KET SECTION

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 #5

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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 5
Wednesday, July 6, 2005

The above-entitled matter came on for hearing pursuant to notice, at 9:33 a.m.

BEFORE:

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

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C O N T E N T S

WITNESSES APPEARING:
ROBERT L. SHAW, JR.
ELIANE VAN-TY-SMITH
A. THOMAS BOZZO
MARC D. MCCRERY

WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS	VOIR DIRE
Robert Shaw, Jr.					
By Mr. Hollies	1189	--	--	--	--
By Mr. Olson	--	1234	--	--	--
Eliane Van-Ty-Smith					
By Ms. Portonovo	1269	--	1375	--	--
By Mr. Hart	--	1345	--	--	--
By Mr. Costich	--	1347	--	--	--
By Mr. Olson	--	1356	--	--	--
A. Thomas Bozzo					
By Mr. Koetting	1378	--	1576	--	--
By Mr. Hart	--	1517	--	--	--
By Mr. Costich	--	1526	--	--	--
By Mr. Olson	--	1543	--	--	--
Marc D. McCrery					
By Ms. Portonova	1580	--	1785	--	--
By Mr. Hart	--	1722	--	--	--
By Mr. Anderson	--	1726	--	--	--
By Mr. Hall	--	1746	--	--	--
By Mr. Costich	--	1767	--	--	--
By Mr. Scanlon	--	1773	--	--	--

DOCUMENTS TRANSCRIBED INTO THE RECORD — PAGE

Corrected designated written cross-examination of Robert L. Shaw, Jr., USPS-T-2 — 1191

Answers of Robert L. Shaw, Jr. to Presiding Officer's Information Request, POIR 2, Question 10, and POIR 4, Question 7, Part 1 — 1232

Corrected designated written cross-examination of Eliane Van-Ty-Smith, USPS-T-11 — 1273

Answers of Eliane-Van-Ty-Smith to Presiding Officer's Information Request, POIR 2, Question 9; POIR 4, Questions 8 and 10; POIR 7, Question 7, Part 2 — 1323

Corrected designated written cross-examination of A. Thomas Bozzo, USPS-T-12 — 1382

DOCUMENTS TRANSCRIBED INTO THE RECORD | PAGE

Answers of A. Thomas Bozzo to POIR No. 6, Question 8 — 1516

Hypothetical Mods, ABA & NAPM/USPS-T-12, Cross Examination Exhibit # 1 — 1560

Corrected designated written cross-examination of Marc D. McCrery, USPS-T-29 — 1585

Barcoding Information, cross-examination exhibit MMA-3 — 1747

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Direct testimony of Robert L. Shaw, Jr. on behalf of the United States Postal Service, USPS-T-2	1189	1190
Corrected designated written cross-examination of Robert L. Shaw, Jr., USPS-T-2	1190	1191
Answers of Robert L. Shaw, Jr. to Presiding Officer's Information Request, POIR 2, Question 10, and POIR 4, Question 7, Part 1	1231	1231
Direct testimony of Eliane Van-Ty-Smith on behalf of the United States Postal Service, USPS-T-11	1269	1270
Corrected designated written cross-examination of Eliane Van-Ty-Smith, USPS-T-11	1269	1270
Answers of Eliane Van-Ty-Smith to Presiding Officer's Information Request, POIR 2, Question 9; POIR 4, Questions 8 and 10; POIR 7, Question 7, Part 2	1322	1322
Direct testimony of A. Thomas Bozzo on behalf of the United States Postal Service, USPS-T-12	1380	1381
Corrected designated written cross-examination of A. Thomas Bozzo, USPS-T-12	1381	1381
Answers of A. Thomas Bozzo to POIR No. 6, Question 8	1515	1515
Hypothetical Mods, ABA & NAPM/USPS-T-12, cross-examination Exhibit # 1	1518	1559

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Direct testimony of Marc D. McCrery on behalf of the United States Postal Service, USPS-T-29	1580	1581
Corrected designated written cross-examination of Marc D. McCrery, USPS-T-29	1580	1581
Barcoding Information, cross-examination exhibit MMA-3	1746	1746

P R O C E E D I N G S

(9:33 a.m.)

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

Does anyone have a procedural matter to discuss before we begin today?

(No response.)

CHAIRMAN OMAS: Four witnesses are scheduled to appear today. They are Witnesses Shaw, Van-Ty-Smith, Bozzo and McCrery.

Before we proceed I would like to request that each of the attorneys as you begin your cross-examination introduce yourself and who you represent and be sure to fill out the forms for the reporter. She was having somewhat of a little problem with that, so we'd be most appreciative if you would.

Mr. Hollies, would you please identify the next Postal witness?

MR. HOLLIES: Good morning, Mr. Chairman. I'm Kenneth Hollies for the Postal Service. The Postal Service calls Robert L. Shaw, Jr. as its next witness.

CHAIRMAN OMAS: Mr. Shaw, would you stand

please and raise your right hand?

Whereupon,

ROBERT L. SHAW, JR.

having been duly sworn, was called as a witness and was examined and testified as follows:

(The document referred to was marked for identification as Exhibit No. USPS-T-2.)

DIRECT EXAMINATION

BY MR. HOLLIES:

Q Mr. Shaw, I handed you earlier today a document identified as Direct Testimony of Robert L. Shaw, Jr. denominated USPS-T-2. Are you familiar with that document?

A Yes, I am.

Q Is that your testimony in this docket?

A Yes, it is.

Q Does it include all revisions that were made to your testimony during the course of this docket?

A Yes, it does.

Q And were you to testify orally today would your testimony be the same?

A Yes.

MR. HOLLIES: With that, Mr. Chairman, the Postal Service moves for the acceptance into the

evidentiary record of Mr. Shaw's testimony, USPS-T-2.

CHAIRMAN OMAS: Is there any objection?

(No response.)

CHAIRMAN OMAS: Hearing none, I will direct counsel to provide the reporter with two copies of the corrected direct testimony of Robert L. Shaw, Jr. That testimony is received into evidence. However, as is our practice it will not be transcribed.

(The document referred to, previously identified as Exhibit No. USPS-T-2, was received in evidence.)

CHAIRMAN OMAS: Mr. Shaw, have you had an opportunity to examine the packet of designated written cross-examination that was made available to you this morning?

THE WITNESS: Yes, I have.

CHAIRMAN OMAS: If those questions contained in that packet were posed to you today orally, would your answers be the same as those previously provided in writing?

THE WITNESS: Yes, they would. I have a modification to make on USPS-T-2-23. It's missing a closed paren on the very last sentence.

CHAIRMAN OMAS: Are there any additional

corrections?

THE WITNESS: No.

CHAIRMAN OMAS: Counsel, would you please provide two copies of the corrected designated written cross-examination of Witness Shaw to the reporter? That material is received into evidence, and it is to be transcribed into the record.

(The document referred to, previously identified as Exhibit No. USPS-T-2, 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 ROBERT L. SHAW, JR.
(USPS-T-2)

Party	Interrogatories
Major Mailers Association	MMA/USPS-T2-1, 2d
Office of the Consumer Advocate	OCA/USPS-T10-4a redirected to T2 VP/USPS-T2-1, 2a-b, 4b-e, 5b-e, 6, 8, 9 (part 1)
Time Warner Inc.	TW/USPS-T2-1-5
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T2-1, 2a-b, 4b-e, 5b-e, 6, 8, 9 (part 1), 16-19, 22-24, 26, 28-29

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ROBERT L. SHAW, JR. (T-2)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
MMA/USPS-T2-1	MMA
MMA/USPS-T2-2d	MMA
OCA/USPS-T10-4a redirected to T2	OCA
TW/USPS-T2-1	TW
TW/USPS-T2-2	TW
TW/USPS-T2-3	TW
TW/USPS-T2-4	TW
TW/USPS-T2-5	TW
VP/USPS-T2-1	OCA, Valpak
VP/USPS-T2-2a	OCA, Valpak
VP/USPS-T2-2b	OCA, Valpak
VP/USPS-T2-4b	OCA, Valpak
VP/USPS-T2-4c	OCA, Valpak
VP/USPS-T2-4d	OCA, Valpak
VP/USPS-T2-4e	OCA, Valpak
VP/USPS-T2-5b	OCA, Valpak
VP/USPS-T2-5c	OCA, Valpak
VP/USPS-T2-5d	OCA, Valpak
VP/USPS-T2-5e	OCA, Valpak
VP/USPS-T2-6	OCA, Valpak
VP/USPS-T2-8	OCA, Valpak
VP/USPS-T2-9 (part 1)	OCA, Valpak
VP/USPS-T2-16	Valpak
VP/USPS-T2-17	Valpak
VP/USPS-T2-18	Valpak
VP/USPS-T2-19	Valpak
VP/USPS-T2-22	Valpak
VP/USPS-T2-23	Valpak
VP/USPS-T2-24	Valpak
VP/USPS-T2-26	Valpak
VP/USPS-T2-28	Valpak
VP/USPS-T2-29	Valpak

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T2-1 In response to interrogatory MMA/USPS-T16-6, USPS witness Kelly indicates that IOCS data relied upon by USPS witness Schenk in R2001-1 to separately allocate segment 6 costs according to indicia paid is no longer being produced.

a. Please explain exactly why the Postal Service decided to modify the IOCS in order to stop collecting such data in the form it was collected prior to R2001-1. Please provide all documents and any other information that refers to the Postal Service's decision to stop producing this IOCS data.

b. Please indicate how difficult it would be to produce such data (1) for this rate case and (2) for a future rate case.

RESPONSE:

a-b. Please see witness Kelley's revised response to MMA/USPS-T16-6. His revised response appears to make these questions no longer applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION'S

MMA/USPS-T2-2. In response to Interrogatory MMA/USPS-T21-30E, USPS witness Abdirahman indicates that former cost pool 1CANCMMP has been separated into two new cost pools: 1CANCEL and 1MTRPREP.

A. Please explain exactly what each of these two new cost pools encompasses.
B. Please state when cost pool 1CANCMMP was separated into the two new cost pools.
C. Please explain exactly why this change was implemented and provide copies of all documents that discuss the reasons for this change.
D. Does the IOCS collect similar costs separately for single piece metered mail? If your answer is yes, please indicate where in the R2005-1 record this information is located. If this information is not already in the record, please provide it for BY 2004 and TY 2006.
E. Please provide a list of any other changes in cost pool definitions that affect First-Class letters, along with a description of each cost pool, when the change was made, why the change was implemented and provide copies of all documents that discuss the reasons for this change.

RESPONSE:

A-C, E. Redirected to witness Van-Ty-Smith.

D. Yes. Appendix A in USPS-LR-K-9/R2005-1, page 75 displays the position and description of variable F136 which is defined as "Postage or Indicia." The specific values for metered (private) and metered (official) are "D" and "E" respectively. Single piece mail is identified using activity codes. To identify single piece activity codes, please see USPS-LR-K-1/R2005-1, Table B-2. My understanding is that IOCS activity code variables F9805 and F9806 are used to identify single piece mail in USPS-LR-K-55/R2005-1. The IOCS variables F9805 and F9806 are described in appendix A of USPS-LR-K-9/R2005-1, page 84. For further information on base year and test year processing costs involving letter shape single piece meter mail please see USPS-LR-K-53/R2005-1.

RESPONSE OF UNITED STATES POSTAL SERVICE FROM WITNESS SHAW
TO INTERROGATORY OF THE OFFICE OF CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS WATERBURY

OCA/USPS-T10-4. Please refer to USPS-LR-K-5, file "ExA_BY04.CRpt.xls," and the table accompanying OCA/USPS-T10-1, above.
a. For cost segments C/S 2, Supervisors and Technicians, C/S 3, Clerks and Mailhandlers – CAG A-J Offices, C/S 4, Clerks-CAG K Offices, and C/S 6, City Delivery Carriers – Office Activities, please identify and explain all changes in the In-Office Cost System (IOCS) statistical sampling system between FY 2000 and FY 2004 that affected the estimation of costs for Registered Mail. Describe the effect of those changes on the cost estimates for the referenced cost segments.

* * * * *

RESPONSE

a. There have been no changes in IOCS between FY2000 and FY2004 that affect the estimation of costs for Registered Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

TW/USPS-T2-1. At page 3 you refer to the IOCS data collection handbook F-45, which was provided as USPS library reference LR-I-14 in docket No. R2000-1. You also refer to a series of memos updating various aspects of the IOCS data collection procedures, contained in library references LR-J-34 and LR-K-23. Has the Postal Service produced a newer version of handbook F-45, incorporating some or all of the various modifications described in LR-J-34 and LR-K-23? If yes, please provide a copy of the latest version. If no, when does the Postal Service plan to produce an updated version of handbook F-45?

RESPONSE:

No updated version of the F-45 was developed for the FY2004 data reported in my testimony.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

TW/USPS-T2-2. Please refer to the description of "IOCS Standard Record Format and Value Assignments" in Appendix A of LR-K-9, and the corresponding description of the FY2000 IOCS records in Appendix A of LR-J-10 from Docket No. R2001-1. Specifically, refer to the tables titled "FILE OVERVIEW" in both versions of Appendix A.

a. Please confirm that, while the total length of an IOCS record was the same in FY2000 and in FY2004 (1167 bytes), there has [sic] nevertheless been several changes in record content. Specifically, please confirm that in the FY2004 version 23 more bytes than in FY2000 are devoted to Group1 through Group 7 questions. If not confirmed, please explain.

b. Please describe each data element that was collected and is part of the FY2004 IOCS records but was not included in the FY2000 records. Describe as a minimum the year each new data element was first included, field name, position, possible values and the use that is made of the new data element in development of the CRA.

RESPONSE:

a) Substantially confirmed. There have been changes in record content with 15 new data fields consisting of 28 bytes added to the record format since FY2000. However, there have also been 4 data fields consisting of 4 bytes deleted from the record format in this same time period, resulting in a net change of 24 bytes.

b) The IOCS standard data record format displayed in USPS-LR-K-9/2005-1, Appendix A, contains the 15 new data fields. The new data fields have been extracted from the aforementioned appendix and are displayed below in Table 1. All data field names begin with the letter "F". For field names created in this time span (FY2001-FY2004), the two digits after the "F" indicate the year the data field was implemented. For example F0201 was created in FY2002 (the "02" after "F" representing FY2002).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW TO INTERROGATORY OF TIME WARNER, INC.

Table 1

SAS No.	Item No.	Title of Item	Sub-Item Description	Value of Entry	Lgth	From	To
Group 2							
F0201	15D4		Checking In/Out Carrrier Acct.	1	1	246	246
F0202	15D4		Other Accountable Work	1	1	247	247
F0203	15D4		Other Non-Accountable	1	1	248	248
Group 3							
F0101		Carrier - Lunch Start Time	Stop Reading	As Recorded	4	285	288
F0102		- Lunch End Time		As Recorded	4	289	292
F0103		Regular Scheduled Lunch		Y or N (Yes/No)	1	293	293
Group 4							
F0204	18B	Accepting Mail (if D)	Weighing Sec./Bulk Mail Ver.	A	1	310	310
			Receiving Mail from Cust.	B		310	310
			Accept Plant-Ld. Mail - DMU	C		310	310
			Other Acceptance Work	D		310	310
F0205	18B	Dock Transfer (if C)		Y or N (Yes/No)	1	311	311
Group 5							
F0401			Parcel Select Return Service	1	1	559	559
F0402			BPM Return Service	1	1	560	560
F0206	23C		No Marking	1	1	517	517
Group 6							
F0104		Carrier Scheduled Lunch (if	Carrier Start Lunch	As Recorded	4	645	648
F0105		not at lunch at sample time)	Carrier Stop Lunch	As Recorded	4	649	652
F0106		Reserved		Spaces	1	653	653
F0107		CODES Version Number		As Recorded	2	669	670
Total					28		

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

TW/USPS-T2-3 Please refer to Appendix H in LR-K-9 and the corresponding Appendix H in LR-J-10 from Docket No R2001-1. The appendices describe the development of the IOCS data file of variables that are used in development of the CRA.

a. Please confirm that in the FY2000 version of the IOCS data, the record length was 506 bytes. If not confirmed, please give the correct number.

b. Please confirm that in the FY2004 version of the IOCS data, the record length is 528 bytes. If not confirmed, please give the correct number.

c. Please describe each data element that is included in the FY2004 IOCS data file but was not included in the FY2000 file. Describe as a minimum the year each new data element was first included, field name, position, possible values and the use that is made of the new data element in development of the CRA.

d. Have any data elements that were included in the FY2000 IOCS data file since been removed? If yes, please identify those elements.

RESPONSE:

a-b) Confirmed.

c) Table 2 below describes the new data fields on the 528 byte record format. All data field names begin with the letter "F". For field names created in this time span (FY2001-FY2004), the two digits after the "F" indicate the year the data field was implemented. For example F0201 was created in FY2002 (the "02" after "F" representing FY2002).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

Table 2

SAS No.	Item No.	Title of Item	Sub-Item Description	Value of Entry	Lgth	From	To
Group 2							
F0201	15D4		Checking In/Out Carrier Acct.	1	1	145	145
F0202	15D4		Other Accountable Work	1	1	146	146
F0203	15D4		Other Non-Accountable	1	1	147	147
Group 3							
F0101		Carrier - Lunch Start Time	Stop Reading	As Recorded	4	183	186
F0102		- Lunch End Time		As Recorded	4	187	190
F0103		Regular Scheduled Lunch		Y or N (Yes/No)	1	191	191
Group 4							
F0204	18B	Accepting Mail (if D)	Weighing Sec./Bulk Mail Ver.	A	1	208	208
			Receiving Mail from Cust.	B		208	208
			Accept Plant-Ld. Mail - DMU	C		208	208
			Other Acceptance Work	D		208	208
F0205	18B	Dock Transfer (if C)		Y or N (Yes/No)	1	209	209
Group 5							
F0206	23C		No Marking	1	1	349	349
Group 6							
F0104		Carrier Scheduled Lunch (if	Carrier Start Lunch	As Recorded	4	444	447
F0105		not at lunch at sample time)	Carrier Stop Lunch	As Recorded	4	448	451
F0106		Reserved		Spaces	1	452	452
F0107		CODES Version Number		As Recorded	2	465	466
Total					26		

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

d) Table 3 below describes the data fields that were removed.

Table 3

SAS No.	Item No.	Title of Item	Sub-Item Description	Value of Entry	Lgth	From	To
Group 2							
F67	15D4		Special Delivery	1	1	144	144
F69	15D4		Other	1	1	146	146
F89	15E		Special Delivery	1	1	165	165
Group 4							
F117	18B	Other Platform Work (if G or H)	Loading/Unloading Vehicle	A	1	199	199
Total					4		

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

TW/USPS-T2-4 Please provide a copy of the flat file version of the FY2003 IOCS data. Please provide also an FY2003 version of the file writer.txt that is included in LR-K-9. Please provide corresponding data for FY2002 and FY2001.

RESPONSE:

Please see library reference USPS-LR-K-124/R2005-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORY OF TIME WARNER, INC.

