included in the cost model; therefore, a "worksharing related proportional" classification is used. Automation letters are still classified "worksharing related" in order to maintain the proper cost relationship between the nonautomation presort rate categories and the automation presort rate categories. However, a "fixed" classification is used so that the cost relationships between the automation rate categories themselves are not skewed when the cost models are used to de-average CRA mail processing unit costs.

55. SSM FCM: Non-Worksharing Related Fixed

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STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Sack Sorting Machines (SSM) at BMCs. First-Class Mail is not processed at BMCs and therefore classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

56. ALLIED FCM: Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

The cost pool contains the costs related to platform operations performed by postal dock workers in MODS. In R2000-1, this cost pool was debated and resolved that for First Class Mail, this costs were to be classified as worksharing related fixed and non-worksharing related fixed for Standard Mail. It is assumed that these costs are identical for FC rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the "worksharing related fixed" classification is used.

57. AUTO/MEC FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional

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POIR NO. 4, QUESTION 11(a)

This cost pool contains costs related to automation and mechanization operations at Non-MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

58. EXPRESS FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains costs for Express Mail operations at non-MODS facilities and is classified as "non-worksharing related fixed" for the same reasons specified for cost pool (Express).

59. MANF FCM: Non-Worksharing Related Fixed
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual flat sorting operations in Non-MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, it has been classified as indicated.

60. MANL FCM: Worksharing Related Proportional
STD: Worksharing Related Proportional

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This cost pool contains the costs related to manual letter sorting operations in NON-MODS facilities. These costs are included in both the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

61 MANP FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual parcel sorting operations in Non-MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, it has been classified as indicated.

62. MISC FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

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This cost pool contains the costs related to miscellaneous support activities in Non-MODS facilities and should not be affected by mailer worksharing activities related to letters and cards.

63. REGISTRY FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to registered mail operations at Non-MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, it has been classified as indicated.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ABDULKADIR M. ABDIRAHMAN TO INTERROGATORY
OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.,
REDIRECTED FROM WITNESS TAUFIQUE

VP/USPS-T28-8. Please refer to VP/USPS-T28-3, part b. For the 4.201-cent unit cost for delivery of Standard Regular Basic presort letters referenced therein, please provide a narrative description of its nature. In your response, please include answers to the following questions.

a. Is it in effect a bottom-up cost for delivery, or have adjustments been made? If the latter, please provide a description of all adjustments.
b. Is this cost the same for nonprofit as for the commercial category? If so, does it therefore recognize no differences in cost incurrence between these two categories?
c. Does it include both in-office costs and street costs?
d. Is it designed to be a marginal cost? If not, please explain the theory that guides its development.
e. Does it recognize both city routes and rural routes? How are these different?
g. Please confirm that the updated figure for this cost is 4.591 cents, 9.3 percent higher than the current figure, found in file LR-K-101STDLTRS.xls of library reference USPS-LR-K-101. If you do not confirm, please provide the correct updated figure and identify its source.

Response:

Please note that the 4.201 cents Standard Mail nonautomation basic presort letters delivery unit cost estimate was revised to 4.206 on 11/15/01. Please see USPS-LR-J-60. The 4.206 cents figure was developed as a weighted average of the delivery unit cost estimates for the four nonautomation basic letter components (based on machinability and presort level) that make up that rate category.

a. Please refer to USPS-LR-J-117 for a full explanation of the development of the delivery unit cost estimates.

b. As result of PL 106-384, which was passed in October 2000, the USPS no longer collects or develops separate and distinct unit cost estimates for the Standard Mail Regular and Nonprofit rate categories. Hence, the figures developed in USPS-LR-J-60 represented a composite of Regular and Nonprofit cost estimates.

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RESPONSE TO VP/USPS-T28-8 (CONT.):

c. Please refer to USPS-LR-J-117 for a full explanation of the development of the delivery unit cost estimates.

d. All cost estimates contained in Docket No. R2001-1, USPS-LR-J-60 represented marginal costs.

e. Please refer to USPS-LR-J-117 for a full explanation of the development of the delivery unit cost estimates.

g. Not confirmed. In the instant proceeding, the corresponding figure is 5.410 cents and can be found in USPS-LR-K-48 on page 57.

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VALPAK DEALERS' ASSOCIATION, INC.,
REDIRECTED FROM WITNESS TAUFIQUE

VP/USPS-T28-9.

a. Please refer to VP/USPS-T28-3, part b. For the 13.474-cent unit cost for mail processing of Standard Regular Basic presort letters referenced therein, please confirm that the source of this unit cost is cell C13 of the "LETTERS SUMMARY" sheet in file STANDARD.XLS file of library reference USPSLR-J-60 in Docket No. 2001-1, and that it is a weighted average of the more disaggregated unit costs in cells C14 through C17. If you do not confirm, please provide the appropriate updated figure and give the source.

c. Please provide a narrative description of the nature of this mail processing cost of 13.474 cent referenced in preceding parts a and b.

d. Is this 13.474-cent unit cost an estimate of a marginal cost? If not, please explain the costing concept it measures.

e. Is this 13.474-cent unit cost constrained or limited in any way? If yes, please explain each constraint and the reason for it.

f. If the rate for Standard Regular Basic non-prebarcoded presort letters, which is now 26.8 cents, were to be reduced and there were to be an associated volume increase, in line with the appropriate elasticity, please explain whether you would expect the costs behind the 13.474-cent figure to increase on a peradditional-unit basis.

i. Please confirm that the updated unit cost for Standard Regular Basic presort letters is 17.303 cents, 28.4 percent higher than the level in Docket No. 2001-1, found the file LR-K-110.xls of library reference USPS-LR-K-110. If you do not confirm, please provide the correct figure and its source.

Response:

a. Not confirmed. The 13.474 cents mail processing unit cost estimate for Standard Mail nonautomation basic presort letters was revised on 11/15/01. The revised figure of 13.037 cents was calculated in Docket No. R2001-1, USPS-LR-J-60, page 56 using the Postal Service's cost methodology. In the instant proceeding, the corresponding Test Year 2006 cost estimate (using the Postal Service's cost methodology) is 17.409 cents and can be found in USPS-LR-K-48, page 57. The 17.409 cents figure was developed as a weighted average of the mail processing unit cost estimates for the four nonautomation basic letter components (based on machinability and presort level) that make up that rate category.

RESPONSE TO VP/USPS-T28-9 (CONT.):

c. Please see the response to VP/USPS-T28-9(a).

d. All cost estimates contained in Docket No. R2001-1, USPS-LR-J-60 represented marginal costs.

e. I do not understand the question.

f. Sufficient information was not provided to answer this question.

i. Not confirmed. The 17.303 cents mail processing unit cost estimate cited in this interrogatory represents the aggregate CRA mail processing unit cost estimate by shape for Standard Mail nonautomation presort letters (basic presort and 3/5-digit presort combined). Furthermore, this figure relies on the PRC cost methodology, while the data contained in Docket No. R2001-1, USPS-LR-J-60, reflected the Postal Service's cost methodology. In the instant proceeding, the mail processing unit cost estimate for Standard Mail nonautomation basic presort letters (using the Postal Service's cost methodology) is 17.409 cents and can be found in USPS-LR-K-48, page 57.

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VALPAK DEALERS' ASSOCIATION, INC.,
REDIRECTED FROM WITNESS TAUFIQUE

VP/USPS-T28-14.
Please refer to VP/USPS-T28-13, part b. For the 4.201-cent and the 4.418-cent unit delivery costs referenced in part b, please provide a narrative description of the nature of these costs. In your response, please include answers to the following questions.

a. Are the costs in effect bottom-up costs for delivery, or have adjustments been made? If the latter, please explain the adjustments.
b. Are these costs the same for nonprofit and for-profit? If so, do they fail to recognize any differences in cost incurrence between nonprofit and for-profit?
c. Do these costs include both in-office costs and street costs?
d. Are these costs designed to be marginal costs? If not, please explain the theory that guides their development.
e. Do these costs recognize both city routes and rural routes, and how are these different?
f. Please explain why it is reasonable, if it is, for the delivery cost of 3/5-digit presorted letters to be **higher** than the corresponding cost of Basic presort letters.
g. Please confirm that in this case the updated figures for the delivery costs of Standard Basic presorted letters and 3/5-digit presorted letters are, respectively, 4.519 and 4.678 cents, found in file LR-K-110STDLTRS.xls of library reference USPS-LR-K-110. If you do not confirm, please provide updated unit costs and their source.

Response:

Please note that the 4.201 cents Standard Mail nonautomation basic presort letters delivery unit cost estimate and the 4.418 cents Standard Mail nonautomation 3/5-digit presort letters delivery unit cost estimate were revised to 4.206 cents and 4.417 cents, respectively, on 11/15/01. Please see USPS-LR-J-60. These figures were developed as a weighted average of the delivery unit cost estimates for the four nonautomation letter components (based on machinability and presort level) that make up each rate category.

a. Please see the response to VP/USPS-T28-8(a).

b. Please see the response to VP/USPS-T28-8(b).

RESPONSE TO VP/USPS-T28-14 (CONT.):

c. Please see the response to VP/USPS-T28-8(c).

d. Please see the response to VP/USPS-T28-8(d).

e. Please see the response to VP/USPS-T28-8(e).

f. The mail characteristics data upon which the USPS-LR-J-60 cost models relied showed that the percentage of nonmachinable mail for the Standard Mail nonautomation basic presort letters and nonautomation 3/5-digit presort letters rate categories were 20.28 percent and 34.67 percent, respectively. The delivery unit cost estimate for the latter rate category was therefore higher.

g. Not confirmed. In USPS-LR-K-110, the Standard Mail delivery unit cost estimates for nonautomation basic presort letters and nonautomation 3/5-digit presort letters are 4.335 cents and 4.678 cents, respectively. These figures, however, are not "updated" figures that correspond to USPS-LR-J-60. In Docket No. R2001-1, USPS-LR-J-60 contained cost estimates that relied upon the Postal Service's cost methodology. In the instant proceeding, USPS-LR-K-110 contains cost estimates that rely upon the Commission's cost methodology.

Using the Postal Service's cost methodology, the Standard Mail delivery unit cost estimates for nonautomation basic presort letters and nonautomation 3/5-digit presort letters are 5.410 cents and 6.284 cents, respectively, and can be found in USPS-LR-K-48 on page 57.