TW/USPS-T2-5. In Docket No. R94-1 witness Barker (USPS-T-4) testified, at page 11, that between Dockets No. R90-1 and R94-1: "The implementation of the Computerized On-Site Data Entry System (CODES) was completed for IOCS; CODES was also adopted for use in the City and Rural Cost Systems."

a. In what fiscal year did IOCS clerks begin to record their samples of mail processing on laptops using the CODES software? If the implementation of CODES occurred over more than one fiscal year, please indicate roughly which percentage of IOCS samples were recorded using CODES during each year of implementation.

b. Please confirm that prior to the use of CODES, IOCS clerks recorded their samples manually on sheets of paper. If not fully confirmed, please explain.

c. Please describe the instructions to IOCS clerks for identifying Periodicals as they were prior to the use of CODES software.

RESPONSE:

a. Starting in FY1991, all IOCS data were collected via CODES software.

b. Confirmed.

c. The instructions for identifying Periodicals prior to the use of CODES software are the same as documented in Docket R90-1, Library Reference F-12 (In-Office Cost System (IOCS), Handbook F-45), pages XVIII-2 through XVIII-4, sections 373 through 381.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORIES OF VALPAK

VP/USPS-T2-1. Your testimony at pages 1-2 states, "Employees are sampled independently within Cost Ascertainment Group (CAG) for each of four employee crafts: (1) Clerks, (2) Mailhandlers, (3) City Carriers, and (4) Supervisors. Selected employees are then randomly assigned an instant in time during the sample week for observation." (USPS-T-2, p. 1, l. 22 through p. 2, l. 4.)

a. With respect to In-Office Cost System ("IOCS") samples, is it reasonable to presume that within each of the above four categories, employees at the sampled facilities have an equal probability of being sampled? Unless your answer is an unqualified affirmative, please explain exactly what should be assumed with respect to sampling of employees.

b. Are part-time workers included in the IOCS sample? If so, do they have the same probability of being sampled as full-time workers? Please explain.

c. When certain employees in the sampled crafts work a substantial amount of overtime during a year, do those employees have a greater probability of being sampled than would be the case if they worked no overtime? Please explain how overtime does or does not affect the probability of an employee being sampled.

d. Does the IOCS assume that the frequency with which mail in each class and subclass occurs in the sample is proportional to the time spent handling each respective class and subclass?

RESPONSE:

a) Yes, with the exception of offices that process high volumes of international mail. See USPS-LR-K-9/R2005-1, page 9.

b) Yes. Part-time workers are sampled in the same manner described in USPS-LR-K-9/R2005-1, page 9.

c) No. When an employee is working overtime the employee selection probabilities do not change. The time of the reading could be adjusted depending on the sampled employee's changed beginning or ending work schedule times. See USPS-LR-I-14/R2000-1 Handbook F-45, In-Office Cost System, Field Operating Instructions, Chapter 5.

d) No. The In-Office Cost System uses a probability sample of employee activity to develop estimates of proportions of employee work time spent on various

office functions, and for certain functions, the proportions of time spent handling and/or processing specific mail categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORIES OF VALPAK

VP/USPS-T2-2. Your testimony, at Section V, pages 4-5, discusses how IOCS sample data are used to produce estimates of costs by function for each craft group, with the cost-weighted IOCS data file then used to produce the mail processing cost estimates for the classes and subclasses of mail shown in your Table 1 and estimates of in-office city carrier costs in your Table 2 (along with coefficients of variation ("CVs") for each estimate).

a. Are the cost estimates in Tables 1 and 2 based solely on tallies taken when employees were handling mail? Alternatively, do those cost estimates somehow reflect and include other tallies where no mail was being handled, such as moving empty equipment? If the latter is the case, please explain how all tallies, where no single class or subclass of mail is identified, are incorporated into the final cost estimates for Segments 3.1 and 6.1, mail processing and inoffice carrier costs, respectively.

b. Please explain how all tallies that indicate "handling mixed mail" are incorporated into the cost estimates shown in your Tables 1 and 2.

c. Are each of the cost estimates shown in Tables 1 and 2 unbiased estimates?

d. If your answer to preceding part c is affirmative, please explain all assumptions or conditions that must be satisfied in order to conclude that these cost estimates are unbiased. In your response, please address specifically what assumptions about the distribution of costs from tallies, where no specific class or subclass of mail was being handled, are necessary in order for the resulting cost estimates to be unbiased.

e. Unless your answer to preceding part c is an unqualified affirmative, please explain the nature and source of any biases, either known or suspected, to exist in the cost estimates shown in Tables 1 and 2.

RESPONSE:

a) It is my understanding that the estimated costs depicted in Table 1, Cost Segment 3.1 Mail Processing – Clerks and Mail Handlers, are not based solely on tallies where the employees are handling mail. For an explanation of the methodology please see USPS-T-11/R2005-1.

b) The estimated costs depicted in Table 2, Cost Segment 6.1 Mail Processing – City Carriers, are not based solely on tallies where the employees are handling mail. Table 2 also includes tallies where the employee is not handling mail and the employee's activity is recorded as one of the following:

- Preparing mail for sequencing;

- Sequencing or casing deliverable mail;
- Withdrawing and strapping out mail from case;
- Sweeping mail from distribution case;
- Separating/handling non accountable mail to be picked up by customer;
- Handling undeliverable as addressed mail; or
- Handling mail collected on route.

These not handling tallies are distributed to direct mail tally activity codes as described in USPS-LR-K-1/R2005-1, Appendix E. Not handling – On Break and Moving Empty Equipment tallies are not included in Table 2.

For an explanation of how the cost estimates in Table 1, Cost Segment 3.1 Mail Processing – Clerks and Mail Handlers, incorporate mixed mail tallies, please see USPS-LR-K-55/R2005-1. USPS-LR-K-1/R2005-1, Appendix E, describes the methodology for incorporating mixed mail tallies in Table 2, Cost Segment 6.1 Mail Processing – City Carriers.

c-e) Redirected to the Postal Service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
TO INTERROGATORIES OF VALPAK

VP/USPS-T2-4. In certain library references in this docket, the cost estimates shown in your Tables 1 and 2 are broken down into finer levels, or "sub-units." For example, the costs for ECR mail are broken down between letter shaped mail and non-letter shaped mail.

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

b. For ECR letters and non-letters, please provide estimated costs, standard deviation and CVs for Cost Segment 6.1 for Base Year 2004.

c. With respect to your response to preceding part b, are each of the cost estimates for letter and non-letter shaped mail within the ECR subclass unbiased estimates?

d. If your answer to preceding part c is affirmative, please explain all assumptions or conditions that must be satisfied in order to conclude that cost estimates at this level of disaggregation are unbiased.

e. Unless your answer to preceding part c is an unqualified affirmative, please explain the nature and source of any biases either known or suspected to exist in these cost estimates.

RESPONSE:

a) Redirected to witness Smith.

b) A generalized variance function (GVF) was used to calculate the CVs of ECR letters and non-letters instead of a bootstrapping procedure. The GVF was used because even with modern computers, both the time required and costs of directly computing variances for a large number of estimates is excessive. When a simple relationship between survey estimates and their variances can be determined from a relatively small subset of possible estimates, that relationship can be used to approximate variances for other estimates. This is referred to as the generalized variance function approach. The GVF approach is particularly useful for surveys for which it is impractical to compute and tabulate CVs for every potential estimate, or when

it is not possible in advance to anticipate all estimates for which sampling error estimates may be required.

The estimated costs and their associated bootstrap variances from Table 2 in USPS-T-2 were used as inputs to the model. The GVF is specified as follows:

$\ln(V)=a + b \ln(C)$, where

C = the cost estimate,

V = the relative variance of the cost estimate = $(CV)^2$

The estimated coefficients were calculated to be:

a = 3.6346

b = -0.85329

Results:

Table 1

Category	Cost ($000)	CV	STD
ECR Letters	59,383	5.657%	3,359
ECR Non-Letters	194,850	3.407%	6,639

Cost dollars from USPS-LR-K-67, LR-K-67.xls, tab-16.ecrsplit, Direct Labor Casing Plus Non-C
casing Costs, FY2004

c-e) See the redirected response to VP/USPS-T2-2(c-e).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
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VP/USPS-T2-5. Certain library references in this docket contain cost estimates for ECR letters and nonletters 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.

b. For ECR Saturation letters and Saturation non-letters, please provide estimated costs, standard deviation and CVs for Cost Segment 6.1 for Base Year 2004.

c. Are the cost estimates for ECR Saturation letters and Saturation non-letters unbiased estimates?

d. If your answer to preceding part c is affirmative, please explain all assumptions or conditions that must be satisfied in order to conclude that cost estimates at this level of disaggregation are unbiased.

e. Unless your answer to preceding part c is an unqualified affirmative, please explain the nature and source of any biases either known or suspected to exist in these disaggregated cost estimates.

RESPONSE:

a) Redirected to witness Cutting.

b) A generalized variance function (GVF) was used to calculate the CVs for ECR saturation letters and saturation non-letters. See also my response to VP/USPS-T2-4(b) for a discussion of GVF.

Results:

Category	Table 2 Cost ($000)	CV	STD
Saturation ECR Letters	27,525	7.853%	2,162
Saturation ECR Non-Letters	31,792	7.385%	2,348

Cost dollars from USPS-LR-K-67, LR-K-67.xls, tab-16.ecrsplit, Direct Labor Casing Plus Non-Casing Costs, FY2004

c-e) See the redirected response to VP/USPS-T2-2(c-e).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAW
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VP/USPS-T2-6.

a. When selecting the facilities to include in the IOCS sample frame, are Destination Delivery Units ("DDUs") from which rural carriers operate identified or distinguished from DDUs staffed by city carriers? That is, are such "rural carrier" DDUs in a separate stratum for sampling purposes?

b. Do DDUs from which rural carriers operate have the same probability of being included in the IOCS sample frame as DDUs from which city carriers operate (for a given CAG)?

c. Are clerks and mailhandlers working at such "rural carrier" DDUs included in the IOCS sample?

d. If your answer to preceding part c is negative, please explain how clerks and mailhandlers working at DDUs from which rural carriers operate are included (or represented) in the IOCS sample.

e. Is it possible for rural carriers to be included (mistakenly, of course) in the IOCS sample? If not, please explain what safeguards prevent this from occurring.

RESPONSE:

a-b) No. The universe under study in IOCS consists of all the work time, during a Fiscal Year, of all employees in four employee crafts: 1) Clerks, 2) Mail Handlers, 3) City Carriers, and 4) Supervisors. The IOCS office frame consists of all finance numbers which have employees eligible for sampling in IOCS. If a DDU facility is included in the IOCS office frame it is only because the facility has employees which meet the crafts defined above. See USPS-LR-K-9/R2005-1, Page 7.

c) Yes. See my response to part (a).

d) See my response to part (a).

e) No. Employees eligible for IOCS sampling are identified from USPS payroll data files. Each listed employee has a roster designation that identifies her craft. Rural carrier craft employee roster designations are excluded from IOCS sampling. See USPS-LR-I-14/R2000-1 Handbook F-45, In-Office Cost System, Field Operating Instructions, Chapter 8.

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VP/USPS-T2-8.

a. For Base Year 2004, what is the total number of IOCS tallies recorded in Cost Segment 6.1 and used to develop the costs shown in your Table 2 for city carriers?

b. Please provide a breakdown of total Segment 6.1 tallies that indicates the number and associated cost of tallies for:

(i) handling an individual class or subclass of mail;
(ii) handling mixed mail;
(iii) moving empty equipment;
(iv) not handling mail, on break; and
(v) not handling mail (please identify specific reasons to the extent practicable).

RESPONSE:

a-b) 28,485 tallies, $2,926 (million) –Table 2 total

(i) 25,585 tallies, $2,629 (million) – "Handling an individual class or subclass"

(ii) 1,242 tallies, $126 (million) – "Handling mixed mail"

(iii) 0 – "Moving Empty Equipment"

(iv) 0 – "Not handling mail, on break"

(v) 1,658 tallies, $171 (million) – "Not handling mail". See my response to VP/USPS-T2-2(a) for specific reasons.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
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VP/USPS-T2-9. For the costs associated with all tallies which do not indicate that an individual class or subclass of mail was being handled (*e.g.*, handling mixed-mail, handling empty equipment, on break — not handling mail, etc.), please indicate:
a. Which types of tallies have their associated costs distributed in proportion to the cost of direct "handling-mail" tallies (*i.e.*, tallies where either an individual piece of mail or an identifiable subclass of mail is being handled); and
b. Which types of tallies have their associated costs distributed on a basis that is not in proportion to the cost of direct "handling-mail" tallies. For any such tallies, please provide a brief description of how their associated costs are distributed.

RESPONSE (Part 1):

Explanations of clerk and mail handler mail processing tallies that have their associated costs distributed in proportion to direct "handling-mail" tallies have been redirected to witness Van-Ty-Smith.

Explanations of city carrier tallies which have their associated costs distributed in proportion to direct "handling-mail" tallies are as follows.

a) Tallies that have activity codes between 5300 and 5750 (i.e., mixed mail tallies) are distributed to direct mail tally activity codes using the methodology described in USPS-LR-K-1/R2005-1, Appendix E. My understanding is that some of the other city carrier costs (i.e., activity codes that are not mixed mail or direct mail handling tallies) are distributed in proportion to direct mail using the methodology described in USPS-LR-K-1/R2005-1, Cost Segment 6, Section 6.2.

b) See USPS-LR-K-1/R2005-1, Cost Segment 6, Section 6.2.

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VP/USPS-T2-16. The testimony of Postal Service witness Lewis (USPS-T-30) in Section 3.1 describes how city carriers on motorized routes (i) strap their cased mail, then (ii) load into a hamper (or other assigned conveyance) all of their mail for delivery that day (including cased flats, delivery point sequenced ("DPS'd") mail, and any sequenced mailings that are being taken directly to the street), (iii) take the hamper (or other assigned conveyance) to their vehicle, (iv) load the mail from the hamper (or other assigned conveyance) into their vehicle, and (v) while doing so, arrange the bundles and trays of mail within their vehicle according to the route sequence.

a. Up to what point in the above sequence is carrier time considered to fall within Cost Segment 6.1, In-Office Cost System ("IOCS"), after which carrier time is considered to fall within Cost Segment 7.1, Route Time?

b. When carriers are loading mail into a hamper (or other assigned conveyance) prior to taking it to their vehicle, are they subject to IOCS tallies?

c. After carriers exit the facility into the parking lot, en route to their vehicles, are they subject to IOCS tallies?

d. While carriers are loading mail into their vehicles, are they subject to IOCS tallies?

e. While carriers are arranging mail within their vehicles prior to leaving the parking lot, are they subject to IOCS tallies?

f. Please refer to your response to preceding parts b through e. For each response that carriers are subject to IOCS tallies, would the tally generally show that the carrier was handling "mixed mail"? If not, please indicate the circumstances under which a carrier might be recorded as handling a single class or subclass of mail.

RESPONSE:

a. All the above (i) through (v) would fall within Cost Segment 6.1. In Docket R2001-1, Responses of United States Postal Service Witness Shaw to Hearing Questions of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc. (December 21, 2001; Tr. 3/315), addressed a similar question about loading a vehicle in the parking lot.

> During an IOCS carrier reading the data collector is asked to determine if the selected employee can be located on the premises, regardless of whether the selected employee is clocked to office or street time. On the premises means that either the employee can be located in the facility or in the immediate area. When the data collector locates the selected employee on the premises and in this case, the employee is loading a vehicle outside in the parking lot, the data collector must conduct the reading in the parking lot to complete the reading. Please see library reference USPS-LR-I-14/R2000-1, page 10-7.

b-e. Yes. Please see the response to part (a).

f. Whether this would be a mixed or direct mail tally depends upon what the sampled employee is handling. Please see USPS-LR-K-9/R2005-1, Appendix B, for the assignment of mixed and direct mail activity codes. The IOCS data collector would follow the rules described in USPS-LR-I-14/R2000-1, pages 12-2 through 12-3, to obtain a mailpiece for the reading.

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AND VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T2-17. Please suppose a carrier happens to be handling bundles or trays of ECR Saturation mail within the office at the time an IOCS tally is taken; *e.g.*, (i) a motorized carrier is loading trays of sequenced ECR Saturation mail into a hamper prior to taking all of the carrier's mail to the vehicle, or (ii) a foot route carrier is putting bundles of mail, including bundles of sequenced mail, into sacks for deposit at relay boxes.

a. Is the fact that the carrier is handling a sequenced mailing "in bulk" (as opposed to casing individual pieces) recorded by the IOCS? If not, what would be recorded?

b. Would the tally specify that the carrier is handling either letters or flats? If not, what would be recorded?

RESPONSE:

a. IOCS does not have a direct way of indicating a carrier handling a sequenced mailing in bulk. In example (i), where the carrier is handling a tray of ECR Saturation mail at the time of the IOCS reading, the data collector would record that the carrier was handling a tray and after selecting a mailpiece from the tray, record the applicable mailpiece characteristics which would include the mail class and markings.

In example (ii), where the carrier is handling a bundle of ECR Saturation mail at the time of the reading, the data collector would record that the carrier was handling a bundle and after selecting a mailpiece from the bundle, record the applicable mailpiece characteristics.

b. Yes. As described in the response to part (a), above, the recorded mailpiece characteristics would include shape.

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VP/USPS-T2-18. The testimony of witness Lewis (USPS-T-30) in Section 2.2 describes how city carriers take bundles or trays of sequenced mailings directly to the street, and thereby "save a considerable amount of in-office time." (USPS-T-30, p. 3, ll. 12-13.)

a. For those sequenced mailings that city carriers take directly to the street, what is the likelihood that any mail within such mailings will be the subject of an inoffice city carrier IOCS tally?

b. Assuming that witness Lewis is correct with respect to the savings of in-office time, would such savings of in-office time be reflected in the IOCS as a reduction in the number of tallies for sequenced mail that is taken directly to the street?

c. For the total volume of ECR flat-shaped mail, please consider the volume as being in one of two groups, as follows: Group A – sequenced mailings of flatshaped mail that are taken directly to the street; and Group B – non-sequenced flat mail that is cased by carriers.

(i) Please comment on the likelihood of mail in Group A being tallied versus the likelihood of mail in Group B being tallied.

(ii) Is the likelihood of mail in Group A being the subject of an in-office city carrier IOCS tally equal to or less than the likelihood of mail in Group B being the subject of an in-office city carrier IOCS tally? If the likelihood, or probabilities, are not equal, as best you are able, please indicate how much the probabilities are likely to differ. For example, for each billion pieces of mail in Group A and Group B, what is the likely number of times that you would expect mail in each group to be subject to an IOCS sample?

RESPONSE:

a. The likelihood of a city carrier being observed in IOCS handling a piece from a particular group of mail is proportional to the time carriers spend handling mail belonging to the group.

b. Yes, compared to otherwise similar mailpieces cased by carriers.

(i) Let T_A be the average time per mailpiece that city carriers handle mail in Group A. Let V_A be the volume of Group A. Let T_B be the average time per mailpiece that city carriers handle mail in Group B. Let V_B be the volume of Group B. The relative probability of a city carrier handling a Group A mailpiece versus a Group B mailpiece is approximately $(T_A V_A) / (T_B V_B)$. If the volume of

Group A is equal to the volume of Group B, this simplifies to (T_A/T_B).

(ii). Yes. Please see response to part (b), and note that the response to part (c)(i) implies that the relative proportions of tallies for equal-volume-groups of mail is determined by the relative unit costs for the respective groups.

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VP/USPS-T2-19. Library reference USPS-LR-K-77, Billing Determinants for Base Year 2004, shows the following volumes (in millions) for ECR and Nonprofit ECR mail:

	Commercial	NonProfit	Total
Basic	15,456	1,433	16,889
High Density	2,226	100	2,326
Saturation	12,663	1,117	13,780
Total	30,345	2,650	32,995

Please assume that one-half of all ECR Saturation mail (*i.e.*, 13,780/2 = 6,890 million pieces) is taken directly to the street and, as a result, is largely, or even totally, excluded from in-office tallies at delivery units. With respect to various characteristics of the mail (*e.g.*, shape or weight) that are recorded by the IOCS, would you consider the resulting sample to be representative of (i) all 32,995 million pieces of ECR mail, or (ii) the subset of 26,105 million pieces of ECR mail (*i.e.*, 32,995 less 6,890) that is subject to sampling at carrier units? Regardless of your answer, please explain your rationale.

RESPONSE:

IOCS is not designed to measure population mailpiece volume characteristics; rather IOCS is a probability sample of work time to estimate costs of various activities performed by clerks, mail handlers, city carriers, and supervisors. While IOCS does record mailpiece characteristics when a sampled employee is handling a mailpiece, these are not necessarily representative of the population of mailpiece characteristics. They are only representative of the type of mail employees are handling.

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TO INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
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VP/USPS-T2-22. Please assume that a group of Standard ECR Saturation letters is being delivery point sequenced, that one or more of these letters causes a machine jam, and that, during the time any such jammed piece is being removed from the machine, an In-Office Cost System ("IOCS") tally is taken. Would that tally and the costs associated with that tally, be charged to Saturation letters? If not, please explain.

RESPONSE:

Yes, if at the time of the IOCS reading the sampled employee is removing the jammed piece from the machine. If the sampled employee is not removing the jammed piece and is not handling mail but mail is present on the machine then Rule 7 in the IOCS Handbook F-45 (USPS-LR-I-14/R2000-1, page 12-4) is used to obtain a mailpiece from the machine's source of supply.

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VP/USPS-T2-23. How many IOCS tallies taken in the delivery point sequence MODS pool indicate a machine jam at the time the tally is taken?

RESPONSE:

In FY2004 there were 13 IOCS tallies that indicated a machine jam during a delivery point sequence mail processing operation. If "MODS pool" in the interrogatory is referring to cost pool, then it is my understanding that 10 of these tallies are in cost pool BCS/DBCS for plants (please see USPS-LR-K-55/R2005-1, page I-13) and 3 of the tallies are in cost pool AUTO/MECH for Post Offices, Stations, and Branches (please see USPS-LR-K-55/R2005-1, page II-25).

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VP/USPS-T2-24. Please refer to your response to VP/USPS-T2-19, where you state: While IOCS does record mailpiece characteristics when a sampled employee is handling a mailpiece, **these are not necessarily representative of the population of mailpiece characteristics.** [Emphasis added [by Valpak].]

a. Would it be reasonable to infer from your response to VP/USPS-T2-19 that, under the circumstances posed in that interrogatory, information on mail characteristics, such as shape or weight contained in IOCS sample data, (i) clearly should not be considered representative of the entire population of 32,995 million pieces of ECR mail, and (ii) further, information on such mail characteristics may not even be representative of the subset of 26,105 million pieces that were subject to sampling? If you disagree with these inferences, please explain what inferences should be drawn.

b. If one were to study certain mailpiece characteristics, would you agree that, in general, it would be desirable to have sample data that can be considered representative of the population of the mailpiece characteristic or characteristics under study? If you do not agree, please explain.

c. Please assume that certain significant volumes of ECR mail systematically are excluded from IOCS sampling, as hypothesized in VP/USPS-T2-19, and explain whether the resulting IOCS data from the subset of volume subject to sampling are (or are not) suitable for studying the weight-cost relationship of the entire population of Standard ECR mail.

RESPONSE:

a. IOCS tallies represent the proportions of work time spent handling mailpieces of various characteristics and not the volumes for those characteristics. IOCS, by itself, cannot produce population volume estimates. If, as in the VP/USPS-T2-19 hypothetical, a portion of ECR mail totally bypassed an operation subject to IOCS sampling, then the absence of tallies for that category of ECR mail in the bypassed operation would correctly indicate that there was no work time spent handling the mail there. The ECR tallies in the operation would hypothetically be drawn from the remaining ECR mail not bypassing the operation, and would "represent" the work time spent handling that mail. They would also represent the time spent on ECR mail collectively, including the absence of handlings of the bypass mail.

b. Yes. However, the "characteristics under study" in IOCS are the proportions of work time spent on various activities including the handling of mail of various characteristics.

c. Yes, it is suitable. IOCS does provide an estimate of the cost for the Postal Service to handle the entire population of Standard ECR Mail. If a portion of ECR mail is never handled by carriers or for that matter other craft employees subject to an IOCS reading, there should be no handling tallies in IOCS. In such a case, IOCS would correctly report that there is zero employee work time spent handling this hypothetical subset of ECR mail.

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VP/USPS-T2-26. Please refer to your responses to VP/USPS-T2-16 and 17. Please also refer to the testimony of witness Bradley (USPS-T-14) at page 59 (l. 9), where he explains how "to estimate the amount of cased ECR Saturation mail that exists," and says that Step 1 of the procedure is to "identify the casing hours for ECR Saturation from IOCS."

a. For ECR Saturation letters and flats separately, please explain how you identify those IOCS tallies that correspond to "casing hours for ECR Saturation."

b. For ECR Saturation letters and flats separately, please explain what distinguishes the IOCS tallies from those tallies discussed in preceding part a from other IOCS tallies of Saturation mail; *e.g.*, tallies taken when carriers were loading sequenced mail that was not cased or delivery-point sequenced ("DPS'd") into their vehicles.

c. For ECR Saturation letters and flats separately, what was the total number of tallies in Base Year 2004 that would be classified as casing of ECR Saturation mail?

d. For ECR Saturation letters and flats separately, what was the total number of tallies in Base Year 2004 that would be classified as some activity other than casing of ECR Saturation mail?

RESPONSE:

a. My understanding is that the procedure described in witness Bradley's testimony (USPS-T-14) to estimate the amount of cased ECR Saturation mail begins by using the output of IOCS program ECRCSG. The SAS program code is documented in USPS-LR-K-9/R2005-1, appendix H, CDROM, program ECRCSG. The SAS program defines city carrier letter route casing ECR saturation costs by reading the IOCS file and selecting carrier tallies with a Standard ECR activity code of 1310 or 2310, and Carrier Activity as either "Preparing Mail for Sequencing", "Sequencing/Casing Mail", or "Withdrawing/Strapping Carrier Case Mail" and a mailpiece marking of "ECRWSS", and a route code less than or equal to 83. The output of this program is input to CASING04.revised.xls described in LR-K-67.

b. IOCS can directly identify the costs associated with the carrier's activity of handling "cased" ECR saturation mail because of their activity, and the type of

mail being handled as described in part (a). However, IOCS cannot directly identify "cased" ECR saturation mail outside of the activities listed in part (a). My understanding is that carrier activities including but not limited to handling undeliverable-as-addressed mail, sweeping mail, writing markups, and loading and unloading vehicle would not be included in direct carrier casing costs of ECR saturation mail on letter routes. Please see USPS-LR-I-14/R2000-1, page 10-8 for a description of city carrier activities.

c. For casing ECR saturation mail on letter routes in BY2004 there were 231 letter and 268 flat shaped IOCS tallies.

d. For other than casing activities on letter routes where the sampled employee was handling ECR saturation mail in BY2004 there were 6 letter and 14 flat shaped IOCS tallies.

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VP/USPS-T2-28. For Cost Segment 6.2, City Carrier In-Office Support, please provide the total number of In-Office Cost System ("IOCS") tallies in Base Year 2004, and a breakdown of those tallies showing separately the number tallies for personal time, moving empty equipment, clocking in and out, training, obtaining mail and keys, checking and preparing vehicles, attending safety meetings, etc.

RESPONSE:

Table 1 displays the Cost Segment 6.2 tallies by activity code.

Table 1

Activity Code	Activity Code Description	Tallies
6430	In/Obtaining Accountable Mail or Keys/Checking Vehicle/Safety Meeting	3,875
6516	Training – Mixed All Shapes	2
6519	Training – Other Training	285
6521	Break/Personal Needs	5,565
6522	Clocking In or Clocking Out	1,726
6523	Moving Empty Equipment	1,404
	TOTAL	12,857

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

VP/USPS-T2-29. Please refer to your testimony at page 3 (ll. 9-22), which discusses data validation and editing.

a. In the course of validating and editing IOCS tallies for Base Year 2004, please indicate how many tallies in Cost Segments 3 and 6 (please show each segment separately) were deleted from the IOCS data base, and indicate the reasons for such deletions.

b. (i). In the course of validating and editing IOCS tallies for Base Year 2004, please indicate how many tallies in Cost Segments 3 and 6 (please show each segment separately) were subject to some kind of error correction before being included in the IOCS data base.

(ii). Please indicate and discuss the most common types of errors that occurred in the course of validating and editing IOCS tallies for Base Year 2004, but which were not considered sufficient to require elimination of tallies from the data base.

RESPONSE:

a. Table 2 below identifies the number of deleted tallies for Cost Segments 3 and 6 and their associated reason codes. The displayed reason codes in the table are described in USPS-LR-K-9/R2005-1, Appendix C.

Table 2

Reason Code	Cost Segment - 3	Cost Segment - 6
4.5.04.0	0	1
4.5.10.0	0	10
4.5.32.0	0	1
4.5.37.1	3	0
4.5.64.0	6	0
4.5.81.0	1	0
Total	10	12

b. (i) Table 3 and Table 4 below identify the number of tallies that have been subject to the error correction procedure for Cost Segments 3 and 6, respectively, including those tallies identified in response part (a). The

displayed reason codes in both tables are described in USPS-LR-K-9/R2005-1.

Table 3 (Cost Segment 3)

Reason Code	Tallies	Percent
4.5.21.2	1	0.01
4.5.38.0	1	0.01
4.5.57.0	1	0.01
4.5.50.0	2	0.01
4.5.79.0	3	0.02
4.5.42.0	7	0.04
4.5.68.0	7	0.04
4.5.55.0	8	0.04
4.5.39.1	9	0.05
4.5.41.0	12	0.06
4.5.45.0	20	0.11
4.5.46.0	20	0.11
4.5.56.0	22	0.12
4.7.02.0	22	0.12
4.5.51.0	29	0.15
4.5.66.0	30	0.16
4.6.07.0	35	0.19
4.5.39.0	41	0.22
4.5.52.0	46	0.24
4.5.70.0	47	0.25
4.5.17.0	53	0.28
4.7.01.0	72	0.38
4.6.06.0	81	0.43
4.5.43.0	82	0.43
4.5.18.0	85	0.45
4.5.15.0	103	0.55
4.5.54.0	156	0.83
4.7.03.0	208	1.10
4.5.37.0	210	1.11
4.5.37.1	298	1.58
4.5.82.0	476	2.52
4.5.25.0	560	2.97
4.5.01.0	681	3.61
4.5.69.0	1,029	5.45
4.5.84.0	1,514	8.02
4.6.04.0	3,269	17.32
4.6.05.0	3,297	17.46
4.5.81.0	6,341	33.59
Total	18,878	100.00

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

Table 4 (Cost Segment 6)

Reason Code	Tallies	Percent
4.5.10.0	1	0.02
4.7.04.0	1	0.02
4.5.25.0	2	0.03
4.5.79.0	3	0.05
4.5.51.0	4	0.07
4.5.66.0	4	0.07
4.5.43.0	5	0.08
4.5.54.0	5	0.08
4.5.70.0	5	0.08
4.5.52.0	7	0.12
4.5.39.0	8	0.14
4.5.45.0	8	0.14
4.7.02.0	8	0.14
4.6.07.0	18	0.31
4.6.06.0	27	0.46
4.7.01.0	29	0.49
4.5.15.0	46	0.78
4.7.03.0	65	1.10
4.5.69.0	119	2.02
4.5.31.0	316	5.37
4.5.82.0	474	8.06
4.6.04.0	869	14.77
4.6.05.0	1,620	27.53
4.5.81.0	2,240	38.07
Total	5,884	100.00

(ii) Reason code 4.5.81 was the most common for both Cost Segments 3 and 6. This reason code is referred to as "Invalid Activity Code (IOC FY 2004 Activity Codes)" in .LR-K-9, Appendix C. Reason codes 4.6.04 and 4.6.05 deal with consistency checks on postage and weight with First-Class Single Piece and First-Class Presort mail respectively. Please see LR-K-9, Appendix C, pages 166-168.

CHAIRMAN OMAS: At this point I'm going to add answers of Witness Shaw that Witness Shaw provided to the Presiding Officer's Information Request. There are two answers that were not designated. They are POIR 2, Question 10, and POIR 4, Question 7, Part 1.

Witness Shaw, would your answers to those questions be the same as those previously provided in writing?

THE WITNESS: Yes.

CHAIRMAN OMAS: I'm handing the reporter two copies of these answers and direct that they be admitted in direct evidence and transcribed.

(The documents referred to were marked for identification as Exhibit Nos. POIR 2, Question 10, and POIR 4, Question 7, Part 1, and were received in evidence.)

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RESPONSE OF POSTAL SERVICE WITNESS SHAW TO
POIR NO. 4, QUESTION 7(b), PART 1

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.

(b) Identify the cost drivers including any operational or cost methodological changes that may have led to such an increase in periodicals costs.

RESPONSE:

(b-Part 1) The increased Periodical mail processing labor cost coincides with the expansion of the "look up" list for Periodicals used in IOCS data collection software. Beginning the second quarter (January 1) of FY2004, IOCS data collection software was updated with an expanded list. Previously, this "look up" table, as referenced in the IOCS Handbook F-45 (USPS-LR-I-14/R2000-1, page 13-8) was limited to periodicals frequently found in IOCS data collection. The distribution method for downloading IOCS data collection software to the field limited the size of the "look up" table. Prior to January 1, 2003, all IOCS data collection software updates had to fit on a floppy diskette for field distribution. However, after January 1, 2003 the software distribution process used CDs with their much higher capacity, thereby allowing a much larger "look up" Periodical list. The expanded Periodical list is built from the IOCS file ALB.HQ270T01.GULTMSTR.FY&FY&GULTQTR. This is the flat publications file (referred to as the "GULT" or "GULT MASTER") produced each quarter in the fiscal year. Please see USPS-LR-K-9/R2005-1 page 28 for a description of how the "GULT MASTER" file is created.

RESPONSE OF POSTAL SERVICE WITNESS SHAW TO
POIR NO. 2, QUESTION 10

10. Library Reference LR-K-101 contains a spreadsheet which calculates delivery costs by rate element for First-Class and Standard Mail using the methods in the R2001-1 PRC Opinion. In R2001-1, the Postal Service submitted LR-J-117 which included a FORTRAN based program for IOCS data extraction. Please identify the data source used to create worksheet ECR SPLITS in workbook LR-K-101.xls and provide PC compatible programs and their corresponding datasets which generated this worksheet.

RESPONSE:

The FORTRAN based program for IOCS data extraction was not used in FY2004. Instead, IOCS programs ALBCARMM and ECRALL are now used to provide the data source for worksheets CASING04.XLS and CASING04.Recd.2.17.05.XLS in USPS-LR-K-67 (which also pertain to the response to POIR-2, question 11) which in turn are used to produce ECR SPLITS in USPS-LR-K-101.

These IOCS programs are documented in USPS-LR-K-9/R2005-1, pages 49 – 51 and 53. Input data for the USPS-LR-K-67 worksheets described above can be generated using the source code for the programs (ALBCARMM and ECRALL) and the IOCS tally file documented in the IOCS CD-ROM (see USPS-LR-K-9/R2005-1, appendix H).

To facilitate the identification of inputs to USPS-LR-K-67 worksheet CASING04.Recd.2.17.05.XLS from IOCS, hardcopy reports from ALBCARMM and the output data file from program ECRALL are provided in new library reference USPS-LR-K-125/R2005-1, *IOCS FY 2004 Supplemental Reports and Data, Provided in Response to POIR No. 2, Item 10.*

CHAIRMAN OMAS: Is there any additional written cross-examination for Witness Shaw?

(No response.)

CHAIRMAN OMAS: This brings us to oral cross-examination. Two parties have requested oral cross-examination, Major Mailers Association, Mr. Hall, and Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers Association, Inc.

Mr. Hall?

MR. HALL: Yes, Mr. Chairman. Major Mailers Association has decided to let them ask questions first.

CHAIRMAN OMAS: Thank you. That was Mr. Hall, Major Mailers Association.

Mr. Olson, will you please introduce yourself?

MR. OLSON: Thank you, Mr. Chairman. William Olson representing Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers Association.

CROSS-EXAMINATION

BY MR. OLSON:

Q Mr. Shaw, I want to begin by asking you to turn to your response to Val-Pak, T-2-2(a).

A Okay.

Q In that question in Part (a) we asked you

whether your cost estimates in Table 1 and Table 2 of your testimony are based solely on IOCS tallies taken when an employee was handling mail, and your answer there refers to Table 1 only, but doesn't refer to Table 2. Could you answer that question now as to Table 2?

A Part (b) there in my response, Table 2?

Q No. If you take a look, I'm still focused on Part (a). If you can read with me along there in Part (a) it says, "Are the cost estimates in Tables 1 and 2 based solely on tallies taken when employees are handling mail..." and then we go on.

T-2-2(a) deals with both your Tables 1 and 2 and both of the cost segments. Was it 3.1 and 6.1 or something? Yes, 3.1 and 6.1. In your response to (a) you simply identified Table 1. Do you see that?

A Yes.

Q And so what I'm asking you now is for Part (a) what would your response be for Table 2, Cost Segment 6.1?

MR. HOLLIES: Mr. Chairman, if I could briefly interject here? This gets to an issue that we've been dealing with throughout this docket; that is, when an interrogatory is a unit unto itself as distinguished from a part or a subpart of that

interrogatory.

This interrogatory is one for which several of the parts were redirected for response. In particular, Sections (c) through (e) of this question were redirected to the Postal Service for response, and those responses also addressed the two tables, which may be part of the confusion here.

MR. OLSON: Mr. Chairman, just to respond, my question is limited to Section (a), which was not redirected to the Postal Service, which asked about Tables 1 and 2, and the witness' response was for Table 1.