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OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.,
REDIRECTED FROM WITNESS TAUFIQUE

VP/USPS-T28-15. Please refer to VP/USPS-T28-13, part b, and the unit mail processing costs of 9.712 and 8.257 cents for Basic and 3/5 digit presort letters, respectively, as referenced therein, and respond to the following questions.

a. Please confirm that the source for the 9.712-cent mail processing cost for Basic presort letters is the "LETTERS SUMMARY" sheet of file STANDARD.XLS of library reference USPS-LR-J-60 in Docket No. 2001-1, and that it is labeled "MAIL PROC WORK-SHARING UNIT COST." If you do not confirm, please provide the correct source.
b. Please confirm that the source for the 8.257-cent mail processing cost for 3/5 digit presort letters is the "LETTERS SUMMARY" sheet of file STANDARD.XLS of library reference USPS-LR-J-60 in Docket No. 2001-1, and that it is labeled "MAIL PROC WORK-SHARING UNIT COST." If you do not confirm, please provide the correct source.
c. Please refer to the 6.863-cent cost difference in cell E13 of sheet "PRE DIS" in file USPS-LR-J-132.xls (Docket No. 2001-1), which is dependent in part on the mail processing costs of 19.729 cents and 12.866 cents in cells F7 and F8 respectively, which in turn come from cells G33 and G35 of the "CRA ADJ UNIT COSTS" sheet of the file STANDARD.XLS of library reference USPSLR-J-61 in Docket 2001-1, respectively, which are labeled "Total Mail Proc Unit Cost." Please explain whether the mail processing unit costs of 9.712 cents and 8.257 cents (which are labeled as worksharing related unit costs) are defined in a way that is consistent with the mail processing unit costs of 19.729 cents and 12.866 cents (which are labeled as total mail processing unit costs).
d. If the four costs in preceding part c are consistent, please explain:
   (i) The nature of each;
   (ii) Their characteristics;
   (iii) How they are defined;
   (iv) Whether any constraints have been placed on them;
   (v) Whether they should be characterized as bottom-up costs; and
   (vi) Whether they are marginal costs.
e. If the four costs in preceding part c part are not consistent, please explain what adjustments need to be made in order to make them consistent.
f. Please confirm that in this case the 9.712-cent figure is updated to 11.805 cents and the 8.257-cent figure is updated to 11.338 cents, as shown on sheet LR-K-110STDLTRS.xls of USPS-LR-K-110. If you do not confirm, please provide the correct updated figures and their source.

Response:

Please note that the 9.712 cents Standard Mail nonautomation basic presort letters mail processing unit cost estimate and the 8.257 cents Standard Mail nonautomation 3/5-

RESPONSE TO VP/USPS-T28-15 (CONT.):

digit presort letters mail processing unit cost estimate were revised to 9.275 cents and 8.386 cents, respectively, on 11/15/01. Please see USPS-LR-J-60. These figures were developed as a weighted average of the mail processing unit cost estimates for the four nonautomation letter components (based on machinability and presort level) that make up each rate category.

a-b. Confirmed for the revised numbers described above.

c-e. It is assumed the Docket No. R2001-1 spreadsheet cited in these interrogatories should have been USPS-LR-J-132-WP1.XLS. In the sheet tabbed "PRE DIS," the 6.863 cents figure can be found in cell E13. However, the numbers referenced in cells F7 and F8 cannot be found in that spreadsheet. The 6.863 cents figure in "PRE DIS" is taken from another spreadsheet tabbed "PASSREG" and represents the mail processing unit cost differential between a Standard Mail basic presort flat and a Standard Mail 3/5-digit presort flat. The 19.729 and 12.866 cents figures represent total mail processing unit cost estimates for nonautomation basic presort flats and nonautomation 3/5-digit presort flats, respectively. The revised versions of the letters numbers described above represented worksharing related portions of the mail processing unit cost estimates for Standard Mail nonautomation basic presort letters and nonautomation 3/5-digit presort letters. It is unclear why total mail processing unit cost estimates for flats rate categories are being compared to a portion of the mail processing unit cost estimates for the corresponding letters rate categories. It is therefore not possible to provide a meaningful response to this interrogatory.

RESPONSE TO VP/USPS-T28-15 (CONT.):

f. Not confirmed. The revised Docket No. R2001-1, USPS-LR-J-60 mail processing unit cost estimates for the Standard Mail nonautomation basic presort letters and nonautomation 3/5-digit presort letters rate categories were 9.275 cents and 8.386 cents, respectively. These numbers were developed using the Postal Service's cost methodology and are therefore not directly comparable to the USPS-LR-K-110 figures, which were developed using the Commission's cost methodology. In the instant proceeding, the mail processing unit cost estimates for the Standard Mail nonautomation basic presort letters and nonautomation 3/5-digit presort letters rate categories are 12.153 and 10.614, respectively, and can be found in USPS-LR-K-48, page 57.

VP/USPS-T28-44.
Using USPS costing, from Docket No. R2001-1 to Docket No. R2005-1, the mail processing costs of the following categories of Standard Regular commercial automation letters declined by the percentages indicated: mixed AADC by 12.99 percent; AADC by 15.85 percent; 3-digit by 16.48 percent; and 5-digit by 20.64 percent (USPS/2001 from USPS-LR-J-60; USPS/2005 from USPS-LR-K-48).
At PRC costing, the corresponding declines are 14.15 percent, 15.58 percent, 16.49 percent, and 21.96 percent.
In the face of underlying inflation creep, all declines must be viewed as large (PRC/2001 from USPS-LR-J-84; and PRC/2005 from USPS-LR-K-110).

a. Please provide the percentages of these categories that were delivery point sequenced by mail processing personnel during the periods reflected by the costs cited. If you do not know, please provide estimates.

Response:

a. The actual Delivery Point Sequence (DPS) percentages for Standard Mail Mixed AADC, AADC, 3-digit, and 5-digit are not available. Witness Kelley relied on DPS percentages from my cost model to de-average the delivery unit costs by rate category. The estimated DPS percentages for the above rate categories can be found at LR-K-48STDLETRS, pages 75, 77, 79, and 81.

Auto Mixed AADC	79.57%
Auto AADC	82.02%
Auto 3 Digit	83.12%
Auto 5 Digit	86.05%.

Comparable DPS percentages from R2001-1 can be found in USPS-LR-J-60, pages 73, 75, 77 and 79.

VP/USPS-T28-47.
Table 1, set out below, is taken from the first spreadsheet of file LR-K-48STDLETRS.xls of USPS-LR-K-48, and shows workshare-related costs for various categories of letter-size Standard Regular mail at USPS costing. For ease of reference, certain costs are shaded. Please note that not all of the lines in the table, including the indented lines, are for categories recognized in rates. A corresponding table in Docket No. R2001-1 is found in USPS-LR-J-60, revised November 15, 2001.

a. Please confirm that if the Postal Service were developing discounts for automation (i.e., prebarcoded) letters based on current costs, and were following the procedures used in Docket No. R2001-1, it is the workshare-related unit costs in the shaded rows of column 4 in Table 1 that would be used. If you do not confirm, please present the costs that would be used, provide their source, and respond to the following parts of this question.

b. Please confirm that an automation discount for mixed AADC letters would be based on a cost difference of 17.563 – 7.595 = 9.968 cents.

c. Please explain the extent to which you view the discount for automation mixed AADC letters to be a worksharing discount. To the extent that you do not so view it, please explain why. To the extent that you do so view it, please explain the nature of the work that is being shared.

d. To the extent to which you view the discount for automation mixed AADC letters to be a worksharing discount, please explain the extent to which you believe this discount should be based on a cost avoidance. If you do not believe it should be based on an avoidance, please explain why. If you do so believe, please explain how that avoidance should be defined, i.e., its concept and the costs that should be used to implement the concept.

e. Recognizing that the 17.563-cent workshare related cost for nonautomation presort letters shown in column 4 (and its mail processing and delivery components in columns 2 and 3) is a weighted average of the four costs shown immediately below it in the table, please explain the extent to which you view the cost difference of 9.968 cents to be an amount that would be avoided if a candidate basic presort letter shifts to become an automation mixed AADC letter.

f. If an automation mixed AADC letter were to revert back to being nonautomation, is it your position that the Postal Service would experience an increase in cost of 9.968 cents? If you do, please explain how and why that cost increase would occur, and any assumptions on which it is based. If you do not, please explain why it is the appropriate cost on which to base the automation discount.

g. As shown in Table 1, the workshare-related mail processing cost of nonautomation, machinable letters is 7.901 cents at both the mixed AADC and AADC levels, and of (ii) corresponding automation letters is 3.491 cents at the mixed AADC level and 2.772 cents at the AADC level.

(i) Please explain how the difference between the costs of 7.901 cents and 3.491 cents, for mixed AADC letters, relates to the cost the Postal Service would incur to read the address and place a barcode on the nonautomation piece.

(ii) Please explain why the worksharing-related mail processing cost of automation mixed AADC letters is 3.491 cents while the corresponding cost for AADC letters is only 2.772 cents.

(iii) Please explain why the two nonautomation costs are the same while the two automation costs differ.

Response:

(a-f) Redirected to Witness Taufique (USPS-T-28).

g. Please note the cost figures shown in table 1 were revised on 5/24/05. The nonautomation, machinable letters cost is 8.059 cents at both mixed AADC and AADC levels, and the corresponding automation letters unit cost is 3.505 cents at the mixed AADC level and 2.788 at the AADC level.

(i) The worksharing related unit cost of 8.059 cents represents the modeled cost of nonautomation machinable Mixed AADC/AADC rate levels which are adjusted for base year volume and tied back to the CRA costs using CRA adjustment factors. Please refer to USPS-LR-K-48, page 58, column (4).

The worksharing related unit cost of 3.505 cents represents the modeled cost of automation mixed AADC level which is adjusted for base year volumes and tied back to the CRA costs using CRA adjustment factors. Please refer to USPS-LR-K-48STDLETRS, page 59, column (4)

The cost difference could be explained by the following reasons:

1- The nonautomation machinable mail pieces have machine printed addresses but are not prebarcoded. These pieces will be processed in the Remote Bar Code System (RBCS), which includes various hardware and software components that are designed to read and apply barcodes to machine printed mail pieces.

2- The second explanation is related to the concerns expressed in my response to POIR No. 1 part a.

(ii) For the explanations of the worksharing related unit cost of 3.505 cents, please refer to my response to g (i).

The worksharing related unit cost of 2.788 cents represents the modeled cost of automation AADC level which is adjusted for base year volumes and tied back to the CRA costs using CRA adjustment factors. Please refer to USPS-LR-K-48STDLETRS, page 59. Column (4).

Modeled costs for automation Mixed AADC and AADC are shown in the revised USPS-K-48STDLETRS, pages 75 and 77, respectively. These cost differences are attributed to the Outgoing Secondary Operation costs which are incurred by Mixed AADC mail pieces. AADC mail piece do not incur such costs.

(iii) Nonautomation costs are the same because, unlike the First -Class Mail rate structure, Standard Mail nonautomation presort has only two rate categories: nonautomation basic and nonautomation 3/5-digit. Therefore, cost models must be used to de-average the costs for Standard nonautomation presort

letters. Please refer to USPS-LR-K-48 STDLETRS, page 63 and 65 for the nonautomation machinable costs of mixed AADC and AADC and nonautomation machninable costs for 3 digit and 5 digit.

The reason the automation costs for mixed AADC and AADC differ is related to the fact Mixed AADC mail pieces incur outgoing secondary operation costs while AADC mail pieces do not incur such costs.