BY MR. OLSON:

Q I mean, certainly this whole issue of redirection may cause confusion, but are you able to answer the question, Mr. Shaw?

A Yes. I think that the answer is actually in Part (b), part of that, where I state, "The estimated costs affected in Table 2, Cost Segment 6.1, are not based solely on tallies where the employees are handling mail."

Q Okay. So that's your answer to Section (a)?

A For 6.1.

Q For 6.1.

A For Table 2. Right.

Q Exactly. Okay. Good. Let's go and look at those then because this is what I'm interested in.

In that response to Section (b), and I guess you identify the type of recording that's done of these tallies when an employee is not handling mail and you have about seven or eight bullets there, correct?

A Correct.

Q Okay. And so those bullets pertain to Cost Segment 6.1?

A Correct.

Q Okay. Is there a similar list that pertains to Cost Segment 3.1?

A That's handled by Witness Van-Ty-Smith as far as when we get into that area for mail processing, which would be Table 1, which is what (a) originally addressed.

Q So if I had a question about a comparable list of bullets for Table 1 I'd have to ask Witness Van-Ty-Smith?

A Yes.

Q Okay. I think I'll do that. Let's look at the list for Cost Segment 6.1. There you list a variety of activities, as I said, in those bullets. I know the premise is that the employees are not

handling mail when the tally is taken, and then you say these are the items that it can be identified as.

Is this an inclusive list or an illustrative list?

A It's an inclusive. It's documented in my library ref in Appendix B on page 109. You will see a listing of activities where they're not handling mail, the carrier is not handling mail, and how we code the activity code, which is going to be a mixed mail activity code, which gets distributed back to the -- which answers Part (b) there for you. The mixed mail codes are distributed back to the direct mail code.

Q I'm sorry. That confused me. If it's a not handling mail tally how does it become a mixed mail tally? If you're not handling mail it's not that you're handling mixed mail.

A Right. There are exceptions to that, and these are the exceptions that I'm pointing out. For instance, if they're preparing mail for sequencing that gets assigned to Activity Code 5650. This is in Appendix F, page 196, of my library ref, LR-K-9. 5650 is defined as mixed letter and flat size.

Q So you're saying that if an employee is handling mixed letter and flat size mail preparing that mail for sequencing then it's identified this

way?

A If they're not physically handling mail. Right.

Q Gee, this is part of what I don't understand. What I had thought was there were three categories; that IOCS either has handling a single class of mail, mixed class of mail, like a bundle or a tray or hamper or some other piece of equipment with mixed classes, or there was other categories called Not Handling where the employee was not handling any mail. Am I misunderstanding?

A I would say generally that's very true, but there are some exceptions, and I think I'm pointing out one of those exceptions where the carrier would not be physically handling mail I think as you're addressing, but we classify it as mixed mail.

This has been this way for a long time, and I can only guess as to why this is this way, but that's how I code it.

Q So if you were to do a breakout of the number of tallies that come out handling a single class of mail, handling mixed mail or not handling mail, they would be classified as mixed mail? Is that what you're saying?

A Say that one more time. Sorry.

Q Well, if the three big categories are --

A Yes.

Q -- handling a single class of mail, handling mixed mail or not handling mail, you're saying these are not handling mail tallies that appear as mixed mail tallies in the second group?

A Yes. They get classified with the mixed mail activity code.

Q Can you explain the reason for these exceptions to the rule?

A I could only guess. I wasn't a party to it. I think because the carrier is -- if they're preparing the example I gave, for instance, preparing for sequencing mail, they're obviously at the case, and at the time they're not actually casing mail. They're not holding mail to case. They're not picking mail up to put on the ledge to dump to begin casing, but they're surrounded by mail.

My guess is that even though they weren't handling a specific piece of mail at the time or we couldn't isolate a specific piece of mail at the time they were working so closely with mail that they decided to call it mixed mail. That's about as good as I can do without being a party of the original design.

Q Okay. Many things antedate the witnesses, and I understand that. I'm just trying to get your understanding of what some of these mean.

Can you go to the next page and just tell me what sequencing or casing deliverable mail might include, what type of activities?

A That would be the actual physically taking the mail, the carrier standing at the case taking the mail from his hand and putting it into probably a pigeonhole, one of the slots in the case.

Q But if a carrier were actually casing mail, wouldn't he have a piece of mail in his hand, a single piece of mail in his hand? He might have a bunch of ECR saturation flats, for example, that he's casing. They're all ECR saturation flats. Wouldn't that be recorded as ECR saturation flats?

A If at the time of the reading the carrier was handling an ECR mail piece, we would record that the carrier was casing and that when we got through the mail piece characteristics recorded those.

It would eventually get recorded with an ECR saturation, I guess an ECR-WSS marking or some mark as such that would identify it as saturation mail.

Q But would it be mixed mail?

A No.

Q Mixed mail or single?

A Not if they're handling it. The only issue, the only exception -- I kept using that word -- and it's documented clearly right here is when they're not handling mail. The way we determine that is on Question 20 where we specifically asked them are they handling mail, empty equipment, things like of that nature.

If they answer D, which is basically they're not handling anything, and it goes through this particular program the activity code is going to be recorded as mixed mail when the activities are those displayed on page 109 I think I said.

Q But by definition we wouldn't get to these bullets until we were dealing with a not handling mail tally, correct?

A Correct.

Q Okay. The last two are interesting because they use the word handling. It says handling undeliverables as addressed mail. Does that mean that that's a not handling factor even though it's called handling undeliverable as addressed mail?

A Yes, because everything -- if you look at the bottom of that page it clearly defines Question 16(f) as where we and IOCS defined the activity, what

the carrier was doing.

It's used to assign the activity code only when the employee is not handling mail. The not handling mail would be defined via Question 20, as I mentioned, Option D.

Q I'm sorry, but if you're not handling mail how could your activity be categorized as handling undeliverable as addressed mail? You're not handling it.

A I understand. That's correct. You're not physically handling it. I think that's what you're saying. Probably at the time -- remember that in IOCS when we go and sample people it's kind of at that instant in time.

It's an instant in time, so maybe their activity was in say a 10 second interval they were actually dealing with undeliverable as addressed mail, but maybe they were taking it to the case or leaving it on the case or taking it out, setting it down on the case, but when the actual reading began they weren't physically touching anything.

I'm trying to think of an example to give you where that might be the case where the activity for the carrier might have been handling undeliverable addressed mail even though I would agree with you the

handling, when you're looking at the pure definition, is somewhat misleading. You've got to look at that as an activity.

Q So do I take it that you're saying that if you're not handling a piece of mail but you're in the vicinity of undeliverable as addressed mail or you just finished or are about to begin or are in the middle of it but you don't have a piece in your hand then it's categorized as handling undeliverable as addressed mail?

A Yes.

Q And if that piece of mail were say first class mail, the pieces that are before and after, would that tally or the cost for that tally go to first class mail? Do you know?

A Are we speaking now that they are handling mail?

Q Well, let's say they're not.

A Well, if they're not handling mail, no. It goes to mixed mail. It would go to mixed mail because we don't know.

Let's say there's a bundle there of undeliverable as addressed, but they're not physically touching that bundle. If they were physically touching that bundle we have rules and ways of

extracting a piece of mail, but in this case they're not handling anything, but their activity is involved with undeliverable as addressed mail. I'll drop the handling part.

The activity seems to me to be legitimate from the standpoint that that's really what they were involved with at the time of the reading, but because they're not handling mail, they weren't physically touching any container or receptacle or bundle or piece, we would give it a mixed mail tally, a mixed mail activity code.

Q If you take a look at the last bullet, "Handling mail collected on route." Do you think any of those tallies would result in cost being attributed to ECR mail?

A Let me make sure here. Both those get assigned to mixed mail, mixed mail activity codes. They're not initially distributed to a direct mail -- first class, single piece or something like that. It's later in the processing that we take this mixed mail category, the 5000 series that you see here.

Those eventually get distributed back to direct mail tallies, and that's what happens later in the process.

Q They get distributed in proportion to the

direct mail tallies, correct?

A Correct.

Q Or usually in proportion?

A In proportion.

Q There are some exceptions, aren't there?

A Not with mixed mail. They get distributed back. This happens in the CMM program, ALB CMM.

Q What does that stand for? I just don't know.

A Carrier mixed mail program.

Q Okay.

A I'm sorry. I'm using acronyms. I probably should explain.

We have a portion -- I think you've asked some questions about it later -- where we deal with how do we get those 5000 series, those mixed mail activity codes. How do those get distributed back to direct mail tallies?

That is done, as you mentioned, in proportion. We organize them by certain groups, and based on that distribution, the direct mail distribution within those groups, that's the way the mixed mail gets distributed back.

Q Okay. Let me ask you to turn to your response to T-2-20. I think that is an institutional

response. I think that was directed to you, and then we received an institutional response from the Postal Service.

Do you happen to have that one with you? If not, I have some extras.

A Yes, I have it.

Q Okay. The updates at the bottom right-hand corner of the response, the 2004 update, shows that 50 percent of the IOCS tallies had no mail identified. Isn't that correct?

A Yes.

Q Okay. And seven percent were mixed mail tallies?

A Yes.

MR. OLSON: Mr. Chairman, just to make this a little easier with my questions about these two interrogatories if I could distribute copies for counsel and for the Commission of the two interrogatories we're going to discuss?

CHAIRMAN OMAS: Without objection.

BY MR. OLSON:

Q Mr. Shaw, do you have the institutional response to T-2-25 also, which is the followup?

A Yes, I do.

Q Sticking with T-2-20, when the data quality

study was updated with data from 2004 it showed a continuation of a trend, did it not, that specific mail products identified tallies have shrunk even further? Would that be correct?

A Could you repeat the question?

Q Sure. Looking at the institutional response to T-2-20, the number of IOCS tallies for which a specific mail product was identified has declined consistently since 1969 through 1986 through 1996 through 2004. Isn't that correct?

A Correct.

Q Okay. The percentage of tallies where no mail is identified has, on the other hand, increased from six, to 29 to 49 to 50 percent, correct?

A Correct.

Q When you look at that trend as the Postal Service's IOCS expert, does that concern you about the ability of the IOCS to accurately identify costs for the Postal Service?

A It doesn't alarm me or concern me with respect to producing the estimates, but, you know, certainly there's some inefficiency from the standpoint where we go out and try to conduct a reading, and more often than not we're not able to get a reading that's associated with a direct mail piece

or direct mail. The estimates themselves I don't have a concern with.

Q If you can do a tally in 1969 and 77 percent of the time know exactly what class the mail the employee was working with and now it's only 43 percent, doesn't that make it more difficult to accurately allocate cost to specific products?

A Not necessarily. What it could involve is that we have a larger variance associated with the estimate itself, a larger plus or minus for instance. We keep track of those, and that was displayed in my tables in my testimony.

Q We then asked you a followup question to this interrogatory, T-2-25, and the institutional response came back I guess. Yes. It came back with the percentage of tallies in these three categories of product identified, mixed mail and no mail and then the number, the absolute number of tallies by cost pool, correct?

A Correct.

Q Let me just ask you a couple of quick questions first before I ask you to look at the big picture.

At the top of page 2 of that interrogatory there's a MODS cost pool, 1OPBULK. What does that

stand for?

A That's kind of out of my scope.

Q Right.

A I don't get into this, so I wouldn't be able to answer that accurately.

Q It looks like opening bulk mail more or less, but let's just not focus on what the MODS cost pool specifically reflects.

Let's talk about the percentage of tallies there. It's 36 percent of the tallies in that pool were correlated to a single mail product, correct?

A Correct.

Q And so the other 64 percent were either mixed mail or no mail identified, right?

A Correct.

Q And you're saying that the 64 percent are distributed not directly based on tallies, but are indirectly distributed? Isn't that what you --

A This has to do with Cost Segment 3.1, which I wouldn't know the answer to that. Again, that falls outside of my testimony.

Q Your testimony does contain Table 1, which deals with Cost Segment 3.1, correct?

A Correct.

Q Can you not tell us generally how the mixed

mail and no mail identified tallies are allocated to products?

A No. I simply use -- in 3.1, the reason that's in my testimony is so that I can show that once those cost estimates are derived what is the CV associated with it.

Q Let me try one more and ask you to look at the fourth one down on page 2, 1PLATFRM, which I assume is a platform cost of some sort. Would you know?

A It sounds about right. Platform maybe. Again, I'm not familiar with it.

Q So nine percent of those costs would be attributed directly through these IOCS tallies and the rest indirectly? Would that be accurate, if you can say?

MR. HOLLIES: The Postal Service would like to object to that question.

We've just been through a series wherein the witness was able to confirm the numbers in the chart in terms of which column they are in, but he also indicated that he is not technically competent to comment on the respective rows.

That's equally true with all of the rows, and I would further like to observe that two other

witnesses follow this one today, and I would subject that Mr. Olson will find more fruit on the low-hanging branches with those witnesses than he will with this one.

CHAIRMAN OMAS: Mr. Olson, proceed.

MR. OLSON: I enjoy the metaphor.

BY MR. OLSON:

Q Is the IOCS ever called upon to or has it been called upon in your experience to identify costs for specific mailers such as mailers for whom NSAs are contemplated? Would it be useful?

A As far as I know, no.

Q Do you know if it could be used for that purpose?

A Well, not in -- if I understood your question correctly, probably not in this particular design because that's not what it's focused on. It's not focused on --

Q Okay. Could you take a look at your response to T-2-16?

CHAIRMAN OMAS: Mr. Shaw, would you please move the mike a little closer?

THE WITNESS: I'm sorry.

CHAIRMAN OMAS: Thank you.

THE WITNESS: Okay.

BY MR. OLSON:

Q And you see the question referred to the testimony of Witness Lewis where he describes the way the carriers handle sequenced mail. Are you familiar with the term sequenced mail as used by Witness Lewis?

A I think so, yes.

Q Do you understand that to be mail that's taken directly to the street, as opposed to mail that's in line of travel sequence, for example? It's not all mail in line of travel sequence, but just that which is taken to the street as third bundles?

A Okay. Yes.

Q Is that your understanding?

A Yes.

Q Okay. Then if you could look at your response to 17 where we also used the term sequenced mail?

You say at the beginning of your response to (a), "The IOCS does not have a direct way of indicating a carrier handling of a sequenced mailing in bulk." Do you see that?

A Yes.

Q Okay. Does that mean that the IOCS does not record if a piece is part of a sequenced mailing or that no sequenced mailings are recorded in IOCS?

A Not directly. I mean, you can make assumptions, but we don't have anything in IOCS that directly gets us there.

Q I'm trying to understand your answer. IOCS does not have a direct way of indicating a carrier handling a sequenced mailing in bulk. What does it tell you, and why does it not have a way of doing that?

A Well, for instance, if the carrier is picking up a sequenced mailing from the floor and putting it in the hamper. It's just going to be taken directly to his automobile.

Let's say it's a bundle. If that carrier is handling that bundle we're going to identify it as a bundle. We're going to ask the data collector to get the top piece from that bundle and record the mail piece characteristics.

As they record the mail piece characteristics -- let's say it is an ECR saturation, for instance -- then we could assume, but that's not what the data collector is going to record, of course, or anything like this, but we could assume that if those are multiple identical pieces, meaning that all the pieces in the bundle are the same, that that could be sequenced mail as you're describing it.

Q So in other words through use of a top piece rule or some other rule you'd be able to tell? You'd identify the class of mail, but you wouldn't know whether it was part of a sequenced mailing?

A Correct.

Q Could you take a look at your response to T-2-9? In Section (a) you say -- do you have that?

A I've got the redirect. Hold on.

MR. HOLLIES: Just so the record is clear, Mr. Chairman, could we have counsel clarify whether he's looking at the revised version filed on May 3?

CHAIRMAN OMAS: Mr. Olson?

MR. OLSON: Actually, I wasn't, but let me see if that's the same. Thank you.

MR. HOLLIES: Thank you.

MR. OLSON: I have it.

BY MR. OLSON:

Q I have a revised version filed on May 3. Is that what you have? Let me try to ask this question generally because I cannot see the same language in 9(a) as in 9(a) revised, so it may be that this issue has been dealt with. Let me just ask you this.

Is it true that some of the other city carrier costs for activity codes that are neither mixed mail nor direct mail handling tallies are

distributed in proportion to direct mail tallies? Is that correct?

A That is correct based on Library Ref LR-K-1, which is the -- I forget the title of it. In Chapter 6 it deals with how to distribute the activity codes you mentioned back, how they distribute those back either using direct mail proportions or some other way.

Q And if a subset of mail did not have any direct city carrier mail handling tallies would it not have any indirect city carrier costs recorded for it either?

A I'm not sure I understand that question.

Q Well, if the other city carrier costs, some other city carrier costs -- they're not mixed mail, they're not direct tallies for a specific product, but they're distributed in proportion to those direct mail tallies.

I'm asking you what would happen if you didn't have direct mail tallies for a particular subset of mail?

A In the program if they're -- okay. Wait a minute. There's a way. If it's not a -- are you asking -- let me come back with a question.

Okay. Are you asking if something is

designated as mixed mail and there's nothing to proportion it back to, or are you asking that it's not mixed mail and there's nothing to portion it back to? Which one?

Q Well, originally I said if it wasn't mixed mail and wasn't a single class of mail and it's being distributed in proportion to direct tally, then what would happen if there was no direct tally?

A That kind of distributing back I'm getting off of my -- you get into Segment 6.2, which is I think what you're talking about. Now you're getting into areas that I don't deal with.

Q Okay.

A I can only -- I referenced in my response. I referenced this particular section in the cost segments book just to help clarify how those things were done.

Q It's difficult for the witnesses and for us when the case is chopped up. I understand. If you're not the right witness that's fine. I'm trying to do the best I can to find the right witness. Thank you for that answer.

Could you look at your response to 24(c)? T-2-24(c).

MR. HOLLIES: Would that also be a Val-Pak

question?

MR. OLSON: Yes. All will be Val-Pak questions unless otherwise identified.

BY MR. OLSON:

Q In (c) we asked you, "Please assume that certain significant volumes of ECR mail systematically are excluded from the IOCS sampling as hypothesized in Val-Pak/USPS-T-2-19 and explain whether the resulting IOCS data from the subset of volumes subject to sampling are or are not suitable for studying the weight/cost relationship of the entire population of standard ECR mail."

Your answer, the beginning of it is, "Yes, it is suitable...", and then you go on to explain that, correct?

A Correct.

Q Okay. The question asks about subsets of volume, whether the resulting IOCS data from the subset of volume subject to sampling is or is not suitable.

Let's take a concrete illustration in case the words subsets of volume threw you. Suppose the subset we're talking about is ECR saturation non-letter mail, and it's not an insignificant subset. It had over 10 billion pieces in fiscal '04.

Clearly there would have been some IOCS tallies of that mail, ECR saturation non-letter mail, but all saturation mail, letter and non-letter, have to be sequenced. Is that your understanding?

A Yes.