1 MS. McKENZIE: Yes. Before I do, Mr.
2 Chairman, I just wanted to note that Mr. Abdirahman's
3 answers to MMA-7B and MMA, USPS-59C, those pages or
4 parts of answers had not been included in the
5 originally designated package. They would complete
6 the answers that Mr. Abdirahman had provided, so we've
7 included the correct pages for those in these packets.
8 CHAIRMAN OMAS: And you're going to give it
9 to the Reporter.
10 MS. McKENZIE: And I will hand it to the
11 Reporter, yes.
12 CHAIRMAN OMAS: Thank you. Is there any
13 additional Cross-Examination for Witness Abdirahman?
14 MR. HALL: Yes.
15 CHAIRMAN OMAS: Mr. Hall?
16 MR. HALL: One item, and that is the
17 witness' response to Interrogatory MMA/USPS-T22-8
18 parts A and B which were redirected from USPS Witness
19 Hatcher. I've provided two copies to the Reporter
20 already. I don't know if the witness has one?
21 (The document referred to was
22 identified as MMA/USPS-T22-
23 8.)
24 MR. ABDIRAHMAN: Yes, I do.
25 MR. HALL: Counsel, do you have one?

1 MS. McKENZIE: Yes, I do.
2 MR. HALL: Then I think we're complete.
3 Would you like me to ask him if he adopts the
4 responses shown there as your sworn testimony?
5 CHAIRMAN OMAS: Yes.
6 MR. HALL: Mr. Abdirahman, do you adopt the
7 responses shown for 8A and B as your sworn testimony
8 in this proceeding?
9 MR. ABDIRAHMAN: Yes.
10 MR. HALL: Thank you.
11 CHAIRMAN OMAS: Mr. Hart?
12 MR. HART: Thank you. Henry Hart for the
13 ABA And National Association of Pre-Sort Mailers.
14 I have three additional interrogatories we
15 would like to designate. One was filed yesterday
16 afternoon, the other two Monday, all three of them
17 after we filed our designations.
18 I've provided a copy to Postal Service
19 counsel just ten minutes ago and have two that I would
20 give to the Reporter.
21 They are the response of Mr. Abdirahman to
22 ABA and NAPM/USPS-T12-1C redirected from Witness Bazo;
23 and the other two are ABA and NAPM/USPS-T16-13 and 14
24 redirected from Witness Kelly.
25 //

1 (The documents referred to
2 were identified as USPS-T-12-
3 1C and USPS-T16-13 and USPS-
4 T16-14.)
5 MR. HART: Mr. Abdirahman, do you have
6 copies of those exhibits?
7 MR. ABDIRAHMAN: Yes.
8 MR. HART: And let me if I may provide two
9 copies to the Court Reporter.
10 CHAIRMAN OMAS: Thank you.
11 MR. HART: Mr. Abdirahman, if you were to
12 provide testimony today would your sworn testimony be
13 the same as the responses to those three
14 interrogatories that I just provided to the Reporter?
15 MR. ABDIRAHMAN: Yes.
16 MR. HART: Thank you.
17 CHAIRMAN OMAS: Thank you, Mr. Hart.
18 I direct that the revised 6I be transcribed
19 into the beginning of the record this afternoon
20 without objection.
21 (The document referred to,
22 previously identified as
23 Exhibit No. USPS 6I
24 (revised), was received in
25 evidence.)

EXHIBIT
USPS 6I
Revised

US Postal Service
Summary of Net Income (Loss) & Equity
FY 1971 - FY 2005
Dollars in Millions

Fiscal Year	Net Income	Net (Loss)	Cumulative NI (Loss)		Equity
1971					1,685.717
1972		(175.435)	(175.435)		1,548.306
1973		(12.964)	(188.399)	R80-1	1,565.552
1974		(438.359)	(626.758)	Cumulative	1,146.782
1975		(988.758)	(1,615.516)	FY 81-84	190.267
1976		(1,175.802)	(2,791.318)	(588)	(955.358)
TQ	15.170		(2,776.148)	214	(428.830)
1977		(687.849)	(3,463.997)	830	(587.534)
1978		(379.428)	(3,843.425)	948	(945.222)
1979	469.836		(3,373.589)		(443.692)
1980		(306.392)	(3,679.981)	R94-1	(718.931)
1981		(587.739)	(4,267.720)	Cumulative	(1,306.700)
1982	801.576		(3,466.144)	FY 95-98	(505.146)
1983	616.326		(2,849.818)	1,770	111.770
1984	117.352		(2,732.466)	3,337	310.739
1985		(251.480)	(2,983.946)	4,602	58.364
1986	304.608		(2,679.338)	5,152	361.868
1987		(222.686)	(2,902.024)		138.227
1988		(596.910)	(3,498.934)	R97-1	(460.434)
1989	60.719		(3,438.215)	Cumulative	(401.629)
1990		(873.578)	(4,311.793)	FY 99-00	(1,277.666)
1991		(1,468.614)	(5,780.407)	363	(2,746.936)
1992		(536.462)	(6,316.869)	164	(3,283.116)
1993		(1,764.915)	(8,081.784)		(5,047.700)
1994		(913.600)	(8,995.384)	R2000-1	(5,961.500)
1995	1,770.255		(7,225.129)	Cumulative	(4,191.045)
1996	1,567.177		(5,657.952)	FY 01-02	(2,623.500)
1997	1,264.382		(4,393.570)	(1,680)	(1,359.539)
1998	550.243		(3,843.327)	(2,356)	(809.403)
1999	363.411		(3,479.916)		(445.992)
2000		(199.828)	(3,679.744)	R2001-1	(645.820)
2001		(1,679.938)	(5,359.682)	Cumulative	(2,325.758)
2002		(676.447)	(6,036.129)	FY 03-05	(3,002.205)
2003	3,868.483		(2,167.646)	3,868	866.278
2004	3,064.905		897.259	6,933	3,931.183
2005 Est.	1,679.899		2,577.158	8,613	5,611.082
Total 72-05	16,514.342	(13,937.184)	2,577.158		

Source: FY 2000 and prior years taken from R2001-1, USPS-T-6, Exhibit 6L. FYs 2001 - 2004 taken from USPS Financial Statements.

Note: The period FY 95-98 includes 3 months of R90-1 rates. The period FY 99-FY 2000 includes 3 months of R94-1 rates . The period FY 01-02 includes 3 mos of R97-1 rates and 3 mos of R2001-1 rates.

1 MS. McKENZIE: No objection.

2 CHAIRMAN OMAS: Thank you.

3 This brings us to oral Cross-Examination.

4 Five parties have requested oral Cross-Examination.

5 The first to lead off in Cross is Mr. Hart with the

6 American Bankers Association, National Association of

7 Pre-Sort Mailers.

8 Mr. Hart, would you begin?

9 CROSS-EXAMINATION

10 BY MR. HART:

11 Q Good afternoon.

12 A Good afternoon.

13 Q Could you please turn to your response to

14 ABA NAPM interrogatory to you, number T-21-19? Do you

15 have that in front of you?

16 A Yes.

17 Q In your response you confirm that the entry

18 profile data used to separate the first class mail

19 non-automation pre-sort letters rate category volume

20 by pre-sort level of machinability is based on a study

21 which dated back to R-97-1. You also state that the

22 definition of non-machinable surcharge was expanded to

23 included non-machinable, non-automation pre-sort

24 letters in R-2001-1, but the machinability

25 distribution of that rate category had likely changed

1 to some extent, that you didn't update that R-97 entry
2 profile data because there were no more recent
3 characteristic data available.
4 Is that an accurate characterization of the
5 response?
6 A Yes.
7 Q Can you tell me how you think your use of
8 that R-97 study would have had an effect on the unit
9 cost, that is the cost divided by volume, on the unit
10 cost for the non-machinable -- I'm sorry. On the unit
11 cost for the machinable non-automated pre-sort letters
12 rate category which of course is the type of mail that
13 was used by the Postal Service as a proxy for BMM
14 delivery costs?
15 A With this response you ask me that the data
16 entry profile that I used was an old, so I was trying
17 to explain to you there was no better data to use.
18 It's true that the BMM is non-machinable.
19 It's true that the BMM is, I don't know how you
20 reference here to the BMM. Could you repeat the
21 question please?
22 Q I'm wondering what do you think was the
23 effect of your use on that 1997 study instead of an
24 updated study. What was the effect of the use of that
25 1997 study on the measurement of unit cost that

1 resulted for machinable, non-automated pre-sort
2 letters?
3 A None other cost. There is a POIR that's
4 standing that talks about the differences of auto and
5 non-auto costs, but the, if this information was
6 updated, what the result would be I wouldn't know
7 until I used the data.
8 Q So you don't have, and I'll just ask it one
9 more time, you don't have an estimate that you feel
10 comfortable with as to whether or not an updated study
11 would have increased those unit costs or decreased
12 those unit costs for machinable, non-automated pre-
13 sort letters?
14 A No.
15 Q Okay.
16 Could you please turn to your response to
17 ABA and NAPM T21-23?
18 A Yes.
19 Q In that question we asked you to comment on
20 the fact that the BMM mail flow model, within the
21 context of that BMM, bulk meter mail mail flow model,
22 we asked you to explain the decline in the pieces per
23 hour for incoming secondaries during the auto three
24 pass EPS operation which was a drop from 32,000 pieces
25 approximately to 21,000. Your response was that the

1 change is due to MODS productivity volumes which were
2 updated with new productivity data.
3 My question to you now is why has the
4 productivity gone down?
5 A This question I have addressed it, I think
6 you asked that question again, and then I think it's
7 64. I directed it to Witness Bazzo who provided I
8 believe the answer to that.
9 When I saw this question the appropriate
10 response to me, when I look at the data, was that
11 demonstrative activity that I got from Witness Bazzo
12 was smaller this time. That wasn't sufficient. So
13 you asked me a follow-up question and I referred to
14 Witness Bazzo and I think he provided an answer to
15 that.
16 Q So is it fair to say, and correct me if I'm
17 wrong, but in response to the question of why has the
18 productivity gone down, you would suggest that we ask
19 Witness Bazzo that question.
20 A You did actually ask. And I believe he
21 provided an answer.
22 Q Turn if you would to ABA and NAPM, USPS-T21-
23 25f.
24 A I have it.
25 Q A similar issue. We asked you what factors

1 explain the fall in your BMM unit cost estimate for an
2 activity from .668 cents to .1 cent. Your response
3 was, my understanding is that the volume variability
4 is lower.
5 My question now to you is why is the volume
6 variability lower?
7 A I think that answer included in my
8 testimony. I used the numbers I received from Witness
9 Smith. I tried to be able to provide an answer there.
10 I think there was also a follow-up question regarding
11 the difference why the BMM Mail or metered mail which
12 I use as a proxy is changing.
13 Q Your answer was that the volume variability
14 is lower. And why do you think that volume
15 variability is lower?
16 A This question is asked by my testimony and I
17 try to provide you, there is different volume
18 variabilities that we use with the PRC. So I believe
19 that's the response I could provide you at the time,
20 but I don't -- That's outside the scope of my
21 testimony. So you want to know why the variability is
22 low, why it's higher? It's not something I can
23 respond to.
24 Q So you don't know why the volume variability
25 was lower?

1 A No, I don't.

2 Q Turn if you would to your response to an

3 interrogatory, and let me -- That was redirected from

4 Witness Smith. It was ABA and NAPM USPS-T13-10. If

5 you will, just let me know when you have that.

6 A Okay.

7 I do.

8 Q In that, I'd like you to focus on the

9 subsection C that was redirected to you.

10 The question concerned one SCAN cost pools,

11 and you stated that those cost pools include the cost

12 for activities related to air contract data collection

13 systems, that the operations didn't involve piece

14 distribution or package sorting activities.

15 Then you stated, "In addition, the costs are

16 affected by whether mail is local or non-local rather

17 than whether the mail is pre-bar coded and/or pre-

18 sorted. As a result, it has been classified as non-

19 work sharing related fix."

20 Let me just repeat that sentence one more

21 time, then I'll as you a question.

22 A Okay.

23 Q "In addition, the costs are affected by

24 whether mail is local or non-local rather than whether

25 the mail is pre-bar coded and/or pre-sorted. As a

1 result, it has been classified as non-work sharing
2 related fix."
3 Would you agree that if a pre-sort bureau
4 receives a large amount of local mail, that that local
5 mail is more likely to be qualified at the five digit
6 level than if a pre-sort receives the same amount of
7 mail but it is non-local?
8 A Could you say that one more time?
9 Q If you take, suppose a pre-sort bureau gets
10 a million pieces of mail, and they're non-local. Then
11 take the same example except it gets a million pieces
12 of mail and it's local. Do you agree that it is more
13 likely to be able to qualify a higher percentage of
14 the local mail to five digit than it is able to
15 qualify a percentage of the non-local mail to five
16 digit?
17 A I haven't studied that so I wouldn't know
18 that.
19 Q Wouldn't you think that if you have, in my
20 example, a million pieces of mail that if they were
21 all local mail that you'd be more likely to have
22 hither numbers to the same five digit category?
23 A Yes.
24 Q That being the case then, don't you think
25 there is a correlation between whether mail is local

1 or non-local and the degree to which it may have been
2 work-shred or pre-sorted?
3 A One scan cost pool, what I classified as
4 non-work sharing, I was looking at activity related to
5 that specific task that led to a specific cost pool.
6 That's why I classify it as non-work share related.
7 It has nothing to do with piece and bundle
8 distribution.
9 Q Understood, but the question went to your
10 additional comment that because the costs are affected
11 by whether the mail is local or non-local, that
12 somehow this meant that it was not non-work sharing
13 related.
14 A I still believe that one scan cost pool is
15 not work share related.
16 Q But you agree that the extent to which mail
17 is local as opposed to non-local could have an affect
18 on the degree to which it has been pre-sorted?
19 A That is correct.
20 Q Turn if you would to your response to ABA
21 And NAPM USPS-T21 number 22.
22 A Yes.
23 Q In that question we asked you about
24 classification of various cost pools as either work-
25 sharing related proportional, work-sharing related

1 fixed, and non-work-sharing related fixed.

2 In connection with this question I'd like to show

3 you a chart that I prepared. I've shown it to your

4 counsel. Has she given you a copy of it?

5 A Yes.

6 Q I'd like if I could to give a copy to the

7 Commissioners. It's labeled ABA and NAPM USPS-T21

8 Cross-Exam, Exhibit 1.

9 (The document referred to was

10 identified as USPS-T21

11 Exhibit 1.)

12 Q USPS mail profits in cost pool comparison.

13 I know, Mr. Abdirahmanm, you've not had much

14 time to look at this and for purposes of your response

15 I would ask you to assume that the chart is accurate

16 so I'm not asking you to opine as to whether or not we

17 have correctly indicated in this chart which cost

18 pools are in which category.

19 Assume for purposes of the response that we

20 did it right, okay?

21 A Okay.

22 Q Please first, if you would, look at the --

23 and I should explain to you, this sets forth for both

24 R-2005, this case, and for the previous rate case, R-

25 2001, it sets forth various cost pools and then shows

1 in each of those rate cases whether they were
2 classified as proportional work-sharing related fixed
3 or non-work-sharing related fixed. I apologize, but
4 in revising this chart that first column says work-
5 sharing related proposal. It should say work-sharing
6 related proportional.
7 Are we agreed on that? We understand it?
8 A Yeah, uh huh.
9 Q I would ask you to look at the column on the
10 left for work-sharing related, it should say
11 proportional.
12 A Yes.
13 Q Again, assuming for purposes of your
14 response the chart is accurate, would you confirm that
15 there were less cost pools that were included in work-
16 sharing related proportionals, in this case R-2005,
17 than there were in the last case, R-2001.
18 A I'm not looking at 2001-1, so I would take
19 you said assuming, so I'm assuming that.
20 Q Correct.
21 A I'd also like to note the cost pools, they
22 change. Some disappear, some reappear, some new ones
23 come. From case to case.
24 Q That's right, and some of the new noes are
25 shaded for you there on the left.

1 A Right.
2 Q In this case.
3 Should I repeat the question?
4 A Yes, please.
5 Q if you would look at that work sharing
6 related proportional column, and would you confirm
7 that the chart indicates that less cost pools were
8 included in work-sharing related proportional in this
9 R-2005 case than were included in R-2001-1.
10 A Yes.
11 Q Thank you.
12 If you would then go to the right-hand
13 column which is labeled non-work-sharing related
14 fixed. I'll give you a time to count here, but would
15 you confirm that there are at least five new cost
16 pools in R-2005-1 as shown in this chart which have
17 been placed in the non-work-sharing related fixed
18 column which didn't exist as cost pools in R-2001?
19 A Are those the ones you highlighted?
20 Q Yes. Most of those. There are more than
21 five, but they are within those that were highlighted,
22 that's correct.
23 A Yes. There are new cost pools.
24 Q Thank you.
25 In the case where, and just to the best of

1 your recollection, but in the case where a new cost
2 pool was created and we tried and assume we're
3 accurate there in the ones we've shaded, in this case,
4 where did that cost pool come from? Do you know?
5 Does it vary by cost pool or is it typically from one
6 of these three categories?
7 A That's outside the scope of my testimony.
8 Q Okay.
9 MR. HART: That's all I have, but I would
10 like to give this to the Court Reporter to introduce
11 the Cross-Examination, Exhibit No. 1 into the record.
12 CHAIRMAN OMAS: Thank you, Mr. Hart.
13 MS. McKENZIE: Mr. Chairman, I just wanted
14 to make sure that the record is clear. My
15 understanding is he just assumed that this was
16 accurate, but that doesn't mean that necessarily these
17 are how the cost pools are classified. It's just that
18 this particular chart you were asking questions about
19 was an assumption that they're accurate.
20 MR. HART: That's correct.
21 MS. McKENZIE: Then it seems to me that it
22 could be transcribed but it shouldn't be admitted into
23 evidence since we don't have a foundation for that.
24 MR. HART: I'm trying to get into the record
25 for the convenience of the Commission the Cross-

1 Examination exhibit, and those who read the record, so
2 they can see what the witness was commenting no.
3 MS. McKENZIE: That's transcribing it into
4 the record. So the record will be clear if it's
5 transcribed into the record, but it's not part of the
6 evidence since we don't have a foundation for it.
7 MR. HART: That's fine.
8 CHAIRMAN OMAS: Yes, I think we'll
9 transcribe it, but not as evidence.
10 Thank you, Mr. Hart.
11 (The document referred to,
12 previously identified as
13 USPS-T21 Exhibit 1,was not
14 received in evidence.)
15 //
16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //

ABA & NAPM/USPS -T21-Cross Exam Exhibit # 1

USPS Mail Processing Cost Pool Comparison
R2005-1 vs R2001-1

R2005-1			R2001-1			Worksharing Related Proposal		Worksharing Related Fixed		Non-Worksharing Related Fixed	
Cost Pool No	Source	Cost Pool Abbreviation	Cost Pool No	Source	Cost Pool Abbreviation	R2001-1	R2005-1	R2001-1	R2005-1	R2001-1	R2005-1
1	BMCS	NMO	1	BMCS	NMO					X	X
2	BMCS	OTHR	2	BMCS	OTHR					X	X
3	BMCS	PLA	3	BMCS	PLA					X	X
4	BMCS	PSM	4	BMCS	PSM					X	X
5	BMCS	SPB	5	BMCS	SPB					X	X
6	BMCS	SSM	6	BMCS	SSM					X	X
7	MODS 11	BCS/	7	MODS 11	BCS/	X	X				
8	MODS 11	BCS/DBCS	8	MODS 11	BCS/DBCS	X	X				
9	MODS 11	OCR	9	MODS 11	OCR	X	X				
10	MODS 12	AFSM100									X
11	MODS 12	FSM	10	MODS 12	FSM					X	X
12	MODS 12	FSM/1000	11	MODS 12	FSM/1000					X	X
			12	MODS 12	LSM	X					
13	MODS 13	MECPARC	13	MODS 13	MECPARC					X	X
14	MODS 13	SPBS OTH	14	MODS 13	SPBS OTH					X	X
15	MODS 13	SPBSPRIO	15	MODS 13	SPBSPRIO					X	X
16	MODS 13	1SACKS_M	16	MODS 13	1SACKS_M					X	X
17	MODS 13	1TRAYSRT									X
18	MODS 14	MANF	17	MODS 14	MANF					X	X
19	MODS 14	MANL	18	MODS 14	MANL	X	X				
20	MODS 14	MANP	19	MODS 14	MANP					X	X
21	MODS 14	PRIORITY	20	MODS 14	PRIORITY					X	X
22	MODS 15	LD15	21	MODS 15	LD15	X	X				
23	MODS 17	1DSPATCH									X
24	MODS 17	1FLATPRP									X
			22	MODS 17	1BULK PR	X(NA)		X(A)			
			23	MODS 17	1CANCMPP			X			
25	MODS 17	1CANCEL									X
26	MODS 17	1MTRPREP					X				
27	MODS 17	1OPBULK	24	MODS 17	1OPBULK	X(NA)		X(A)	X		
28	MODS 17	1OPPREF	25	MODS 17	1OPPREF	X(NA)		X(A)	X		
29	MODS 17	1OPTRANS									X
30	MODS 17	1PLATFRM	26	MODS 17	1PLATFRM			X	X		
31	MODS 17	1POUCHNG	27	MODS 17	1POUCHNG	X(NA		X(A)	X		
32	MODS 17	1PRESORT							X		
33	MODS 17	1SACKS_H	28	MODS 17	1SACKS_H					X	X
34	MODS 17	1SCAN	29	MODS 17	1SCAN					X	X
35	MODS 18	BUSREPLY	30	MODS 18	BUSREPLY					X	X
36	MODS 18	EXPRESS	31	MODS 18	EXPRESS					X	X
37	MODS 18	MAILGRAM	32	MODS 18	MAILGRAM					X	X
38	MODS 18	REGISTRY	33	MODS 18	REGISTRY					X	X
39	MODS 18	REWRAP	34	MODS 18	REWRAP					X	X
40	MODS 18	1EEQMT	35	MODS 18	1EEQMT					X	X
41	MODS 18	1MISC									
42	MODS 18	1SUPPORT									
43	MODS 19	INTL ISC	36	MODS 19	INTL					X	X
44	MODS 19	PMPC									X
45	MODS 41	LD41	37	MODS 41	LD41	X					
46	MODS 42	LD42	38	MODS 42	LD42	X					
47	MODS 43	LD43	39	MODS 43	LD43	X					
48	MODS 44	LD44	40	MODS 44	LD44	X					
49	MODS 48	LD48 EXP	41	MODS 48	LD48 EXP					X	
50	MODS 48	LD48_SSV	42	MODS 48	LD48_SSV					X	
51	MODS 48	LD48_ADM									
52	MODS 48	LD48 OTH									
53	MODS 49	LD49	43	MODS 49	LD49			X	X		
54	MODS 79	LD79	44	MODS 79	LD79			X	X		
55	MODS 99	1SUPP_F1	45	MODS 99	1SUPP_F1				X	X	
			46	MODS 99	1SUPP_F4					X	
56	NONMODS	ALLIED	47	NON MODS	ALLIED			X	X		
57	NONMODS	AUTO/MECH	48	NON MODS	AUTO/MEC	X	X				
58	NONMODS	EXPRESS	49	NON MODS	EXPRESS					X	X
59	NONMODS	MANF	50	NON MODS	MANF					X	X
60	NONMODS	MANL	51	NON MODS	MANL	X	X				
61	NONMODS	MANP	52	NON MODS	MANP					X	X
62	NONMODS	MISC	53	NON MODS	MISC					X	X
63	NONMODS	REGISTRY	54	NON MODS	REGISTRY					X	X
Total number of X marks and/or X(A) marks in each column						12	8	9	9	33	36