Q Okay. So if city carriers take some sequenced mail directly to the street without casing -- you're aware of that?

A Yes, I'm aware of that operation.

Q Okay. Now I want to ask you a simple hypothetical. If of this category of ECR saturation non-letter mail it is stratified by weight and we know the heaviest pieces, say the 12 to 16 ounces because standard mail can't go over a pound.

If all the pieces between 12 and 16 ounces, and I'm asking you to assume this as a hypothetical. All the pieces between 12 and 16 ounces, whenever they come in as saturation non-letter mail there's a policy that those always go directly to the street as third bundles rather than taking any other saturation letters or non-letters.

The heavy weight saturation non-letters are always taken to the street. This is my hypothetical. Do you see what I'm saying?

A Okay.

Q Okay. Then the understanding I have is that under your system under IOCS that there would be no IOCS tallies taken of that mail. Is that correct?

A No. That would be incorrect.

Q Okay. What could those tallies be? Well, they could be transporting it to the car or to the vehicle because the tallies can take place outside the facility. Is that correct?

A Correct.

Q I believe you answered that. Is that what you're referring to?

A Yes.

Q Okay. That's a fairly restricted activity, a short activity.

Let's assume just for a second, and I know this is artificial, but let's assume there were no tallies of those pieces being taken from the DDU to the vehicle. I know it's not true, but I just want to take it out of the equation and get you to focus on something else.

If those pieces had no tallies, no IOCS tallies, would your conclusion be that they had no in-office costs?

A This is stepping out a little bit out of scope.

Certainly I would conclude that we would have no IOCS tallies if that was the case and so whoever -- when they go to distribute those costs and develop costs for these particular categories I agree that they would have -- it's hard for me to speculate because I don't know what's actually being done past what I'm giving you. I mean in a direct way.

I can only state for sure in your hypothetical that no IOCS tallies would show handling that type of mail.

Q And even if there were a few tallies showing the loading of vehicles, that would be a very small number of tallies compared to say casing those pieces in an office, correct?

A Yes. I say that with a little bit of hesitation because when you say casing I can only determine casing if they're actually doing that at the time of the reading.

It's possible for an ECR saturation piece that could have been cased, but when I sample the employee they're loading the vehicle. That ECR mail was cased, but I have no way of identifying it was cased versus non-cased.

Q I'm talking about an IOCS tally that's taken at the time the mail is being cased. Presumably if

you case --

A Yes.

Q -- an ECR saturation non-letter mailing then at some point those carriers will be tallied when they are holding ECR non-letter saturation mail and putting it into a pigeonhole, correct?

A Right.

Q Okay. So I guess I'm saying is it the conclusion of the IOCS that if a tally is not taken on an ECR saturation non-letter mailing that's taken directly to the street, these 12 to 16 ounce pieces, that if there are no tallies there's no cost, no apparent cost of those pieces?

A IOCS wouldn't reflect any cost associated with those pieces, but that's again coming back to what you said earlier that if they are handling them via loading the vehicle or such like that those certainly would be reflected, and that's what we actually see in application.

Q Right.

A So to me it would show the cost of that handling, because we got so few tallies, is smaller than those maybe that would be handled in casing.

Q Well, the point I'm trying to make can be better demonstrated by taking my hypothetical just a

little further and saying let's assume we have the next strata down of eight to 12 ounces. I originally said 12 to 16 ounces were never cased. They always went directly to the street. Now I'm adding the next strata below it, eight to 12 ounces.

Suppose some of the time these were taken, the bottom strata, eight to 12, directly to the street. Sometimes they were manually cased. It depends on there's a capacity constraint on the system where you can only take a certain number of third bundles to the route.

I'm saying if the system shows some cost tallies for eight to 12 ounce pieces and no cost tallies for the 12 to 16 ounce pieces does this mean that the eight to 12 ounce pieces are more expensive than the 12 to 16 ounce tallies to handle?

A That's going beyond I think my scope.

Q Well, you said in your answer when we asked you if this system was suitable where certain volumes of ECR mail were systematically excluded from IOCS sampling, and what that was referring to is pieces like we're discussing now that go directly to the street as a third bundle. Those are systematically excluded from casing and all those types of IOCS sampling.

We say to you is IOCS still suitable for studying the weight/cost relationship of the entire population of standard ICR mail, and you venture an opinion on that. You say yes, it is suitable.

I'm asking you in view of what we've now discussed do you stick with that answer?

A Yes. I think in that second sentence I say, "If a proportion of ECR mail is never handled by carrier or for that matter other craft employees subject to an IOCS reading there should be no handling tallies in IOCS.

"In such case, IOCS would correctly report that there is zero employee work time spent handling this hypothetical subset of ECR mail which is what IOCS is trying to estimate."

Q That's why I gave you this illustration of the 12 to 16 ounce pieces and the eight to 12 ounce pieces. The heavyweight pieces always systematically go to the street. There's a process in place which takes them directly to the street. They never have these kinds of IOCS tallies other than loading a truck perhaps.

The ones below it sometimes have to be manually handled inside the DDU. They have to be cased, for example, because there's always a heavier

weight of mailing that has bumped it and is going directly to the street, so there are IOCS tallies for the eight to 12 ounce pieces.

I'm saying to you are you speaking with the view that the IOCS, which only measures what it measures. It measures tallies. If these heavyweight pieces are systematically excluded from being tallied, is IOCS really suitable to tell you the difference in cost between eight to 12 and 12 to 16 ounce weight increments?

A Again, if there is no work time spent in handling a certain subclass of mail it'll be reflected that way in IOCS. If there is, albeit some small measure of handling, that also should be reflected in IOCS. If there's a larger handling, again probably proportionately we'd have more tallies reflecting that.

I guess what I'm saying there in my response on that hypothetical, which I read to mean it's not handled. I mean, there's no work time spent, which we know that's not possible because they have to move it to the car, and it's the carrier doing it or some craft employee doing it.

Q Right.

A Then, correct, from the standpoint that IOCS

should show no handling tallies for that particular group of mail. I mean, that says it right there.

Q Let me ask you if this is another way to say it.

IOCS measures when mail is being worked on, but does not incorporate any analysis for pieces that are being systematically excluded from being worked upon. It doesn't have a level of sophistication that deals with a capacity constraint. Would that be a correct statement?

MR. HOLLIES: The Postal Service is going to object to that question as being compound. I don't think any reasonable person could answer that question in the form it was asked.

MR. OLSON: I'll be glad to rephrase.

MR. HOLLIES: Thank you.

BY MR. OLSON:

Q Would you agree that the IOCS does not help us identify in-office costs where there is a capacity constraint where only one type of mail can go to the street as a third bundle in a given day and systematically it's let's say the heavier weight pieces in my hypothetical? Does IOCS have a level of sophistication to reflect that type of capacity constraint?

A Again I come back to that if a group of mail is very little work time spent on handling a particular group of mail that should be reflected in IOCS as opposed to something that is handled a lot, a lot of work time is spent.

I think that is what IOCS is designed to do to find the proportions of work time. I think IOCS is exactly doing that. If there's no time spent or very little time spent on handling a group of mail that should be reflected in IOCS.

Q And therefore if in my hypothetical there is very little in-office time spent on handling the heavy weight pieces which go directly to the street but there is time spent on the eight to 12 ounce pieces, IOCS tells us that the eight to 12 ounce pieces have higher cost than the heavier weight pieces. Is that not correct?

A If that's reflected by more tallies generally speaking, yes.

MR. OLSON: Thank you, Mr. Chairman. I have no more questions.

CHAIRMAN OMAS: Thank you, Mr. Olson.

Is there any other parties who wishes to cross-examine Witness Shaw?

(No response.)

CHAIRMAN OMAS: Are there any questions from the bench?

(No response.)

CHAIRMAN OMAS: Mr. Hollies, would you like some time with your witness?

MR. HOLLIES: Yes. I'd like a couple of minutes.

CHAIRMAN OMAS: All right. Why don't we go ahead and take about a five minute break.

MR. HOLLIES: Thank you.

(Whereupon, a short recess was taken.)

CHAIRMAN OMAS: Mr. Hollies?

MR. HOLLIES: Thank you, Mr. Chairman. The Postal Service does not have any redirect. It's time for a changing of the guard here at the table.

CHAIRMAN OMAS: Thank you.

Mr. Shaw, that completes your testimony here today. We appreciate your contribution to our record, and you are now excused.

THE WITNESS: Thank you.

CHAIRMAN OMAS: Thank you.

(Witness excused.)

CHAIRMAN OMAS: Ms. Portonovo, would you please introduce your witness? Would you put the mike on?

MS. PORTONOVO: Is it on?

CHAIRMAN OMAS: Yes.

MS. PORTONOVO: Thank you, Mr. Chairman.

CHAIRMAN OMAS: Would you introduce yourself for the record, please?

MS. PORTONOVO: My name is Sheela Portonovo, and I represent the Postal Service.

The Postal Service's next witness is Eliane Van-Ty-Smith.

Ms. Van-Ty-Smith, before you you have two copies of a document entitled Direct Testimony of Eliane Van-Ty-Smith marked as USPS-T-11.

CHAIRMAN OMAS: Excuse me. Before you do that I need to swear the witness in.

Ms. Smith, would you please stand?

Whereupon,

ELIANE VAN-TY-SMITH

having been duly sworn, was called as a witness and was examined and testified as follows:

(The document referred to was marked for identification as Exhibit No. USPS-T-11.)

DIRECT EXAMINATION

BY MS. PORTONOVO:

Q Ms. Van-Ty-Smith, before you you have a

document entitled Direct Testimony of Eliane Van-Ty-Smith marked as USPS-T-11. Have you had a chance to review those contents?

A Yes, I have.

Q And do they reflect all the revisions that you have made?

A Yes.

Q If you were to give the contents of those documents as oral testimony today would it be the same?

A Yes, it would.

MS. PORTONOVO: With that I would like to move the testimony into evidence.

CHAIRMAN OMAS: Is there any objection?

(No response.)

CHAIRMAN OMAS: Hearing none, I will direct counsel to provide the reporter with two copies of the corrected direct testimony of Ms. Van-Ty-Smith. That testimony is received into evidence. However, as is our practice it will not be transcribed.

(The document referred to, previously identified as Exhibit No. USPS-T-11, was received in evidence.)

MS. PORTONOVO: Mr. Chairman, also for the

record I wanted to ask if Ms. Van-Ty-Smith had any library references associated with her testimony.

THE WITNESS: Yes, I do.

BY MS. PORTONOVO:

Q And the number of that library reference?

A 55.

Q And are you sponsoring that library reference?

A Pardon me?

Q And are you sponsoring that library reference?

A Yes, I do.

CHAIRMAN OMAS: Ms. Portonovo, you're going to have to speak a little louder.

MS. PORTONOVO: Okay. I'm sorry.

CHAIRMAN OMAS: Thank you.

Ms. Van-Ty-Smith, have you had the opportunity to examine the packet of information shown to you this morning in this hearing room?

THE WITNESS: Yes, I did.

CHAIRMAN OMAS: If those questions in the packet were posed to you orally today would your answers be the same as those you have provided the Commission in writing?

THE WITNESS: Yes. Yes, they would be.

CHAIRMAN OMAS: Okay. Are there any corrections or additions that you would like to make to those answers?

THE WITNESS: No.

CHAIRMAN OMAS: Counsel, would you please provide two copies of the corrected designated written cross-examination of Witness Van-Ty-Smith to the reporter? That material is received into evidence and is to be transcribed into the record.

(The document referred to, previously identified as Exhibit No. USPS-T-11, 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 ELIANE VAN-TY-SMITH
(USPS-T-11)

Party	Interrogatories
American Bankers Association and National Association of Presort Mailers	MMA/USPS-T11-1 MMA/USPS-T2-2a-c, e redirected to T11 TW/USPS-T11-1a-d, 4, 5b, d-e, g, 6a-c, 8e,
nerican Postal Workers Union, AFL-CIO	APWU/USPS-T11-3-4
Major Mailers Association	MMA/USPS-T11-1 MMA/USPS-T2-2a-c, e redirected to T11
Office of the Consumer Advocate	OCA/USPS-T11-1-4 VP/USPS-T2-7, 9(part 2) redirected to T11
Time Warner Inc.	TW/USPS-T11-1a-d, 4, 5b, d-e, g, 6a-c, 7b-d, 8a-c, e, 9a, 10

Party	Interrogatories
'alpak Direct Marketing Systems, ıc. and Valpak Dealers' Association Inc.	VP/USPS-T2-7, 9(part 2) redirected to T11

Respectfully
submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ELIANE VAN-TY-SMITH (T-11)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
APWU/USPS-T11-3	APWU
APWU/USPS-T11-4	APWU
MMA/USPS-T11-1	ABA&NAPM, MMA
MMA/USPS-T2-2a redirected to T11	ABA&NAPM, MMA
MMA/USPS-T2-2b redirected to T11	ABA&NAPM, MMA
MMA/USPS-T2-2c redirected to T11	ABA&NAPM, MMA
MMA/USPS-T2-2e redirected to T11	ABA&NAPM, MMA
OCA/USPS-T11-1	OCA
OCA/USPS-T11-2	OCA
OCA/USPS-T11-3	OCA
OCA/USPS-T11-4	OCA
TW/USPS-T11-1a	ABA&NAPM, TW
TW/USPS-T11-1b	ABA&NAPM, TW
TW/USPS-T11-1c	ABA&NAPM, TW
W/USPS-T11-1d	ABA&NAPM, TW
TW/USPS-T11-4	ABA&NAPM, TW
TW/USPS-T11-5b	ABA&NAPM, TW
TW/USPS-T11-5d	ABA&NAPM, TW
TW/USPS-T11-5e	ABA&NAPM, TW
TW/USPS-T11-5g	ABA&NAPM, TW
TW/USPS-T11-6a	ABA&NAPM, TW
TW/USPS-T11-6b	ABA&NAPM, TW
TW/USPS-T11-6c	ABA&NAPM, TW
TW/USPS-T11-7b	TW
TW/USPS-T11-7c	TW
TW/USPS-T11-7d	TW
TW/USPS-T11-8a	TW
TW/USPS-T11-8b	TW
TW/USPS-T11-8c	TW
TW/USPS-T11-8e	ABA&NAPM, TW
TW/USPS-T11-9a	ABA&NAPM, TW
W/USPS-T11-10	ABA&NAPM, TW

Interrogatory	Designating Parties
'P/USPS-T2-7 redirected to T11	OCA, Valpak
✓P/USPS-T2-9(part 2) redirected to T11	OCA, Valpak

Response of Postal Service Witness Eliane Van-Ty-Smith
To Interrogatories Posed by American Postal Workers Union, AFL-CIO

APWU/USPS-T11-3

On pages 10-11 of your testimony, you discuss the assignment of tallies from MODS facilities. The process seems to be to assign the tally to the cost pool to which the MODS operations code is assigned. Is that a correct understanding? However, at the end of that description is a statement about LDC groupings. Does the latter statement mean that tallies are then assigned to the LDC? If so, what is the purpose of that, since the tallies have already been associated with a specific cost pool?

RESPONSE

That is correct, tallies are assigned to the cost pool to which the MODS operations code is assigned. Through the LDC association with each MODS operation code, each tally through the tally MODS operation code can be associated with an LDC. The LDC codes provide operational and labor utlization information at the functional level. The statement about LDC groupings on page 11 is only to indicate MODS operations can be grouped into cost pools and/or LDCs, LDCs can be grouped into functions, and that the assignment of tallies to the four C/S 3 functions uses the same groupings of LDCs as on page 3.

Response of Postal Service Witness Eliane Van-Ty-Smith
To Interrogatories Posed by American Postal Workers Union, AFL-CIO

APWU/USPS-T11-4

a) If an employee is observed "not handling mail" but is programming an optical character reader, would that tally be allocated to the OCR cost pool? How would the type of mail for that tally be determined?
b) If an employee is observed loading an optical character reader, is that considered a handling tally? Would the type of mail be determined by the piece in the employee's hand at the time the reading was done?

RESPONSE

a) For MODS facilities, the tally would be allocated to the OCR cost pool if IOCS reports for the sampled employee either a MODS OCR operation code the sampled employee is clocked into, or a selected OCR option for Question 19 if no MODS operation code is reported. The tally would be classified as a 'not-handling' tally and treated like any not-handling tally in the cost pool: the cost would be distributed to subclasses based on the handling tallies in the OCR cost pool.

b) If an employee is observed loading mail into an OCR and IOCS reports in Question 20 that the employee is handling mail, then the tally would be considered a 'handling' tally and the type of mail would be determined by the piece in the employee's hand at the time the reading was done. If IOCS reports that the employee is observed loading mail into an OCR, is not handling mail but mail is present at the machine (Option B of Question 20), then the tally would be distributed to the class and subclass of the nearest piece of mail that the data collector will pull from the machine.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T11-1
Page 54 of Library Reference LR-USPS-K-48 lists LR-USPS-K-55 as the source for wage rates on that page. Please refer to the wage rate provided for Remote Encoding Centers (REC), shown to be $20.795 per hour.

A. Please confirm that the "REC" wage rate for this operation was $20.409 per hour in R2001-1 and $17.786 per hour in R2000-1. If you cannot confirm, please explain.
B. Please explain why the wage rate for this operation increased by 15% between R2000-1 and R2001-1, but increased by only 2% between R2001-1 and R2005-1.
C. Please provide the average hourly wage rates for (1) mail processing, and (2) the REC operation for each of the last 10 fiscal years.

RESPONSE

a. Confirmed that these C/S 3 hourly rates represent test year (TY) rates for the RECs, and that the TY03 wage rate was $20.409 in R2001-1 and the TY01 wage rate was $17.786 in R2000-1.

b. The TY wage rate for the RECs is calculated by factoring the base year (BY) wage rate for the RECs by the TY overall C/S 3 projected wage rate increase. Thus, changes in the TY wage rate are associated with changes in the BY wage rate and its projected increase for the length of the rate cycle. In R2000-1, the TY01 wage rate of $17.786 was based on the BY98 wage rate of $15.8186 to which a three-year projected wage rate increase of 12.4343 percent for C/S 3 was applied (see LR-I-106 and LR-I-127). In R2001-1, the TY03 wage rate of $20.409 was based on the BY00 wage rate of $17.9551 to which base a three-year projected wage rate increase of 13.6656 percent for C/S 3 was applied (see

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION

LR-J-55 and LR-J-50). In R2005-1, the TY06 wage rate of $20.795 was based on the BY04 wage rate of $19.3421 to which a two-year projected wage rate increase of 7.5142 percent for C/S 3 was applied (see LR-K-55 and LR-K-50). The increase in base year wage rate was 14 percent between BY98 and BY00, and 8 percent between BY00 and BY04. The difference in percentage increases between these two time periods reflects the changing labor mix: the proportion of costs from full-time regular employees at higher wage rates versus costs from transitional and flexible employees at lower wage rates was greater in the first period than in the second

c. Wage rates for the RECs and for mail processing and other non-window service activities have only been computed for the rate cases listed below.