Note NA = Non-Auto A = Auto

Source R2001-1 USPS-LR-J60

1 MR. HART: Thank you.

2 CHAIRMAN OMAS: Mr. Anderson, American

3 Postal Workers Union, AFL-CIO.

4 MR. ANDERSON: Good afternoon, Mr. Chairman,

5 Commissioners.

6 CHAIRMAN OMAS: Good afternoon, Mr.

7 Anderson. You may proceed.

8 MR. ANDERSON: Thank you.

9 CROSS-EXAMINATION

10 BY MR. ANDERSON:

11 Q Good afternoon, Mr. Abdirahman.

12 A Good afternoon.

13 Q Do you have before you a copy of your Direct

14 testimony?

15 A Yes, I do.

16 Q If you'd turn to page 16 of your Direct

17 testimony, please, I want to ask you about Table 1.

18 This table is entitled Letters and Cards Total Mail

19 Processing Unit Cost Estimates and Work-Sharing-

20 Related Savings Estimates.

21 Mr. Abdirahman, as I see the table it shows

22 that for non-automation first class mail, work-shared

23 mail costs the postal service more than non-work-

24 shared mail as indicated in the center column there

25 under work-sharing related savings, is that correct?

1 That's what the table would show.
2 A Uh huh.
3 Q The parenthetical indicates a negative
4 number which means it's more costly to do it that way.
5 A Yes.
6 Q Would you agree with me that this would be
7 an anomalous and incorrect result?
8 A The non-automation costs, the reason that
9 they are higher is, I've talked about it and expressed
10 it and discussed in detail in my POIR-1 response.
11 Q Yes. In summary you would agree that that's
12 an incorrect result? As shown here this would seem to
13 be an incorrect result, isn't that the jist of your
14 answer in POIR-1?
15 A I wouldn't say it's incorrect. I would say
16 that our data collectors' inability to identify some
17 of the costs during the allocating costs for non-
18 automation and automation. I will say incorrect in
19 that sense.
20 Q You said the negative number resulted
21 because your data collectors were unable to correctly
22 allocate costs, is that your testimony?
23 A Yes.
24 Q This inability to correctly allocate costs,
25 that likewise has an impact on the other numbers in

1 that column as well, isn't that correct?
2 A That's correct.
3 Q So to the extent that this inability to
4 correctly allocate costs resulted in an overstatement,
5 it overstates the work-sharing related savings for
6 automated mail, isn't that correct? It would have
7 that effect.
8 A The result of this has the effect of the
9 non-automation costs are higher and the automation
10 costs are lower.
11 Q Due to the same problem in the cost
12 allocations.
13 A That's correct.
14 Q Table 1 in your testimony was not submitted,
15 was it, with the intention that it be used for setting
16 rates ion this case?
17 A that's correct.
18 Q Do you have before you your response to
19 Presiding Officer's Information Request No. 1, Part A?
20 A Yes, I do.
21 Q On page four of that response, you suggest
22 an alternative cost methodology that would correct
23 this result for first class letters. Are you with me?
24 A Yes.
25 Q Limiting our discussion for the moment to

first class letters, as I understand it the problems with the numbers in your table resulted from the manner in which the costs for work-shared non-automated pre-sort mail and work-shared automated pre-sort mail were allocated.

A That's correct, yes.

Q And you suggest that we could combine the costs of processing non-automation and automation pre-sort work-shared letters as a way of correcting for this.

A I haven't done that, but that's the plan.

Q And if it were done, then once the costs were combined the automation and non-automation mail flow model costs would be used to allocate this overall cost to the different rate categories.

A Yes.

Q Based on your response to POIR-1A, I'm correct I think that you think that the likely result of this recalculation would be a positive number for work-sharing related savings for non-automated pre-sort work-shared mail?

A Yes, but the question, when the Presiding Officer asked me the question there was a negative number that decided at the beginning and I was replying to that number.

1 Q And you think it likely that the
2 recalculation that we've just discussed would probably
3 make, might make that a positive number.
4 A Yes.
5 Q But you have not done the recalculation.
6 A I haven't done that.
7 Q Okay. And as we discussed just a minute
8 ago, the same type of adjustment then would result in
9 lowering the apparent savings for work-sharing
10 automated first class mail. If you made the same kind
11 of recalculation.
12 A But I haven't -- Let me just state I have
13 not done this calculation. I am just assuming the way
14 when I look at the, when I was drafting the POIR-1 and
15 I looked at the problem, the result would be, that
16 would be the impact.
17 Q I appreciate that clarification and that
18 emphasis. So you and I can agree that this table was
19 not prepared with the intention that it be used as the
20 basis for setting rates. You testified to that a
21 moment ago.
22 A As a matter of fact, --
23 Q You would agree with that?
24 A Yes. In fact I stated in POIR, page five,
25 POIR-1, I say that the Postal Service across the board

1 rate increase proposal does not rely on the results of
2 the special cost status presented in this case. The
3 results would only be used to estimate the final
4 adjustment to the roll forward model, and it would
5 explain it a little bit more.
6 Q Right. Do you have before you -- I want to
7 turn our attention now to the same sort of problems,
8 to the extent they exist, with standard A mail.
9 A Yes.
10 Q Do you have before you your response to APWU
11 USPS-T21-1?
12 A What question number?
13 Q It's number one.
14 A Number one, yes.
15 Q In that interrogatory response, I just want
16 to make sure that you and I are on the same wave
17 length here, you confirm that the problem we've been
18 discussing of allocating costs between automated work-
19 shared mail and non-automated work-share mail is also
20 a problem with standard A letters, isn't that correct?
21 A That's correct.
22 Q Do you agree that the same cost combination
23 methodology that we talked about a few minutes ago, if
24 it were to be applied, could be used to correct the
25 problems with the cost allocations for standard A

letters as well?

A That's correct.

Q Have you done that calculation?

A No, I haven't.

Q What impact would you expect such a recalculation to have on the cost differentials between automated and non-automated standard A work-shared letters?

A I wouldn't know off the top of my head what the results would be.

Q Let me suggest one and see if it seems right to you.

With reference to your Table 1 again, wouldn't the recalculation, for the reasons we discussed with regard to the likely impact on first class mail calculations, wouldn't a similar recalculation narrow the calculated cost differentials for non-automated standard A?

A I would think so.

Q Referring you again to Table 1 in your Direct testimony.

A Let me get the table. I lost it.

Q I'm sorry, if you'd go back three more pages, to page 19, I want to talk about Table 3.

A Okay.

1 Q If I understand it, I'd like you to confirm
2 for the record, that Table 3 on page 19 compares the
3 numbers in Table 1 using the USPS methodology with the
4 numbers that would result from the same calculations
5 but using a somewhat different PRC methodology.
6 A That's correct.
7 Q Isn't it true that the same problems that
8 we've been discussing where with the cost allocations
9 that permeate your Table 1 also affect the numbers in
10 Table 3 which were developed using the PRC
11 methodology?
12 A That's correct.
13 Q Therefore even if the Commission were to
14 adjust your savings numbers for work-shared letter
15 mail by using Commission methodology instead of USPS
16 methodology, the data you supplied for work-share
17 savings for letter mail could still not reliably be
18 used for setting rates. Isn't that correct?
19 I can break it down for you.
20 A Yeah, why don't you.
21 Q Okay. We agreed a few minutes ago that your
22 Table 1 was not submitted for the purpose of setting
23 rates in this case.
24 A That's correct.
25 Q We also agreed that the results in Table 1

1 were affected by an inability to allocate costs
2 correctly.
3 A That's correct.
4 Q And that corrections could be performed in
5 doing those, but you haven't made those calculations.
6 A I haven't.
7 Q And likewise, you were asked to make some
8 changes in your calculations that would affect the
9 data in your Table 1 and those changes were basically
10 to make certain different calculations using somewhat
11 different methodology than the Commission itself uses
12 that's somewhat different from Postal Service
13 methodology.
14 A Right.
15 Q But none of those things affected the
16 underlying problem that we're discussing of the
17 inability to correctly allocate costs.
18 A I would say it will also affect. The
19 problem would be there with the PRC version also.
20 Q That's my point and you agree with me.
21 A Right. But the question, the way you
22 phrased it, what I'm presenting today at the Postal
23 Rate Commission with Library Reference AK-48, I
24 believe it's a complete set, and if the Commission
25 decides to use the rate design, that's, they can --

1 I'll stand by the numbers. But having noted the
2 problems that are involved here.
3 Q You're referring to your numbers in Table 1.
4 A Right.
5 Q But the problems you've noted in Table 1 are
6 such that they misstate the costs.
7 A Yeah, I've talked about the problems.
8 Q And nothing in this record corrects that,
9 isn't that correct?
10 A No.
11 Q Including the recalculations you did using
12 the PRC methodology. That problem has not been
13 corrected.
14 A That's correct.
15 MR. ANDERSON: Thank you, sir. That's all I
16 have.
17 CHAIRMAN OMAS: Thank you, Mr. Anderson.
18 The Mailers Association, Mr. Hall.
19 MR. HALL: Thank you, Mr. Chairman.
20 If you'll give me a minute here I'd like to
21 distribute a Cross-Examination exhibit that I'm going
22 to discuss with the witness.
23 CHAIRMAN OMAS: Take your time.
24 (Pause)
25 MR. HALL: Mr. Chairman, if I may, I'd like

1 to identify the exhibit and have it marked. The
2 exhibit is a one-page exhibit entitled Percent Pass-
3 Throughs for USPS Proposed First Class Work-Shared
4 Discounts Using the PRC's R-2000-1 Work Share cost
5 Savings methodology. I would ask that this be marked
6 as Exhibit XE-MMA-2. We've provided two copies to the
7 Reporter, the witness has a copy, counsel does, and we
8 have additional copies if other people would like to
9 have a copy.
10 (The document referred to was
11 identified as XE-MMA-2.)
12 CROSS-EXAMINATION
13 BY MR. HALL:
14 Q Good afternoon, Mr. Abdirahman.
15 A Good afternoon.
16 Q Do you have a copy of the exhibit I've just
17 introduced?
18 A Yes.
19 Q What we've done here, if you look at the
20 sources, is to combine the response that you provided
21 to us from interrogatory MMA/USPS-T21-41 to show the
22 work-share related cost savings in cents. Do you see
23 that?
24 A Yes.
25 Q We have done that correct?