Year	Mail Processing & Other	RECS	Source
BY 1996	24.1701	14.1718	LR-H- 146 / R97
BY 1998	25.1207	15.8186	LR-I-106 / R2000-1
BY 2000	27.1326	17.9551	LR-J-55 / R2001
BY 2004	33.2724	19.3421	LR-K-55 / R2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION,
REDIRECTED FROM WITNESS SHAW

MMA/USPS-T2-2. In response to Interrogatory MMA/USPS-T21-30E, USPS witness Abdirahman indicates that former cost pool 1CANCMMP has been separated into two new cost pools: 1CANCEL and 1MTRPREP.

A. Please explain exactly what each of these two new cost pools encompasses.
B. Please state when cost pool 1CANCMMP was separated into the two new cost pools.
C. Please explain exactly why this change was implemented and provide copies of all documents that discuss the reasons for this change.
D. Does the IOCS collect similar costs separately for single piece metered mail? If your answer is yes, please indicate where in the R2005-1 record this information is located. If this information is not already in the record, please provide it for BY 2004 and TY 2006.
E. Please provide a list of any other changes in cost pool definitions that affect First-Class letters, along with a description of each cost pool, when the change was made, why the change was implemented and provide copies of all documents that discuss the reasons for this change.

RESPONSE:

A. The MODS operation codes included in the two cost pools 1CANCEL and 1MTRPREP are shown in LR-K-55 , Part I, Table I-2B, pages I-17 and I-18.

B. The 1CANCMMP cost pool was separated into two cost pools In FY 2001.

C. See the testimony of witness Bozzo, USPS-T-14 in Docket R2001-1, pages 8-9 regarding the motivation for disaggregating the 1CANCMMP cost pool into the two cost pools 1CANCEL and 1MTRPREP.

D. [Not redirected.]

E. For a list of changes in cost pools, the background for those changes, and a description of the changed cost pools, see the testimony of witness Van-Ty-Smith, USPS-T-11, pages.4 to 7, the response to part 2(c), above, the responses of witness Van-Ty-Smith and witness McCrery, USPS-T-29, to Time Warner interrogatories TW/USPS-T11- 5-9, and LR-K-55, Part I, Table I-2B.
For a listing of when the change was made, see the response of witness Van-Ty-Smith to interrogatory TW/USPS-T11-1.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T11-1.

The following interrogatory refers to your testimony at page 8, lines 5 through 9, and Table 1 (pages 32 and 33), of your Attachment "BY 04 Cost Segment 3 Clerk and Mailhandler Cost Pools."

a. If the "Pool Volume-Variable Factor[s]" were to differ from those shown in Table 1, would one replace the former factor with the new factor? If not, please explain how the new factor would be incorporated into the data.
b. Referring to part a of this interrogatory, would one multiply the "Pool Total Costs" by the new "Pool Volume-Variable Factor" to yield an updated "Pool Volume-Variable Cost?" If not, please explain fully and provide the specific steps needed to manually recalculate the "Pool Volume-Variable Cost."

RESPONSE:

In providing the responses to a) and b), I am assuming that instead of page 8, lines 5 through 9, you mean page 8, lines 1 through 5.

a. Yes, provided that an alternative method to derive the volume-variability factor is consistent with the volume-variability/distribution key methodology described in LR-K-1 Appendix H, and also in Dr Christensen's testimony from R97-1, at Tr. 34/18217-18227.

b. Yes.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T11-2.

The following interrogatory refers to Table 3, "BY04 Mail Processing Volume-Variable Costs - Plants Group," of your testimony.

a. If a volume-variable cost calculated in Table 1, "BY 04 Cost Segment 3 Clerk and Mailhandler Cost Pools," changed, would each percentage shown for each class and subclass as "Col. Pct" remain the same — i.e. MODS 11 BCS/902, Letters-Single Piece, Col. Pct. = 48.85? If not, please explain fully and provide the derivation of all calculated values shown in Table 3, "BY04 Mail Processing Volume-Variable Costs – Plants Group), cite all source documents relied upon and provide copies of source documents not previously provided in this docket.

b. Please refer to the "Col. Pct" values by mail class by cost pool. Do the "Col. Pct" values remain the same if the PRC total volume variable costs change? If not, please explain fully and provide the derivation of all calculated values, cite all sources relied upon, and provide copies of source documents not previously provided in this docket.

RESPONSE:

a. Yes, assuming that the distribution keys were calculated using the volume-variability/distribution key methodology referred in the response to Q. 1a.

b. Yes. (The PRC total volume-variable costs are not an input into Table 3. For the PRC version of Table 3, see USPS-LR-100 Part II.)

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T11-3.

The following interrogatory refers to Table 5.1, "BY 04 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions – Plants."
a. Assume that the "Pool Volume-Variable Factor[s]" provided in Table 1, "BY 04 Cost Segment 3 Clerk and Mailhandler Cost Pools," changed for the USPS data. Further assume that the "Col. Pct[s]" referred to in Table 3, "BY04 Mail Processing Volume-Variable Costs – Plants Group" remained the same. Would the new USPS calculated value(s) be summed and reflected in an updated Table 5.1, Total for Plants – USPS column? If not, please explain fully.
b. Please refer to part a of this interrogatory. Once the new "Total For Plants" by subclass volume variable costs were calculated, would the updated values be used in witness Meehan's Base Year, Workpaper B, "WS 3.1.1a Development of Mail Processing Intermediate Cost Distribution?" If not, please explain fully.
c. Please refer to the column labeled "Total for Plants," column labeled "PRC." If the PRC Base Year was re-run, would the revised values in the PRC column, be used in witness Meehan's Base Year, Workpaper B, "WS 3.1.1a Development of Mail Processing Intermediate Cost Distribution" to produce a PRC version of WS 3.1.1a? If not, please explain where the revised PRC values would be incorporated into the Workpaper B provided by witness Meehan for the Base Year.

RESPONSE:

a. Yes, under the assumptions given in the responses to Q.1a and Q.2a.

b. Yes.

c. No. They would be used in the PRC version of the Workpaper B, in WS 3.1.1a of cs03.xl of LR-K-93 (Witness Meehan does not sponsor LR-K-93).

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T11-4. Please refer to Tables 1 and 3 of your testimony. Please provide a table analogous to Table 3 whose columns consist of aggregations of the following lines from Table 1:

a. 1, 2, 3, 13, 16, 17
b. 1, 2, 3, 13
c. 16, 17
d. 1, 2, 13
e. 3, 16, 17
f. 9, 15
g. 8, 14
h. 4, 5, 6, 12
i. remaining lines separately.

If the allocations in parts (f) through (i) depend on allocations in parts (a) through (e), please provide a separate table for (a), (b)-(c), and (d)-(e) (that is, one table consisting of (a), (f)-(i); a second for (b)-(c), (f)-(i), a third for (d)-(e), (f)-(i)).

RESPONSE

Please see Tables 1-3 below.

Table 1 consists of (a), (f)-(i), Table 2 consists of (b)-(c), (f)-(i), and Table 3 consists of (d)-(e), (f)-(i)). In those tables, the following names were assigned to the aggregated cost pools:

MODS 11 LTR OPS : BCS/ + BCS/DBCS + OCR + MANL + LD15 + 1CANCEL - (a.) for Table 1

MODS 11 LTR OPS : BCS/ + BCS/DBCS + OCR + MANL - (b.) for Table 2

MODS 15 LD15CANC: LD15 + 1CANCEL - (c.) for Table 2

MODS 11 LTR OPS : BCS/ + BCS/DBCS + MANL - (d.) for Table 3

MODS 11 MSC OPS : OCR + LD15 + 1CANCEL - (e.) for Table 3

MODS 12 FLAT OPS : AFSM100 + FSM/ + FSM1000 + MANF - (h.) for Tables 1-3

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

MODS 13 PARCEL : SPBS OTH + MANP - (g.) for Tables 1-3

MODS 13 PRIORITY : SPBSPRIO + PRIORITY - (f.) for Tables 1-3

In deriving the volume-variable costs for the aggregated cost pools in those three tables, it should be noted that:

1) In (c) and (e), the LD15 cost pool continues to be treated as a separate cost pool for the purpose of mixed mail distribution since it uses a proxy distribution key (please note that IOCS does not sample the Remote Encoding Centers). Aggregating the LD 15 cost pool with other cost pools consists of adding the LD 15 subclass costs derived from the proxy distribution key with the subclass costs derived for the other aggregated cost pools in (c) and (e).

2) In (i), tallies for allied cost pools (including those assigned to the 1CANCEL cost pool) continue to be used to distribute mixed mail container tallies in the 1PLATFRM and the 1OPTRANS cost pools.

3) In (a) through (h), the volume-variability applied to the aggregated cost pools is obtained by dividing the the total volume-variable costs (based on Postal Service variabilities) by the accrued costs from the constituent cost pools shown in Table 1 of my testimony. The subclass volume-variable costs obtained for the aggregated cost pools in combination with those for the remaining mail processing cost pools at the Plants are used to distribute the volume-variable costs for the support cost pool (1SUPPORT_F1). Under this method, the total mail processing volume-variable costs

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

for plants in the tables listed below are the same as the mail processing volume-variable cost total shown in Table 3 of my testimony.

Response to OCA-USPS-T11-4. TABLE 1:

MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 11 LTR OPS	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 17 1DSPATCH	MODS 17 1FLATPRP	MODS 17 1MTRPREP	Total
1--LTRS SGL PC	1418641 55.80	365836 38.87	484.68 8.23	80614 20.69	28774 11.50	2533.9 10.06	31147 26.87	73326 40.47	33322 14.20	19875 74.22	3125075
2--LTRS PRESORT	439569 17.29	50722 5.39	119.29 2.02	6519.4 1.67	4595.8 1.84	3511.4 13.94	30800 26.57	29575 16.32	4164.2 1.77	2286.6 8.54	985250
3--CARDS SGL PC	78240 3.08	958.59 0.10	2.0481 0.03	224.49 0.06	0 0.00	4.6944 0.02	1301.4 1.12	1942.6 1.07	97.585 0.04	538.4 2.01	115481
4--CARDS PRSORT	19041 0.75	701.2 0.07	0.8973 0.02	0.4327 0.00	7.6512 0.00	29.775 0.12	10.397 0.01	1190.8 0.66	12.953 0.01	325.61 1.22	34681
5--PRIORITY	15751 0.62	14449 1.54	1184.6 20.11	33606 8.63	177435 70.91	3275.4 13.00	1463.6 1.26	7292.2 4.02	2337.8 1.00	1344.7 5.02	583252
6--EXPRESS	2017.7 0.08	72.363 0.01	7.6427 0.13	528 0.14	1710.7 0.68	3.9437 0.02	110.85 0.10	1267.6 0.70	0 0.00	8.6125 0.03	100424
8-1 IN COUNTY	121.08 0.00	1827.5 0.19	0.7178 0.01	234.83 0.06	5.278 0.00	324.41 1.29	7.9751 0.01	20.283 0.01	3.3786 0.00	0.4854 0.00	5517.6
8-2 OUT COUNTY	12979 0.51	136023 14.45	229.53 3.90	63208 16.22	6308.9 2.52	4223.7 16.76	3974.8 3.43	14314 7.90	56053 23.89	299.27 1.12	578147
10--(A) ENH.CARR	22585 0.89	16235 1.72	92.75 1.57	30310 7.78	798.97 0.32	394.64 1.57	4384.2 3.78	3182.7 1.76	6581.3 2.80	11.739 0.04	166047
11--(A) REGULAR	488484 19.22	326800 34.72	1484.6 25.20	133136 34.17	10208 4.08	8199.5 32.54	39362 33.96	40399 22.29	125541 53.50	1359.3 5.08	1985722
14--(B) PARCELS	1419.5 0.06	813.47 0.09	1101.9 18.70	13212 3.39	1477.3 0.59	1766.5 7.01	498.62 0.43	3356.8 1.85	911.62 0.39	157.36 0.59	61001
15--(B) BD PRINT	1051.7 0.04	6936.4 0.74	377.87 6.41	9520.3 2.44	1301.5 0.52	214.23 0.85	622.46 0.54	594.14 0.33	2992.3 1.28	139.78 0.52	46039
Total (Continued)	2542201	941154	5891.33	389595	250237	25194.8	115911	181207	234674	26778.2	8197098

Response to OCA-USPS-T11-4. TABLE 1:
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WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 11 LTR OPS	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 17 1DSPATCH	MODS 17 1FLATPRP	MODS 17 1MTRPREP	Total
16--(B) MEDIA ML	911.72 0.04	2370.4 0.25	189.34 3.21	9550.4 2.45	1622.7 0.65	212.85 0.84	108.37 0.09	790.37 0.44	672.68 0.29	4.1702 0.02	31514
18--USPS	14706 0.58	7971.1 0.85	335.16 5.69	4378.3 1.12	9695.9 3.87	381.21 1.51	1648.2 1.42	1322.2 0.73	603.99 0.26	294.85 1.10	114003
19--FREE MAIL	1383.3 0.05	183.13 0.02	1.0828 0.02	1053.3 0.27	873.75 0.35	3.3943 0.01	2.8992 0.00	702.16 0.39	129.82 0.06	0.4285 0.00	8486.9
20--INTL MAIL	22833 0.90	9197.4 0.98	278.48 4.73	3342.2 0.86	5147.1 2.06	90.332 0.36	445.25 0.38	1776.6 0.98	1249.2 0.53	128.23 0.48	202271
21--REGISTRY	2.3295 0.00	57.048 0.01	0.0219 0.00	0 0.00	15.641 0.01	23.788 0.09	23.572 0.02	12.049 0.01	0.3946 0.00	2.8413 0.01	30462
22--CERTIFIED	0.0332 0.00	0 0.00	0.1241 0.00	0 0.00	0 0.00	0.152 0.00	0 0.00	0 0.00	0 0.00	0.1039 0.00	1.9084
23--INSURED	0 0.00	0 0.00	0.011 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0131 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0056
25--SPECIAL HAND	293.43 0.01	0 0.00	0.0967 0.00	156.56 0.04	257.85 0.10	0.1271 0.00	0 0.00	0 0.00	0 0.00	0.3586 0.00	1324
26--POBOX/CALLER	0.2006 0.00	0 0.00	0.5362 0.01	0 0.00	0 0.00	0.9813 0.00	0 0.00	141.66 0.08	0 0.00	0.092 0.00	1819.9
27--OTHER SERVCS	2170.2 0.09	0 0.00	0.0417 0.00	0.0688 0.00	0 0.00	0.0052 0.00	0 0.00	0 0.00	0 0.00	0.7747 0.00	20578
Total (Continued)	2542201	941154	5891.33	389595	260237	25184.8	115911	181207	234674	26778.2	8197098

Response to OCA-USPS-T11-4. TABLE 1:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
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The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	MODS 18 EXPRESS	Total
1--LTRS SGL PC	24656 13.01	173616 37.17	43836 40.37	408021 36.36	45505 39.65	2405.9 22.88	16916 15.88	20659 29.72	11205 37.40	6349.8 7.58	3125075
2--LTRS PRESORT	7684 4.06	71129 15.23	15182 13.98	130249 11.61	7261.4 6.33	2561.9 24.36	5593 5.25	13051 18.77	1137.4 3.80	555.83 0.66	985250
3--CARDS SGL PC	648.11 0.34	2536.7 0.54	1005.9 0.93	13020 1.16	748.62 0.65	135.48 1.29	8.5349 0.01	255.99 0.37	909.07 3.03	173.26 0.21	115481
4--CARDS PRSORT	241.25 0.13	1867.7 0.40	189.08 0.17	4658.2 0.42	0 0.00	88.304 0.84	6.9146 0.01	606.61 0.87	0.3987 0.00	1.3131 0.00	34681
5--PRIORITY	4012.4 2.12	34072 7.29	3541.5 3.26	88590 7.90	11057 9.63	272.12 2.59	9423.7 8.84	22761 32.74	558.65 1.86	2787.3 3.33	583252
6--EXPRESS	118.16 0.06	2705 0.58	144.59 0.13	11059 0.99	1721.1 1.50	27.97 0.27	1899.6 1.78	2944 4.24	169.02 0.56	61417 73.33	100424
8-1 IN COUNTY	67.513 0.04	293.12 0.06	25.537 0.02	1201 0.11	204.86 0.18	82.157 0.78	280 0.26	1.1142 0.00	0.6977 0.00	0.4856 0.00	5517.6
8-2 OUT COUNTY	16366 8.64	52966 11.34	9469.1 8.72	88638 7.90	18948 16.51	553.94 5.27	19562 18.36	1506.3 2.17	399.67 1.33	255.02 0.30	578147
10--(A) ENH.CARR	15850 8.37	9948.9 2.13	2457.8 2.26	28814 2.57	3020 2.63	464.51 4.42	5319.1 4.99	197.86 0.28	27.245 0.09	11.485 0.01	166047
11--(A) REGULAR	112805 59.55	103553 22.17	29962 27.59	287158 25.59	19509 17.00	3316.2 31.54	34590 32.46	5846.5 8.41	1571.8 5.25	347.31 0.41	1985722
14--(B) PARCELS	1169.5 0.62	2387.8 0.51	386 0.36	18165 1.62	1281.5 1.12	48.21 0.46	5212 4.89	173.23 0.25	352.4 1.18	5.7587 0.01	61001
15--(B) BD PRINT	2689.2 1.42	2111.1 0.45	225.5 0.21	9299.3 0.83	998.54 0.87	1.2505 0.01	2012.6 1.89	18.848 0.03	8.2049 0.03	7.0603 0.01	46039
Total	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	83758.8	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 1:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
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The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	MODS 18 EXPRESS	Total
16--(B) MEDIA ML	793.76 0.42	978.47 0.21	291.38 0.27	6206.9 0.55	887.19 0.77	45.384 0.43	3546.8 3.33	12.889 0.02	5.7674 0.02	2.6856 0.00	31514
18--USPS	455.81 0.24	3774.7 0.81	777 0.72	13109 1.17	1022.4 0.89	458.02 4.36	842.89 0.79	921.02 1.32	2035.3 6.79	4987.8 5.95	114003
19--FREE MAIL	9.1156 0.00	703.77 0.15	331.57 0.31	1700.5 0.15	378.25 0.33	0.4245 0.00	1.5874 0.00	0.4323 0.00	0.2213 0.00	0.236 0.00	8486.9
20--INTL MAIL	1690.6 0.89	4227 0.90	737.92 0.68	10949 0.98	2208.2 1.92	43.331 0.41	1313.5 1.23	529.26 0.76	683.45 2.28	6144.2 7.34	202271
21--REGISTRY	30.988 0.02	0 0.00	0 0.00	71.181 0.01	10.997 0.01	10.208 0.10	17.901 0.02	28.132 0.04	4.5295 0.02	496.99 0.59	30462
22--CERTIFIED	0 0.00	0 0.00	0 0.00	0.2746 0.00	0 0.00	0 0.00	0.3132 0.00	0 0.00	0 0.00	0.0286 0.00	1.9084
23--INSURED	0 0.00	0 0.00	0 0.00	0.0235 0.00	0 0.00	0 0.00	0.0435 0.00	0 0.00	0 0.00	0 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0.0006 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0031 0.00	0.0056
25--SPECIAL HAND	0 0.00	0 0.00	6.0984 0.01	273.2 0.02	0 0.00	0 0.00	0.1184 0.00	1.3118 0.00	92.056 0.31	0.0156 0.00	1324
26--POBOX/CALLER	156.86 0.08	223.7 0.05	9.2835 0.01	621.66 0.06	0 0.00	0 0.00	0.1128 0.00	0.0867 0.00	0.0584 0.00	214.38 0.26	1819.9
27--OTHER SERVCS	0 0.00	0 0.00	0 0.00	273.59 0.02	0 0.00	0 0.00	2.5449 0.00	0.0271 0.00	10803 36.05	0.8399 0.00	20578
Total (Continued)	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	83758.8	8197098

Response to OCA-USPS-T11-4. TABLE 1:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
1--LTRS SGL PC	1425.1 48.78	8342.4 13.13	9831.3 53.30	6898.2 26.94	12344 9.00	2629.1 2.30	89258 36.58	25158 16.45	161466 38.17	3125075
2--LTRS PRESORT	1010.2 34.58	1251.3 1.97	896.28 4.86	2246.7 8.77	3177 2.32	491.94 0.43	69995 28.69	31236 20.42	48680 11.51	985250
3--CARDS SGL PC	0.097 0.00	674.61 1.06	496.83 2.69	276.3 1.08	66.009 0.05	0 0.00	4736.2 1.94	589.93 0.39	5890.2 1.39	115481
4--CARDS PRSORT	0 0.00	8.8643 0.01	0.9489 0.01	88.828 0.35	36.036 0.03	0 0.00	3929.7 1.61	0.6049 0.00	1635.6 0.39	34681
5--PRIORITY	3.8643 0.13	1514.9 2.38	1180.2 6.40	2290.6 8.95	8824.8 6.44	98809 86.33	2006.2 0.82	2492.6 1.63	30915 7.31	583252
6--EXPRESS	40.104 1.37	2221.4 3.50	11.092 0.06	305.01 1.19	3626.2 2.65	72.525 0.06	37.242 0.02	838.39 0.55	5339.3 1.26	100424
8-1 IN COUNTY	0 0.00	7.2116 0.01	0.6395 0.00	29.082 0.11	14.264 0.01	0 0.00	479.89 0.20	16.226 0.01	267.94 0.06	5517.6
8-2 OUT COUNTY	202.94 6.95	327.81 0.52	515.7 2.80	3577.4 13.97	1503.3 1.10	67.249 0.06	32949 13.50	3729.2 2.44	28997 6.86	578147
10--(A) ENH.CARR	0.2355 0.01	243.68 0.38	274.94 1.49	587.83 2.30	79.096 0.06	0 0.00	939.58 0.39	4452.9 2.91	8781.6 2.08	166047
11--(A) REGULAR	197.15 6.75	667.31 1.05	3631.6 19.69	8187.6 31.98	1711.4 1.25	1987.8 1.74	18814 7.71	72279 47.25	104614 24.73	1985722
14--(B) PARCELS	0 0.00	412.39 0.65	144.63 0.78	292.49 1.14	911.4 0.66	792.95 0.69	259.23 0.11	1060.5 0.69	3230.7 0.76	61001
15--(B) BD PRINT	0 0.00	8.7878 0.01	134.83 0.73	158.74 0.62	169.89 0.12	0.00	2107.1 0.86	5.237 0.00	2336.6 0.55	46039
Total	2921.39	63518.2	18445.1	25603.6	137084	114455	243937	152375	423001	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 1:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL									
Frequency Col Pct	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
16--(B) MEDIA ML	0 0.00	103.97 0.16	3.2764 0.02	100.39 0.39	99.434 0.07	0 0.00	344.28 0.14	0.5334 0.00	1657.8 0.39	31514
18--USPS	0.237 0.01	9208.8 14.50	1053 5.71	263.64 1.03	809.89 0.59	6332.6 5.53	10926 4.48	10206 6.67	5482.3 1.30	114003
19--FREE MAIL	0 0.00	1.0772 0.00	134.74 0.73	19.993 0.08	228.83 0.17	0 0.00	202.16 0.08	0 0.00	440.64 0.10	8486.9
20--INTL MAIL	41.423 1.42	10581 16.66	128.85 0.70	172.38 0.67	103100 75.21	3107.4 2.71	935.43 0.38	481.35 0.31	10708 2.53	202271
21--REGISTRY	0 0.00	27942 43.99	5.0297 0.03	78.492 0.31	0 0.00	0 0.00	8.3281 0.00	0 0.00	1619.7 0.38	30462
22--CERTIFIED	0 0.00	0.0572 0.00	0.1008 0.00	0.5803 0.00	0 0.00	0 0.00	0.0413 0.00	0 0.00	0.0993 0.00	1.9084
23--INSURED	0 0.00	0.0136 0.00	0.0143 0.00	0.0567 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0099 0.00	0.1857
24--COD	0 0.00	0 0.00	0.0016 0.00	982E-8 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0003 0.00	0.0056
25--SPECIAL HAND	0 0.00	0.0838 0.00	0.1596 0.00	8.0729 0.03	0 0.00	164.03 0.14	0.3581 0.00	0 0.00	70.402 0.02	1324
26--POBOX/CALLER	0 0.00	0.4215 0.00	0.5583 0.00	4.0342 0.02	348.22 0.25	0 0.00	0.254 0.00	0 0.00	96.78 0.02	1819.9
27--OTHER SERVCS	0 0.00	0.4764 0.00	0.3993 0.00	17.142 0.07	34.04 0.02	0 0.00	6069.8 2.49	433.6 0.28	771.65 0.18	20578
Total	2921.39	63518.2	18445.1	25603.6	137084	114455	243997	152975	423001	8197098

Response to OCA-USPS-T11-4. TABLE 2:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 11 LTR OPS	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 15 LD15CANC	MODS 17 1DSPATCH	MODS 17 1FLATPRP	Total
1--LTRS SGL PC	1165403 52.34	365836 38.87	485.57 8.24	80614 20.69	28774 11.50	2535.2 10.06	31147 26.87	246906 78.18	73326 40.47	33322 14.20	3119469
2--LTRS PRESORT	424986 19.09	50722 5.39	118.67 2.01	6519.4 1.67	4595.8 1.84	3510.2 13.93	30800 26.57	17775 5.63	29575 16.32	4164.2 1.77	988067
3--CARDS SGL PC	69983 3.14	958.59 0.10	2.0602 0.03	224.49 0.06	0 0.00	4.712 0.02	1301.4 1.12	8566.9 2.71	1942.6 1.07	97.585 0.04	115823
4--CARDS PRSORT	18679 0.84	701.2 0.07	0.8855 0.02	0.4327 0.00	7.6512 0.00	29.757 0.12	10.397 0.01	628.9 0.20	1190.8 0.66	12.953 0.01	34951
5--PRIORITY	6650.8 0.30	14449 1.54	1184.6 20.11	33606 8.63	177435 70.91	3275.4 13.00	1463.6 1.26	7815 2.47	7292.2 4.02	2337.8 1.00	581856
6--EXPRESS	1641.5 0.07	72.363 0.01	7.6455 0.13	528 0.14	1710.7 0.68	3.9497 0.02	110.85 0.10	364.49 0.12	1267.6 0.70	0 0.00	100412
8-1 IN COUNTY	10.75 0.00	1827.5 0.19	0.7163 0.01	234.83 0.06	5.278 0.00	324.42 1.29	7.9751 0.01	100.28 0.03	20.283 0.01	3.3786 0.00	5507.6
8-2 OUT COUNTY	10900 0.49	136023 14.45	229.46 3.89	63208 16.22	6308.9 2.52	4223.8 16.76	3974.8 3.43	1943.8 0.62	14314 7.90	56053 23.89	577988
10--(A) ENH.CARR	22119 0.99	16235 1.72	92.748 1.57	30310 7.78	798.97 0.32	394.65 1.57	4384.2 3.78	830.72 0.26	3182.7 1.76	6581.3 2.80	166425
11--(A) REGULAR	471466 21.18	326800 34.72	1484.3 25.20	133136 34.17	10208 4.08	8199.1 32.54	39362 33.96	21057 6.67	40399 22.29	125541 53.50	1989446
14--(B) PARCELS	647.11 0.03	813.47 0.09	1101.9 18.70	13212 3.39	1477.3 0.59	1766.5 7.01	498.62 0.43	799.03 0.25	3356.8 1.85	911.62 0.39	61045
15--(B) BD PRINT	553.63 0.02	6936.4 0.74	377.88 6.41	9520.3 2.44	1301.5 0.52	214.25 0.85	622.46 0.54	472.63 0.15	594.14 0.33	2992.3 1.28	46015
Total (Continued)	2226402	941154	5891.33	389595	250237	25134.8	115911	315799	181207	234674	8197098

Response to OCA-USPS-T11-4. TABLE 2:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 11 LTR OPS	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 15 LD15CANC	MODS 17 1DSPATCH	MODS 17 1FLATPRP	Total
16--(B) MEDIA ML	393.02 0.02	2370.4 0.25	189.35 3.21	9550.4 2.45	1622.7 0.65	212.87 0.84	108.37 0.09	578.48 0.18	790.37 0.44	672.68 0.29	31594
18--USPS	12434 0.56	7971.1 0.85	335.17 5.69	4378.3 1.12	9695.9 3.87	381.23 1.51	1648.2 1.42	2400.8 0.76	1322.2 0.73	603.99 0.26	114163
19--FREE MAIL	1305.2 0.06	183.13 0.02	1.0748 0.02	1053.3 0.27	873.75 0.35	3.382 0.01	2.8992 0.00	92.844 0.03	702.16 0.39	129.82 0.06	8501.7
20--INTL MAIL	16897 0.76	9197.4 0.98	278.46 4.73	3342.2 0.86	5147.1 2.06	90.305 0.36	445.25 0.38	5201.2 1.65	1776.6 0.98	1249.2 0.53	201493
21--REGISTRY	118.52 0.01	57.048 0.01	0.0219 0.00	0 0.00	15.641 0.01	23.788 0.09	23.572 0.02	3.2519 0.00	12.049 0.01	0.3946 0.00	30603
22--CERTIFIED	0.0341 0.00	0 0.00	0.1241 0.00	0 0.00	0 0.00	0.152 0.00	0 0.00	0 0.00	0 0.00	0 0.00	1.9093
23--INSURED	0 0.00	0 0.00	0.011 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0056
25--SPECIAL HAND	0.1418 0.00	0 0.00	0.1009 0.00	156.56 0.04	257.85 0.10	0.1341 0.00	0 0.00	262.86 0.08	0 0.00	0 0.00	1292.9
26--POBOX/CALLER	0.2614 0.00	0 0.00	0.5362 0.01	0 0.00	3 0.00	1.9813 0.00	0 0.00	0.2551 0.00	141.66 0.08	0 0.00	1820.2
27--OTHER SERVCS	2212.6 0.10	0 0.00	0.0401 0.00	0.0688 0.00	0 0.00	0.0023 0.00	0 0.00	0.0127 0.00	0 0.00	0 0.00	20621
Total	2226402	941154	5891.33	389585	25823	25194.6	115611	315799	181207	234674	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 2:

MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 17 1MTRPREP	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	Total
1--LTRS SGL PC	19878 74.23	24656 13.01	173616 37.17	43836 40.37	409003 36.45	45505 39.65	2405.9 22.88	16923 15.88	20662 29.72	11206 37.40	3119469
2--LTRS PRESORT	2285.3 8.53	7684 4.06	71129 15.23	15182 13.98	129748 11.56	7261.4 6.33	2561.9 24.36	5589.1 5.25	13050 18.77	1137.2 3.80	988067
3--CARDS SGL PC	538.45 2.01	648.11 0.34	2536.7 0.54	1005.9 0.93	13033 1.16	748.62 0.65	135.48 1.29	8.6792 0.01	256.03 0.37	909.08 3.03	115823
4--CARDS PRSORT	325.56 1.22	241.25 0.13	1867.7 0.40	189.08 0.17	4647.9 0.41	0 0.00	88.304 0.84	6.7474 0.01	606.57 0.87	0.3888 0.00	34951
5--PRIORITY	1344.7 5.02	4012.4 2.12	34072 7.29	3541.5 3.26	88553 7.89	11057 9.63	272.12 2.59	9423.8 8.84	22761 32.74	558.65 1.86	581856
6--EXPRESS	8.6045 0.03	118.16 0.06	2705 0.58	144.59 0.13	11059 0.99	1721.1 1.50	27.97 0.27	1899.6 1.78	2944 4.24	169.02 0.56	100412
8-1 IN COUNTY	0.4875 0.00	67.513 0.04	293.12 0.06	25.537 0.02	1201.5 0.11	204.86 0.18	82.157 0.78	280 0.26	1.1223 0.00	0.6977 0.00	5507.6
8-2 OUT COUNTY	299.3 1.12	16366 8.64	52966 11.34	9469.1 8.72	88622 7.90	18948 16.51	553.94 5.27	19562 18.36	1506.1 2.17	399.67 1.33	577988
10--(A) ENH.CARR	11.767 0.04	15850 8.37	9948.9 2.13	2457.8 2.26	28807 2.57	3020 2.63	464.51 4.42	5319.2 4.99	197.79 0.28	27.229 0.09	166425
11--(A) REGULAR	1357.6 5.07	112805 59.55	103553 22.17	29962 27.59	286666 25.55	19509 17.00	3316.2 31.54	34586 32.46	5845 8.41	1571.6 5.24	1989446
14--(B) PARCELS	157.36 0.59	1169.5 0.62	2387.8 0.51	386 0.36	18180 1.62	1281.5 1.12	48.21 0.46	5212 4.89	173.24 0.25	352.4 1.18	61045
15--(B) BD PRINT	139.77 0.52	2689.2 1.42	2111.1 0.45	225.5 0.21	9302.8 0.83	998.54 0.87	1.2505 0.01	2012.6 1.89	18.835 0.03	8.2049 0.03	46015
Total	26778.2	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 2:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 17 1MTRPREP	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	Total
16--(B) MEDIA ML	4.1944 0.02	793.76 0.42	978.47 0.21	291.38 0.27	6222.8 0.55	887.19 0.77	45.384 0.43	3546.9 3.33	12.896 0.02	5.7674 0.02	31594
18--USPS	294.89 1.10	455.81 0.24	3774.7 0.81	777 0.72	13131 1.17	1022.4 0.89	458.02 4.36	843.02 0.79	921.03 1.32	2035.3 6.79	114163
19--FREE MAIL	0.4449 0.00	9.1156 0.00	703.77 0.15	331.57 0.31	1699.8 0.15	378.25 0.33	0.4245 0.00	1.645 0.00	0.4265 0.00	0.2198 0.00	8501.7
20--INTL MAIL	128.24 0.48	1690.6 0.89	4227 0.90	737.92 0.68	10947 0.98	2208.2 1.92	43.331 0.41	1313.6 1.23	529.24 0.76	683.45 2.28	201493
21--REGISTRY	2.8413 0.01	30.988 0.02	0 0.00	0 0.00	84.966 0.01	10.997 0.01	10.208 0.10	17.901 0.02	28.132 0.04	4.5295 0.02	30603
22--CERTIFIED	0.1039 0.00	0 0.00	0 0.00	0 0.00	0.2746 0.00	0 0.00	0 0.00	0.3132 0.00	0 0.00	0 0.00	1.9093
23--INSURED	0.0131 0.00	0 0.00	0 0.00	0 0.00	0.0235 0.00	0 0.00	0 0.00	0.0435 0.00	0 0.00	0 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0 0.00	0.0006 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0056
25--SPECIAL HAND	0.0522 0.00	0 0.00	0 0.00	6.0984 0.01	274.17 0.02	0 0.00	0 0.00	0.0972 0.00	1.3118 0.00	92.056 0.31	1292.9
26--POBOX/CALLER	0.092 0.00	156.86 0.08	223.7 0.05	9.2835 0.01	621.7 0.06	0 0.00	0 0.00	0.1128 0.00	0.0867 0.00	0.0584 0.00	1820.2
27--OTHER SERVCS	0.7669 0.00	0 0.00	0 0.00	0 0.00	271.76 0.02	0 0.00	0 0.00	2.524 0.00	0.0199 0.00	10803 36.05	20621
Total	26778.2	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 2:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
1--LTRS SGL PC	6350.8 7.58	1425.1 48.78	8344.1 13.14	9835.2 53.32	6919 27.02	12344 9.00	2629.1 2.30	89258 36.58	25158 16.45	161168 38.10	3119469
2--LTRS PRESORT	555.04 0.66	1010.2 34.58	1250.4 1.97	893.97 4.85	2235.7 8.73	3177 2.32	491.94 0.43	69994 28.69	31236 20.42	48830 11.54	988067
3--CARDS SGL PC	173.29 0.21	0.097 0.00	674.64 1.06	496.87 2.69	276.6 1.08	66.009 0.05	0 0.00	4736.2 1.94	589.93 0.39	5908.4 1.40	115823
4--CARDS PRSORT	1.2488 0.00	0 0.00	8.8406 0.01	0.8801 0.00	88.581 0.35	36.036 0.03	0 0.00	3929.7 1.61	0.6049 0.00	1650 0.39	34951
5--PRIORITY	2787.3 3.33	3.8643 0.13	1514.7 2.38	1180.2 6.40	2289.9 8.94	8824.8 6.44	98809 86.33	2006.2 0.82	2492.6 1.63	30840 7.29	581856
6--EXPRESS	61417 73.33	40.104 1.37	2221.4 3.50	11.076 0.06	305.07 1.19	3626.2 2.65	72.525 0.06	37.244 0.02	838.39 0.55	5338.6 1.26	100412
8-1 IN COUNTY	0.496 0.00	0 0.00	7.2098 0.01	0.6472 0.00	29.079 0.11	14.264 0.01	0 0.00	479.89 0.20	16.226 0.01	267.41 0.06	5507.6
8-2 OUT COUNTY	255.44 0.30	202.94 6.95	327.71 0.52	515.85 2.80	3576.9 13.97	1503.3 1.10	67.249 0.06	32949 13.50	3729.2 2.44	28989 6.85	577988
10--(A) ENH.CARR	11.457 0.01	0.2355 0.01	243.67 0.38	274.89 1.49	587.72 2.30	79.096 0.06	0 0.00	939.59 0.39	4452.9 2.91	8801.7 2.08	166425
11--(A) REGULAR	346.76 0.41	197.15 6.75	666.69 1.05	3629.8 19.68	8177.8 31.94	1711.4 1.25	1987.8 1.74	18814 7.71	72279 47.25	104812 24.78	1989446
14--(B) PARCELS	5.764 0.01	0 0.00	412.43 0.65	144.66 0.78	292.79 1.14	911.4 0.66	792.95 0.69	259.24 0.11	1060.5 0.69	3233 0.76	61045
15--(B) BD PRINT	7.0633 0.01	0 0.00	8.8105 0.01	134.85 0.73	158.81 0.62	169.89 0.12	0 0.00	2107.1 0.86	0.237 0.00	2335.4 0.55	46015
Total	83758.8	2921.39	63518.2	18445.1	25603.6	137084	114455	243997	152975	423001	8197098