1 A Yes, I checked. Yes.
2 Q And in the second column there entitled USPS
3 Proposed First Class Discount, again in cents, the
4 numbers there are the discounts for the various
5 categories of First Class work-share mail that the
6 United States Postal Service has proposed in this case
7 in its April 8th filing, correct?
8 A I'm not sure, I haven't checked those
9 numbers so I don't know.
10 Q The record will reflect them. And if we did
11 correctly transcribe them, then you understand how we
12 calculated the percent pass-through?
13 A Yes.
14 Q And are those correct to the best of your
15 knowledge?
16 A Yes.
17 MR. HALL: At this point, Mr. Chairman, I
18 would like to have the exhibit previously identified
19 that the witness and I have been discussing entered
20 into evidence.
21 CHAIRMAN OMAS: Without objection.
22 (The document referred to,
23 previously identified as
24 XE-MMA-2, was received in
25 evidence.)

1 BY MR. HALL:
2 Q Now I would like to discuss with you your
3 models and their relationship to CRA costs.
4 Is it correct that your model-driven unit
5 BMM cost understates actual costs as shown in Library
6 Reference 48 by 45.4 percent?
7 A Are you referring to any particular
8 interrogatory response?
9 Q Yes. Please look at MMA/USPS-T21-28A.
10 A Would you repeat the question?
11 Q Is it correct that your model-driven unit
12 BMM cost understates actual CRA-derived costs, as
13 shown in your library reference 48 by 45.4 percent?
14 A That's correct.
15 Q And is it also correct that your model
16 derived unit cost for automation letters overstates
17 the actual CRA-derived unit costs by 29 percent?
18 A Is that again --
19 Q That would be interrogatory 29A.
20 A That's correct.
21 Q Let's go back to where the model derived
22 unit BMM costs understated CRA costs by 45.4 percent.
23 A That's to 28.
24 Q I'm just going back to that situation.
25 Wouldn't it be reasonable to conclude that

1 for BMM the model assumes that too much BMM is
2 processed by automation and that in fact the
3 percentage processed manually should be higher?
4 A The BMM model cost, as you said it's lower
5 than the CRA-derived BMM costs. The reason is the CRA
6 drives BMM costs has all kinds of metered mail, so in
7 that sense the BMM cost is overstated.
8 Q In what sense are you saying, can you be
9 more specific?
10 A The BMM, the metered mail is the benchmark
11 that I used for BMM. And the fact that it consists of
12 all metered mail, that has the effect of, it is not a
13 bundled metered mail. It has all types of metered
14 mail.
15 Q So when you talk about BMM you're talking
16 about mail that is trayed and faced properly, isn't
17 that correct?
18 A That's correct.
19 Q And when you just talked about all metered
20 mail you were referring to, I assume, additional costs
21 that would be associated with dealing with metered
22 mail that arrived in bundles rather than in trays?
23 A We don't have any BMM actual costs. We use
24 the approximate for metered mail.
25 Q that's what I meant to say.

1 A That's correct.
2 Q We are talking about single piece mail that
3 appears and bundled.
4 A that's correct.
5 Q And that entails additional costs that are
6 picked up by the CRA but are not shown up in your
7 models.
8 A That's correct.
9 Q That would -- In any case what we're talking
10 about for the bundles, we're talking about primarily
11 collection costs?
12 A The money that comes in through the
13 collection. It comes from different --
14 Q And cancellation costs?
15 A Yes.
16 Q Do you know what unit cost is involved
17 there?
18 A No.
19 Q Let me refer you to your Library Reference
20 48.
21 A Page number?
22 Q Page two. In the column marked Work-Sharing
23 Related. These are fixed. Work-Sharing Related
24 Fixed.
25 Do you see the figure of 0.027 cents?

1 A I'm looking at phage two of LR-K48. Is that
2 correct?
3 Q I believe so. I'll double check.
4 A What is the figure again?
5 Q .027 cents. I'm sorry. .27 cents.
6 A Yes, I see that.
7 Q For the meter prep that we were discussing,
8 that would be .1 cent?
9 A That's correct.
10 Q So in total we're talking about something
11 less than four-tenths of a cent?
12 A That's correct.
13 Q Your statement I guess, or your testimony
14 is that that's a reason why the CRA costs would be
15 higher than your model derived unit BMM costs?
16 A That might be one of the reasons. There
17 could be other reasons.
18 Q Let's take another situation. Since you've
19 used all single piece, that would include CRM mail?
20 A It would include all mail piece out of
21 mailing indicia.
22 Q Does it include CRM?
23 MS. McKENZIE: Can I ask for clarification
24 as to what CRM is?
25 MR. HALL: Courtesy reply mail.

1 MS. McKENZIE: Okay.

2 MR. HALL: These are the envelopes that the

3 Postal Service requires that you send out a return

4 mail piece. The Postal Service requires that it have a

5 bar code and mailers generally go to the postal

6 service to get their bar code and other information

7 about how to prepare their pieces so that the pieces

8 will flow through the system without any problems.

9 CHAIRMAN OMAS: Thank you.

10 MR. ABDIRAHMAN: Can you repeat the question

11 please?

12 MR. HALL: Maybe I'll ask the Reporter to do

13 it. I kind of got lost while I was testifying there.

14 (Laughter)

15 CHAIRMAN OMAS: Can you repeat the question?

16 MR. HALL: Oh --

17 CHAIRMAN OMAS: The reporter --

18 MR. HALL: Ask the reporter to read it back.

19 CHAIRMAN OMAS: Could you read back that

20 question?

21 (Playback.)

22 THE WITNESS: I would say that it would

23 include all mail which has metered indicia.

24 BY MR. HALL:

25 Q And it includes pre-bar coded letters,

1 doesn't it?

2 A Are you asking me the definition of BMM or

3 you are asking me about metered mail?

4 Q I'm asking you about whether, when we're

5 talking about all single-piece letters, excuse me,

6 single-piece metered mail letters, does that include

7 pre-bar coded courtesy reply mail letters?

8 A I think that question was asked at the start

9 of my testimony. What includes in that metered mail

10 cost, I think the -- that's an input that I get from

11 Witness Smith, and he would better explain what's in

12 that metered mail cost pool.

13 Q Yes, to the extent that it does include pre-

14 bar coded CRM letters, wouldn't that reduce the cost

15 relative to BMM?

16 A This question is very difficult to answer

17 because there's no -- IOCS data cannot isolate BMM

18 costs. So I don't know how to respond to that

19 question.

20 Q Didn't you tell us that BMM has no pre-bar

21 code?

22 A Yes.

23 Q So if there are pieces that are pre-bar

24 coded, that will tend to reduce the single piece cost

25 relative to BMM?

1 A If it's pre-bar coded, yes.
2 Q Okay, so when we're talking about CRM, if
3 you know, are we talking about billions and billions
4 of pieces?
5 A I haven't studied CRM, so I wouldn't know
6 how much -- what the volume is.
7 Q Okay. Well, in any case, the total cost
8 difference that we were talking about was 2.022 cents.
9 Is that correct?
10 A What was the answer again, 28?
11 Q That's the difference between your model-
12 derived unit BMM costs and the actual CRA-derived
13 costs.
14 A That's correct.
15 Q And so far, you've accounted for 0.4 cents,
16 roughly, of that over 2-cent difference?
17 A I said that was one of the reasons, and I
18 also said there could be other reasons.
19 Q And there are other reasons that it could go
20 the other way, isn't that correct?
21 A Are you asking me about the model costs or
22 are you asking me about the CRA costs?
23 Q The difference between the model and the
24 CRA. We know that it's 2.022 cents. Isn't that
25 right?

1 A That's right.
2 Q And you've given me a reason why -- that
3 would tend to explain part of that differential. Is
4 that right?
5 A I mentioned one of the reasons, yes.
6 Q Right, and that accounted for 0.4 cents of
7 the differential, at most.
8 A That's correct, but I've also stated that
9 the BMM model cost could be overstated or understated.
10 I believe that was one of the responses I provided,
11 one of the questions you asked me.
12 Q Okay. Well, wouldn't another reason for the
13 difference be that the model didn't accurately reflect
14 the amount of BMM that receives manual processing?
15 A The BMM model cost, I said that the cost
16 could be overstated or understated. I mentioned that.
17 Q Well we're, yeah, we're trying to come up
18 with -- I think, giving you the benefit of the doubt,
19 we've come up with, at most, 0.4 cents of that over 2
20 cents. So we're still looking for 1.6 cents. And my
21 question to you is, wouldn't it be reasonable to
22 assume that another factor that might account for the
23 difference would be the fact that BMM receives more
24 manual processing in practice that your models show?
25 A I wouldn't know the answer to that question.

1 The model cost of the BMM is what I have, and I'm
2 saying that they are lower than CRA costs, and I'd say
3 the reasons could be because the metered mail. So in
4 detail, what are the differences, where the difference
5 come from, that will be something that I think Witness
6 Smith will explain what's in the metered cost.
7 Q Well, I just want to deal with your
8 analysis, and would you agree that if we changed your
9 BMM model to increase the proportion that is processed
10 manually, that that would have the effect of narrowing
11 the difference between the BMM model-derived unit
12 costs and the CRA-derived unit costs?
13 A I haven't done that analysis, so I don't
14 know what the result would be.
15 Q Well, how does a change between manual and
16 automation processing affect the results of your
17 study, of your model?
18 A More automation means it's less cost. More
19 manual means it's more cost.
20 Q Okay. So then a change, if in fact more
21 mail than is shown in your model is processed -- in
22 your BMM model -- is processed manually, then that
23 could help explain the difference that you see between
24 the model and the CRA costs.
25 A I said that the BMM model cost is an

1 estimate, and I don't use it for anything other than
2 giving it to Witness Hatcher for the CRA proportional
3 adjustment. Therefore, I don't compare that model to
4 anything in my cost analysis.
5 Q Well, we recognize that there is a
6 difference between your BMM model-derived unit costs
7 and the CRA-derived unit costs.
8 A That's correct.
9 Q And that's a little over 2 cents.
10 A That's correct.
11 Q Okay. And your model assumes something
12 about how much of the mail gets processed manually,
13 doesn't it?
14 A The BMM model cost?
15 Q Yes.
16 A Yes.
17 Q Okay, and if we were to change that
18 assumption so that there were more pieces processed
19 manually, that would tend to reduce the differential
20 that we've observed, the 2-cent differential between
21 the model and the CRA costs. And wouldn't that be the
22 case because manual processing is more expensive than
23 processing by automation?
24 (Pause.)
25 THE WITNESS: I'm looking at the model cost

1 for BMM, and there are some manual costs in there.
2 BY MR. HALL:
3 Q That's right, and if we increased the
4 proportion of costs that are manual relative to the
5 automation costs, I believe, is the other category you
6 have, then the model-derived unit BMM cost would go
7 up, wouldn't it?
8 A You see, the -- my model, it has a lot of
9 different -- a variety of different inputs. So if I
10 take -- if I assume what you're telling me, I don't
11 know what the end result would be.
12 Q Well, if we hold everything else equal. One
13 factor tends to affect in one direction; another may
14 tend to affect in a different direction, but we're
15 only talking about the change in the percent of BMM
16 processed manually.
17 A I would agree to the point that, if there is
18 manual operation there, the costs seem to be always
19 higher. If there's more automation, it costs a bit
20 less. In that sense, I can agree to that.
21 Q Well, if you wanted to make your models more
22 accurate so that there were not such a large
23 differential between what your models develop as a
24 unit cost and the CRA unit cost, looking at the
25 proportion or percentages of manual versus automated

1 processing would be, perhaps, good fertile ground for
2 narrowing those differences?
3 A Before presenting a model to the Postal Rate
4 Commission, that's what I do always. I have analyzed,
5 and I looked at assumptions.
6 Q Well, I'm not sure you answered the
7 question, so let me ask you once again. If you were
8 looking towards narrowing the difference between what
9 your models produce in terms of unit cost for BMM, and
10 CRA costs, wouldn't one important place to look be at
11 the assumption regarding the percentage of mail that
12 is processed manually?
13 A And you are only talking about BMM?
14 Q Right now, yes.
15 A I believe my model does represent a
16 simplified representation of the BMM cost, and I've
17 said that they are lower than the CRA costs, and we
18 have identified the difference between them. And I've
19 also said that the metered cost, proxy that I used for
20 BMM, is overstated because of the bundled meters.
21 I've said everything -- I think we basically talked
22 about everything you asked me about.
23 Q All I'm saying is, if you wanted to have
24 models that were more accurate, that weren't off by 2
25 cents in the case of the BMM model, that you would

1 start reexamining the assumptions that went into
2 construction of the model, and one of the important
3 assumptions that went into construction of the model
4 was the percent of mail, of BMM, that is processed
5 manually. Do you agree with that?
6 A I agree that my BMM model cost is lower than
7 the CRA model cost, and I believe this is an estimate,
8 and I've also stated that they could be overstated or
9 understated.
10 Q Well, we know that they're understated by 2
11 cents, right?
12 A Yes.
13 Q So that much we know, compared to the CRA.
14 A Yes, and I've explained the reasons why
15 there is a difference.
16 Q Well, you explained four-tenths of a cent of
17 the reasons, didn't you?
18 A I have also said that there could be other
19 reasons which are beyond my scope of testimony. The
20 metered mail, there could be some of the things that
21 are in there that I don't know.
22 Q Okay, but you've found, and we've conceded
23 that you've found as much as four-tenths of a cent to
24 account for the difference. That only applies to
25 bundles, right?

1 A Well, I believe there's a difference between
2 the two costs. So I agree with you there.
3 Q Well, if you wanted to figure out what's
4 causing this difference, wouldn't a place to start, or
5 an important place to look at, or an important
6 assumption to consider, be the percentage of the mail
7 that is processed manually?
8 A That could be one of the reasons.
9 Q And in the case of your model-derived unit
10 cost for automation letters, that overstates the CRA
11 costs by 29 percent. Is that correct?
12 A What response are we -- what interrogatory?
13 Q Let's look at 29(a), right after 28.
14 A Okay.
15 (Pause.)
16 THE WITNESS: Yes.
17 BY MR. HALL:
18 Q Okay, and in this case, what we're talking
19 about is we have a model cost of 2.668 cents?
20 A Yes.
21 Q And a CRA cost of 1.109 cents?
22 A What's the CRA cost?
23 Q 1.109.
24 A I have 1.886
25 MR. HALL: Just one moment, Mr. Chairman.

1 We have to regroup here.

2 (Pause.)

3 Q Okay. Let's compare numbers. I think I'm

4 going to concede that you're absolutely correct in

5 this instance. Do you have 1.886 cents for the CRA

6 cost?

7 A Yes.

8 Q Okay. So we have -- in this case, we have

9 the model cost being higher than the CRA by .782

10 cents, right?

11 A The model cost is an weight average model

12 cost.

13 Q That's correct.

14 A And the CRA cost is a one unit CRA cost,

15 so -- so what's the question? I'm sorry.

16 Q What's the difference? I'm asking you what

17 the -- the difference is between the two costs. I'm

18 asking you to confirm that it's .782 cents.

19 A Yes, I confirm that.

20 Q Okay. And in this case, as compared to the

21 BMM model which understated CRA costs, here we have

22 the model overstating CRA costs, correct?

23 A Right.

24 Q Okay. And now, once again, if we wanted to

25 narrow the difference between the model and the CRA

1 cost, an important place to start looking might be
2 with the percentage of automation mail that receives
3 manual processing.
4 A That could be one of the reasons.
5 Q Right. And in this case, to narrow the
6 difference, we'd be reducing the percentage of
7 automation mail that receives manual processing.
8 A That's correct.
9 MR. HALL: Nothing further.
10 CHAIRMAN OMAS: Thank you, Mr. Hall.
11 MR. HALL: Oh, wait. Excuse me.
12 CHAIRMAN OMAS: Oh.
13 MR. HALL: We have a minor difference.
14 CHAIRMAN OMAS: I don't know whether we
15 should allow it or not.
16 (Brief pause.)
17 CROSS-EXAMINATION (RESUMED)
18 BY MR. HALL:
19 Q Do you know what the volume is or the
20 percent of -- of total automation, non-automation?
21 Non-automation as a percent of total work share
22 letters?
23 A Are you -- are you referring to any
24 particular interrogatory?
25 Q Yes. Let's refer you to page 52 of your

1 library reference 48. Okay. Do you have that before
2 you?
3 A Yes.
4 Q So, to calculate what percent non-auto is of
5 total, you take the total auto on line -- excuse me,
6 Row 19 and --
7 A You say page -- page 52?
8 Q 52.
9 A I don't have any rows here at all.
10 Q Oh.
11 A On that page.
12 Q I'm sorry. We're using -- we're using
13 Excel, so --
14 A Yes.
15 Q -- we're talking two different languages.
16 A Yes.
17 Q Let me try it this way. You would take
18 total auto volume of 44 billion, 559 thousand, 875 --
19 I'm sorry. I guess what I mean is 44,559,875,000 and
20 to that we would add the total non-auto volume of
21 1,949,367,000 to come up with a total and then divide
22 the total non-auto figure that I gave you by the total
23 number that we calculated. Will you accept subject to
24 check that that's four percent?
25 A Yes.

1 MR. HALL: Now, nothing else. Thank you.
2 COMMISSIONER OMAS: Well, we'll take it this
3 time, Mr. Warden. Leave the table.
4 Is there anyone in -- else who would like to
5 cross-examine this witness? Valpak? Mr. Anderson.
6 MR. ANDERSON: We -- witness prior to
7 Valpak.
8 CHAIRMAN OMAS: Prior to that, though, is
9 Mr. Olson in the room? Okay. No. All right, Mr.
10 Anderson, would you come up?
11 Thank you, Mr. Hall.
12 (Brief pause.)
13 CHAIRMAN OMAS: Mr. Anderson, proceed.
14 MR. ANDERSON: Thank you, Mr. Chairman.
15 CROSS-EXAMINATION
16 BY MR. ANDERSON:
17 Q Mr. Abdirahman --
18 CHAIRMAN OMAS: Would you turn the mic?
19 BY MR. ANDERSON:
20 Q Mr. Abdirahman --
21 A Yes, sir.
22 Q -- with regard to the document that was
23 submitted here on -- on behalf of MMA which was given
24 a -- an exhibit number but I think then transcribed
25 into the record as I understand it --

1 CHAIRMAN OMAS: Correct.
2 BY MR. ANDERSON:
3 Q -- you understand -- you know the document
4 I'm referring to?
5 A Yes.
6 Q I see that that document was based upon a
7 response to MMA/USPS T-21-41.
8 A That's correct.
9 Q Do you have that before you?
10 A Yes.
11 Q You may not need it before you because I
12 have just one question about it. I just wanted to
13 confirm for the record that that table suffers from
14 the same cross-allocation problem that Table 1 and
15 Table 3 in your direct testimony suffered from, that
16 that -- those date also were affected by the cross-
17 allocation deficiencies that we discussed during your
18 earlier testimony, isn't that correct?
19 A Yes, this cost -- this table is based on
20 interrogatory response question that I got from MMA
21 which basically asked me to do X -- to do certain
22 things in order to arrive at those numbers, and they
23 were based on library K-110, so I would say yes.
24 Q Short answer yes. So that if -- if -- if,
25 as I would see it, the data that you submitted in

1 Table 1 and Table 3 are a leaky boat, this is the deck
2 furniture that you changed to make this response in --
3 in response to the MMA, is that correct?
4 A That's correct.
5 Q Now I think that you may have just been
6 taken a little bit beyond the scope. You've been very
7 careful not to get beyond the scope, but you may have
8 slipped up a couple times, and I'll try to help you
9 out.
10 A Okay.
11 Q The -- first you have I think -- I know you
12 have before you and would you turn again in case you
13 need to refer to them to APW/USPS T-21, and I'm going
14 to look at 7 and 8 and perhaps 6.
15 A Okay. Yes.
16 Q Okay. I just want you to -- to reconfirm
17 that just for clarity, because we've gone into quite a
18 bit about CRA versus bulk business mail -- or, I'm
19 sorry, BMM, yeah, bulk metered mail rather, excuse me,
20 that in concept, the BMM letter benchmark is a subset
21 of all the metered mail letters.
22 A Confirmed.
23 Q Okay. And that the BMM letters are
24 generally considered to be machinable, homogeneous,
25 non-bar coded mail pieces with machine-printed

1 addresses that are properly faced and entered in
2 trays.
3 A That's correct.
4 Q And that distinguishes them from other mail
5 that is maybe metered but which is single piece and
6 shows up in the CRA.
7 A That's correct.
8 Q There was a discussion about making an
9 adjustment for four-tenths of a cents, and I think, as
10 I understand the discussion, it was -- the four-tenths
11 of a cent would be the cost of unbundling bundled
12 mail, wouldn't that be correct, if I understood your
13 testimony earlier, your dialogue here earlier?
14 A With Mr. Hall?
15 Q Yes. I think he -- he had you discuss -- he
16 showed you a table of costs and -- and as I re -- as I
17 understand it, the four-tenths of a cent you and he
18 were discussing was a CRA-reflected cost for manual
19 handling of some sort, I think on bundling.
20 A Initially, it was on bundling, but we look
21 at -- we looked at the cost -- two cost poles. One
22 looks --
23 Q Well -- okay. Would you -- can you take a
24 look at that again?
25 A Yes. Sure. We looked at the cost full one

1 class and we looked at the cost full one metered rep,
2 yes.
3 Q And what was -- what was that cost for?
4 A This -- it's cost to 0.30.
5 Q Yes, and for what purpose?
6 A Those are for cancellations and meter prep.
7 Q Cancellation and meter prep?
8 A Right.
9 Q Now that's not something that BMM mail is
10 subjected to, is it?
11 A That's why it's here work share unrelated,
12 so it's not.
13 Q Yes. So the answer is no, it's not.
14 A Yeah.
15 Q Okay. And at the end of your testimony just
16 now, you were asked about a volume work year -- volume
17 of mail, and manual mail, the volume of manual mail,
18 versus the volume of automated mail, but you were not
19 asked about the work years represented by manual mail
20 versus automated mail. I withdraw the question.
21 You were -- you were asked about CRM mail,
22 which is the -- the courtesy reply mail.
23 A That's correct.
24 Q And as I understand it, you don't know
25 whether or not that's counted as metered mail for

1 purposes of CRA numbers.

2 A Yes.

3 Q And as I understand it, you said that the

4 IOCS criteria would determine that.

5 A Right.

6 Q Okay. So there's a place to look.

7 A That's true.

8 Q Okay. But I think -- and this is one place

9 where I think you may have gone beyond the scope, so

10 I'm -- I'm giving -- I don't want to set you up here.

11 The -- I think you conceded or acknowledged that --

12 that -- that because CRM mail has a bar code that it

13 would be less expensive to process than bulk metered

14 mail. I think -- I think you may have said that. You

15 can deny it.

16 A Well, we said a lot -- we -- we say a lot of

17 things and we -- we -- they have to transcribe it all.

18 Q Okay. Well, let me -- let me just posit for

19 you that CRM mail is -- is collection mail. Do you

20 know what I mean by "collection mail"?

21 A That's true. That's true.

22 Q So, when that comes into the post office,

23 that's not in trays, it's not faced, and it goes in

24 fact through the -- through the opening unit and every

25 process so that -- as long as it's machinable, and --

1 and it goes through a number of steps that bulk
2 metered mail does not go through, isn't that correct?
3 A That's correct.
4 Q All right. So, for that -- for that reason
5 in fact, it may be more expensive. Even though it
6 comes in with a bar code on it, it may be more
7 expensive to process because it goes through several
8 steps that bulk metered mail does not go through.
9 A The collection mail goes through the ACS,
10 that's true.
11 Q Okay. I think you'll agree with me that
12 metered mail that is not bulk metered mail may also be
13 non-machinable, is that correct?
14 A That's correct.
15 Q And would you also agree with me that bulk
16 metered mail may also come with bar codes already
17 imprinted on it? It doesn't have to to qualify as
18 bulk metered mail, but much of it comes that way,
19 isn't that correct?
20 A Well, the metered mail proxy that I use has
21 sometimes comes with bar codes, sometimes not bar
22 code.
23 Q And that -- that includes bulk metered mail.
24 A Mm-hmm. That's true.
25 Q Okay. Thank you.

1 MR. ANDERSON: That's all I have.
2 CHAIRMAN OMAS: Thank you, Mr. Anderson.
3 Is there any other one who wishes to cross-
4 examine?
5 MR. HALL: I do.
6 CHAIRMAN OMAS: Mr. Hall?
7 MR. HALL: I have a few followup questions,
8 but I don't know what's proper here.
9 CHAIRMAN OMAS: Is it proper for a redirect,
10 or --
11 MR. HALL: Well, should we go after the
12 Postal Service or before? I'm happy to do whatever.
13 MS. MCKENZIE: It's acceptable if he goes
14 before.
15 CHAIRMAN OMAS: Okay. If you'd like to go
16 before, we'll allow it this one time.
17 MR. HALL: Thank you.
18 CROSS-EXAMINATION
19 BY MR. HALL:
20 Q Let's see. In a recent colloquy with
21 counsel for APWU, you discussed what I will call "the
22 leaky boat syndrome," which I guess is a problem that
23 APWU thinks is involved with the accurate allocation
24 of costs.
25 A That's correct.

1 Q And we did agree, did we not, that the total
2 volumes that might be infected or affected by the
3 leaky boat syndrome represented only four percent of
4 total work share mail?
5 A I don't think I can answer that question.
6 Q Well, I asked you to accept the four percent
7 subject to check, and we discussed where the numbers
8 came from.
9 A Where did the four percent come from? Can
10 you please tell me one more time?
11 Q Yes. I know it's your library reference 48.
12 I believe it's page 52. And I believe it results from
13 dividing the volume figure for total non-auto by the
14 sum of total non-auto and total auto.
15 A First of all, let me say this table comes
16 from billing determined where that had the whole
17 postal mail volume. And you asked me how did the
18 calculation come again? Is that it?
19 Q I believe you took -- as the numerator, I
20 believe we took the figure for total non-auto, and the
21 denominator was the sum of total non-auto plus total
22 auto.
23 A And you said subject to check, right?
24 Q Yes, subject to check, four percent.
25 A Correct.

1 Q So, if the boat is leaking, it's only four
2 percent that's leaking, subject to check.
3 A But if these -- these are volumes, and you
4 allocate cost.
5 Q Right. And I --
6 A See, what --
7 Q I'm sorry. I don't mean to interrupt.
8 Please complete --
9 A No, that's -- that's what I wanted -- this
10 is the one where -- the PR-1 deals with cost.
11 Q Right. But the magnitude of the cost
12 problem depends upon the volume that the affected
13 costs relate to, doesn't it?
14 A I believe there is a higher cost being
15 shifted from -- into our -- into non-automation.
16 Q Yes, okay. To sort of cut to the chase
17 here, whatever the problem is, leaky boat or
18 otherwise, that problem only affects four percent of
19 the volume subject to check.
20 MS. MCKENZIE: Mr Chairman, I think we're
21 having a little confusion. I thought the leaky boat
22 was -- was referring to cost issues, and here we're
23 talking volume, so I'm not quite sure. I mean, I
24 don't know if we should go over Mr. Hall's definition
25 of the leaky boat or not, but I -- I just want to make

1 sure we're talking about the right boat.

2 MR. HALL: I -- I certainly agree with USPS

3 counsel that the leaky boat problem relates to costs,

4 and the question is or the question arises well, oh my

5 goodness, here's a problem, does it affect all of the

6 volume or does it affect some relatively small

7 percentage of volume, and so I've simply gotten the

8 witness to accept subject to check that in fact the

9 volumes that are affected with this cost problem or

10 cost-allocation problem represent four percent of

11 total first class work share mail.

12 I don't think there's a question anymore.

13 MS. MCKENZIE: Yes, that's correct.

14 MR. HALL: Unless the witness disagrees --

15 MS. MCKENZIE: Yes.

16 MR. HALL: -- with what I've said or counsel

17 disagrees.

18 MS. MCKENZIE: Okay.

19 CHAIRMAN OMAS: Ms. McKenzie?

20 MS. MCKENZIE: Well, then I was wondering

21 what the question was at this point. I mean, it --

22 CHAIRMAN OMAS: Well, it had to do with the

23 leak boat.

24 MS. MCKENZIE: We are in agreement on that.

25 MR. HALL: We -- we were -- in other words,

1 we were discussing with the witness how a big a
2 problem this really is.
3 MS. MCKENZIE: Well, again, Mr. Hall, I
4 think you're kind of changing what we're talking
5 about. How big a problem, the problem that was
6 originally identified I understand was cost. You're
7 just talking about volumes and what impact it has on
8 the volume. If your question is how much --
9 MR. HALL: Let me -- let me --
10 MS. MCKENZIE: -- volume is impacted, that's
11 a different question.
12 CHAIRMAN OMAS: I think at this point, the
13 record speaks for itself. Let's move on.
14 MR. HALL: I think so, too.
15 BY MR. HALL:
16 Q You were asked a question about bulk meter
17 mail being entered -- how much of it would be pre-bar
18 coded. Do you recall that question from counsel for
19 APWU?
20 A I don't recall him asking me how much, but
21 I -- I recall him as saying that some of it might be
22 pre-bar coded.
23 Q Would you say that the amount or the percent
24 would be zero or pretty close to zero?
25 A The BMM -- BMM benchmark, it's not pre-bar

1 coded.

2 Q So then, in reality, it would be zero or

3 very close to zero, wouldn't it? Would you like to

4 refresh your recollection by looking at your response

5 to Interrogatory MMA/USPS-T-21-8b?

6 A Yes, I would agree to that.

7 MR. HALL: That's it for now, Mr. Chairman.

8 CHAIRMAN OMAS: Thank you, Mr. Hall.

9 Is there anyone else who would like to

10 cross-examine this witness?

11 (No response.)

12 CHAIRMAN OMAS: There doesn't seem to be

13 any.

14 Ms. McKenzie, would you like some time to

15 your witness?

16 MS. MCKENZIE: Yes, please. I'm trying to

17 look at -- five minutes would be fine.

18 CHAIRMAN OMAS: Five minutes would be fine.

19 MS. MCKENZIE: Yes.

20 CHAIRMAN OMAS: Okay. We'll take a five-

21 minute break and come back.

22 (Whereupon, a brief recess was taken.)

23 CHAIRMAN OMAS: Ms. McKenzie.

24 MS. MCKENZIE: The Postal Service has no

25 redirect, Mr. Chairman.

1 CHAIRMAN OMAS: Thank you.

2 Mr. Abdirahman, that concludes your

3 testimony here today. We appreciate your contribution

4 to the record, and you are now excused.

5 (Witness excused.)

6 MR. ABDIRAHMAN: Thank you.

7 CHAIRMAN OMAS: This concludes today's

8 hearing. We will reconvene on July 6, 2005 at 9:30

9 a.m. when we will receive testimony from Postal

10 Service Witnesses Shaw, Van Tai Smith, Bozzo, and

11 McCrery. Thank you very much, and everybody have a

12 good weekend, a long weekend well deserved.

13 (Whereupon, at 3:15 p.m., the hearing in the

14 above-entitled matter recessed to reconvene at 9:30

15 a.m. on Wednesday, July 6, 2005.)

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