(Continued)

Response to OCA-USPS-T11-4. TABLE 2:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
16--(B) MEDIA ML	2.6835 0.00	0 0.00	103.96 0.16	3.2624 0.02	100.66 0.39	99.434 0.07	0 0.00	344.29 0.14	0.5334 0.00	1662.1 0.39	31594
18--USPS	4987.8 5.95	0.237 0.01	9208.8 14.50	1053 5.71	264.07 1.03	809.89 0.59	6332.6 5.53	10926 4.48	10206 6.67	5490.9 1.30	114163
19--FREE MAIL	0.2311 0.00	0 0.00	1.0538 0.00	134.73 0.73	19.993 0.08	228.83 0.17	0 0.00	202.16 0.08	0 0.00	441.43 0.10	8501.7
20--INTL MAIL	6144.2 7.34	41.423 1.42	10581 16.66	128.81 0.70	172.37 0.67	103100 75.21	3107.4 2.71	935.42 0.38	481.35 0.31	10667 2.52	201493
21--REGISTRY	496.99 0.59	0 0.00	27942 43.99	5.0324 0.03	78.758 0.31	0 0.00	0 0.00	8.3281 0.00	0 0.00	1627.2 0.38	30603
22--CERTIFIED	0.0286 0.00	0 0.00	0.0572 0.00	0.1008 0.00	0.5803 0.00	0 0.00	0 0.00	0.0413 0.00	0 0.00	0.0994 0.00	1.9093
23--INSURED	0 0.00	0 0.00	0.0136 0.00	0.0143 0.00	0.0567 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0099 0.00	0.1857
24--COD	0.0031 0.00	0 0.00	0 0.00	0.0016 0.00	982E-8 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0003 0.00	0.0056
25--SPECIAL HAND	0.017 0.00	0 0.00	0.0934 0.00	0.1674 0.00	8.0862 0.03	0 0.00	164.03 0.14	0.36 0.00	0 0.00	68.748 0.02	1292.9
26--POBOX/CALLER	214.38 0.26	0 0.00	0.4215 0.00	0.5583 0.00	4.035 0.02	348.22 0.25	0 0.00	0.254 0.00	0 0.00	96.8 0.02	1820.2
27--OTHER SERVCS	0.8377 0.00	0 0.00	0.4723 0.00	0.3925 0.00	17.102 0.07	34.04 0.02	0 0.00	6069.8 2.49	433.6 0.28	773.92 0.18	20621
Total	83758.8	2921.39	63518.2	18445.1	25603.6	137084	114455	243997	152975	423001	8197098

Response to OCA-USPS-T11-4. TABLE 3:

MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 11 LTR OPS	MODS 11 MSC LTR	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 17 1DSPATCH	MODS 17 1FLATPRP	Total
1--LTRS SGL PC	1061316 51.47	348531 72.55	365836 38.87	485.25 8.24	80614 20.69	28774 11.50	2535 10.06	31147 26.87	73326 40.47	33322 14.20	3116493
2--LTRS PRESORT	403781 19.58	40005 8.33	50722 5.39	118.67 2.01	6519.4 1.67	4595.8 1.84	3510.2 13.93	30800 26.57	29575 16.32	4164.2 1.77	989279
3--CARDS SGL PC	66526 3.23	12166 2.53	958.59 0.10	2.0463 0.03	224.49 0.06	0 0.00	4.6912 0.02	1301.4 1.12	1942.6 1.07	97.585 0.04	115963
4--CARDS PRSORT	18057 0.88	1322.2 0.28	701.2 0.07	0.8804 0.01	0.4327 0.00	7.6512 0.00	29.752 0.12	10.397 0.01	1190.8 0.66	12.953 0.01	35031
5--PRIORITY	6440.1 0.31	8093.4 1.68	14449 1.54	1184.6 20.11	33606 8.63	177435 70.91	3275.4 13.00	1463.6 1.26	7292.2 4.02	2337.8 1.00	581913
6--EXPRESS	1449.4 0.07	571.42 0.12	72.363 0.01	7.6439 0.13	528 0.14	1710.7 0.68	3.9461 0.02	110.85 0.10	1267.6 0.70	0 0.00	100431
8-1 IN COUNTY	10.606 0.00	105.79 0.02	1827.5 0.19	0.7215 0.01	234.83 0.06	5.278 0.00	324.42 1.29	7.9751 0.01	20.283 0.01	3.3786 0.00	5513.8
8-2 OUT COUNTY	10586 0.51	2458 0.51	136023 14.45	229.67 3.90	63208 16.22	6308.9 2.52	4223.8 16.76	3974.8 3.43	14314 7.90	56053 23.89	578221
10--(A) ENH.CARR	20671 1.00	2306.8 0.48	16235 1.72	92.75 1.57	30310 7.78	798.97 0.32	394.65 1.57	4384.2 3.78	3182.7 1.76	6581.3 2.80	166466
11--(A) REGULAR	439937 21.34	53290 11.09	326800 34.72	1484.5 25.20	133136 34.17	10208 4.08	8199.4 32.54	39362 33.96	40399 22.29	125541 53.50	1990437
14--(B) PARCELS	633.57 0.03	796.31 0.17	813.47 0.09	1101.9 18.70	13212 3.39	1477.3 0.59	1766.5 7.01	498.62 0.43	3356.8 1.85	911.62 0.39	61023
15--(B) BD PRINT	553.48 0.03	479.38 0.10	6936.4 0.74	377.86 6.41	9520.3 2.44	1301.5 0.52	214.25 0.85	622.46 0.54	594.14 0.33	2992.3 1.28	46022
Total (Continued)	2061814	480388	941154	5891.33	389595	250237	25194.8	115911	181207	234674	8197099

Response to OCA-USPS-T11-4. TABLE 3:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 11 LTR OPS	MODS 11 MSC LTR	MODS 12 FLAT OPS	MODS 13 MECPARC	MODS 13 PARCEL	MODS 13 PRIORITY	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 17 1DSPATCH	MODS 17 1FLATPRP	Total
16--(B) MEDIA ML	392.63 0.02	585.32 0.12	2370.4 0.25	189.35 3.21	9550.4 2.45	1622.7 0.65	212.87 0.84	108.37 0.09	790.37 0.44	672.68 0.29	31600
18--USPS	11739 0.57	3084.1 0.64	7971.1 0.85	335.17 5.69	4378.3 1.12	9695.9 3.87	381.22 1.51	1648.2 1.42	1322.2 0.73	603.99 0.26	114144
19--FREE MAIL	1311.6 0.06	86.048 0.02	183.13 0.02	1.0737 0.02	1053.3 0.27	873.75 0.35	3.3805 0.01	2.8992 0.00	702.16 0.39	129.82 0.06	8499.8
20--INTL MAIL	16256 0.79	6059.8 1.26	9197.4 0.98	278.46 4.73	3342.2 0.86	5147.1 2.06	90.305 0.36	445.25 0.38	1776.6 0.98	1249.2 0.53	201718
21--REGISTRY	116.41 0.01	2.0141 0.00	57.048 0.01	0.0219 0.00	0 0.00	15.641 0.01	23.788 0.09	23.572 0.02	12.049 0.01	0.3946 0.00	30599
22--CERTIFIED	0.0265 0.00	0.0068 0.00	0 0.00	0.1241 0.00	0 0.00	0 0.00	0.152 0.00	0 0.00	0 0.00	0 0.00	1.9084
23--INSURED	0 0.00	0 0.00	0 0.00	0.011 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0056
25--SPECIAL HAND	0.0928 0.00	271.6 0.06	0 0.00	0.1007 0.00	156.56 0.04	257.85 0.10	0.1338 0.00	0 0.00	0 0.00	0 0.00	1302.6
26--POBOX/CALLER	0.1866 0.00	0.0409 0.00	0 0.00	0.5362 0.01	0 0.00	0 0.00	0.9813 0.00	0 0.00	141.66 0.08	0 0.00	1819.9
27--OTHER SERVCS	2036.9 0.10	174.39 0.04	0 0.00	0.0436 0.00	0.0688 0.00	0 0.00	0.0067 0.00	0 0.00	0 0.00	0 0.00	20621
Total (Continued)	2061814	480388	941154	5831.33	389545	256211	25194.8	115911	181207	234674	8197099

Response to OCA-USPS-T11-4. TABLE 3:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 17 1MTRPREP	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	Total
1--LTRS SGL PC	19876 74.22	24656 13.01	173616 37.17	43836 40.37	408667 36.42	45505 39.65	2405.9 22.88	16917 15.88	20661 29.72	11205 37.40	3116493
2--LTRS PRESORT	2286.2 8.54	7684 4.06	71129 15.23	15182 13.98	129863 11.57	7261.4 6.33	2561.9 24.36	5592 5.25	13051 18.77	1137.2 3.80	989279
3--CARDS SGL PC	538.42 2.01	648.11 0.34	2536.7 0.54	1005.9 0.93	13024 1.16	748.62 0.65	135.48 1.29	8.6069 0.01	255.98 0.37	909.06 3.03	115963
4--CARDS PRSORT	325.61 1.22	241.25 0.13	1867.7 0.40	189.08 0.17	4651.3 0.41	0 0.00	88.304 0.84	6.9043 0.01	606.58 0.87	0.3888 0.00	35031
5--PRIORITY	1344.7 5.02	4012.4 2.12	34072 7.29	3541.5 3.26	88540 7.89	11057 9.63	272.12 2.59	9423.8 8.84	22761 32.74	558.65 1.86	581913
6--EXPRESS	8.6053 0.03	118.16 0.06	2705 0.58	144.59 0.13	11062 0.99	1721.1 1.50	27.97 0.27	1899.6 1.78	2944 4.24	169.02 0.56	100431
8-1 IN COUNTY	0.4873 0.00	67.513 0.04	293.12 0.06	25.537 0.02	1202 0.11	204.86 0.18	82.157 0.78	280 0.26	1.1213 0.00	0.6977 0.00	5513.8
8-2 OUT COUNTY	299.3 1.12	16366 8.64	52966 11.34	9469.1 8.72	88641 7.90	18948 16.51	553.94 5.27	19562 18.36	1506 2.17	399.67 1.33	578221
10--(A) ENH.CARR	11.848 0.04	15850 8.37	9948.9 2.13	2457.8 2.26	28817 2.57	3020 2.63	464.51 4.42	5319.5 4.99	197.84 0.28	27.229 0.09	166466
11--(A) REGULAR	1358.6 5.07	112805 59.55	103553 22.17	29962 27.59	286888 25.57	19509 17.00	3316.2 31.54	34589 32.46	5845.7 8.41	1571.7 5.25	1990437
14--(B) PARCELS	157.36 0.59	1169.5 0.62	2387.8 0.51	386 0.36	18175 1.62	1281.5 1.12	48.21 0.46	5212 4.89	173.23 0.25	352.4 1.18	61023
15--(B) BD PRINT	139.77 0.52	2689.2 1.42	2111.1 0.45	225.5 0.21	9302 0.83	998.54 0.87	1.2505 0.01	2012.6 1.89	18.834 0.03	8.2049 0.03	46022
Total	26778.2	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	8197099

(Continued)

Response to OCA-USPS-T11-4. TABLE 3:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 17 1MTRPREP	MODS 17 1OPBULK	MODS 17 1OPPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY	Total
16--(B) MEDIA ML	4.1966 0.02	793.76 0.42	978.47 0.21	291.38 0.27	6221.9 0.55	887.19 0.77	45.384 0.43	3546.9 3.33	12.895 0.02	5.7674 0.02	31600
18--USPS	294.88 1.10	455.81 0.24	3774.7 0.81	777 0.72	13125 1.17	1022.4 0.89	458.02 4.36	842.99 0.79	921.03 1.32	2035.3 6.79	114144
19--FREE MAIL	0.4473 0.00	9.1156 0.00	703.77 0.15	331.57 0.31	1698.5 0.15	378.25 0.33	0.4245 0.00	1.6522 0.00	0.4272 0.00	0.2198 0.00	8499.8
20--INTL MAIL	128.25 0.48	1690.6 0.89	4227 0.90	737.92 0.68	10943 0.98	2208.2 1.92	43.331 0.41	1313.6 1.23	529.25 0.76	683.45 2.28	201718
21--REGISTRY	2.8413 0.01	30.988 0.02	0 0.00	0 0.00	84.463 0.01	10.997 0.01	10.208 0.10	17.901 0.02	28.132 0.04	4.5295 0.02	30599
22--CERTIFIED	0.1039 0.00	0 0.00	0 0.00	0 0.00	0.2746 0.00	0 0.00	0 0.00	0.3132 0.00	0 0.00	0 0.00	1.9084
23--INSURED	0.0131 0.00	0 0.00	0 0.00	0 0.00	0.0235 0.00	0 0.00	0 0.00	0.0435 0.00	0 0.00	0 0.00	0.1857
24--COD	0 0.00	0 0.00	0 0.00	0 0.00	0.0006 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0056
25--SPECIAL HAND	0.0519 0.00	0 0.00	0 0.00	6.0984 0.01	274.62 0.02	0 0.00	0 0.00	0.0962 0.00	1.3118 0.00	92.056 0.31	1302.6
26--POBOX/CALLER	0.092 0.00	156.86 0.08	223.7 0.05	9.2835 0.01	621.66 0.06	0 0.00	0 0.00	0.1128 0.00	0.0867 0.00	0.0584 0.00	1819.9
27--OTHER SERVCS	0.7626 0.00	0 0.00	0 0.00	0 0.00	273.2 0.02	0 0.00	0 0.00	2.5066 0.00	0.0286 0.00	10803 36.05	20621
Total	26778.2	189445	467092	108577	1122077	114763	10515.3	106549	69514.7	29963.8	8197099

(Continued)

Response to OCA-USPS-T11-4. TABLE 3:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
INCLUDE MISCELLANEOUS AND SUPPORT OPERATIONS - FUNCT 1&4
WHERE COSTS ARE DISTRIBUTED BASED ON VOL-VAR COSTS-FUNCT 1&4

The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG	COSTPOOL										
Frequency Col Pct	MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
1--LTRS SGL PC	6350.1 7.58	1425.1 48.78	8343.4 13.14	9833.7 53.31	6910.8 26.99	12344 9.00	2629.1 2.30	89258 36.58	25158 16.45	161009 38.06	3116493
2--LTRS PRESORT	555.31 0.66	1010.2 34.58	1250.6 1.97	894.61 4.85	2238 8.74	3177 2.32	491.94 0.43	69994 28.69	31236 20.42	48894 11.56	989279
3--CARDS SGL PC	173.27 0.21	0.097 0.00	674.61 1.06	496.84 2.69	276.37 1.08	66.009 0.05	0 0.00	4736.2 1.94	589.93 0.39	5915.8 1.40	115963
4--CARDS PRSORT	1.2612 0.00	0 0.00	8.8202 0.01	0.8965 0.00	88.651 0.35	36.036 0.03	0 0.00	3929.7 1.61	0.6049 0.00	1654.2 0.39	35031
5--PRIORITY	2787.3 3.33	3.8643 0.13	1514.8 2.38	1180.2 6.40	2289.7 8.94	8824.8 6.44	98809 86.33	2006.2 0.82	2492.6 1.63	30843 7.29	581913
6--EXPRESS	61417 73.33	40.104 1.37	2221.4 3.50	11.079 0.06	305.13 1.19	3626.2 2.65	72.525 0.06	37.243 0.02	838.39 0.55	5339.6 1.26	100431
8-1 IN COUNTY	0.496 0.00	0 0.00	7.2163 0.01	0.6469 0.00	29.11 0.11	14.264 0.01	0 0.00	479.89 0.20	16.226 0.01	267.74 0.06	5513.8
8-2 OUT COUNTY	255.43 0.30	202.94 6.95	327.94 0.52	515.84 2.80	3578.2 13.98	1503.3 1.10	67.249 0.06	32949 13.50	3729.2 2.44	29001 6.86	578221
10--(A) ENH.CARR	11.496 0.01	0.2355 0.01	243.66 0.38	274.94 1.49	587.94 2.30	79.096 0.06	0 0.00	939.59 0.39	4452.9 2.91	8803.9 2.08	166466
11--(A) REGULAR	347.17 0.41	197.15 6.75	666.99 1.05	3630.7 19.68	8182.6 31.96	1711.4 1.25	1987.8 1.74	18814 7.71	72279 47.25	104865 24.79	1990437
14--(B) PARCELS	5.7624 0.01	0 0.00	412.42 0.65	144.66 0.78	292.72 1.14	911.4 0.66	792.95 0.69	259.24 0.11	1060.5 0.69	3231.8 0.76	61023
15--(B) BD PRINT	7.0632 0.01	0 0.00	8.8125 0.01	134.85 0.73	158.79 0.62	169.84 0.12	0 0.00	2107.1 0.86	0.237 0.00	2335.7 0.55	46022
Total (Continued)	83758.8	2921.39	63518.2	18445.1	25603.6	137084	114455	243997	152975	423001	8197099

Response to OCA-USPS-T11-4. TABLE 3:
MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS - MODS 1&2
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The FREQ Procedure

Table of MAILTAG by COSTPOOL

MAILTAG Frequency Col Pct	COSTPOOL MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 19 PMPC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	Total
16--(B) MEDIA ML	2.6834 0.00	0 0.00	103.95 0.16	3.2614 0.02	100.65 0.39	99.434 0.07	0 0.00	344.29 0.14	0.5334 0.00	1662.4 0.39	31600
18--USPS	4987.8 5.95	0.237 0.01	9208.8 14.50	1053 5.71	263.95 1.03	809.89 0.59	6332.6 5.53	10326 4.48	10206 6.67	5489.9 1.30	114144
19--FREE MAIL	0.2327 0.00	0 0.00	1.0477 0.00	134.73 0.73	19.967 0.08	228.83 0.17	0 0.00	202.16 0.08	0 0.00	441.33 0.10	8499.8
20--INTL MAIL	6144.2 7.34	41.423 1.42	10581 16.66	128.8 0.70	172.3 0.67	103100 75.21	3107.4 2.71	935.42 0.38	481.35 0.31	10679 2.52	201718
21--REGISTRY	496.99 0.59	0 0.00	27942 43.99	5.0324 0.03	78.75 0.31	0 0.00	0 0.00	8.3281 0.00	0 0.00	1627 0.38	30599
22--CERTIFIED	0.0286 0.00	0 0.00	0.0572 0.00	0.1008 0.00	0.5803 0.00	0 0.00	0 0.00	0.0413 0.00	0 0.00	0.0993 0.00	1.9084
23--INSURED	0 0.00	0 0.00	0.0136 0.00	0.0143 0.00	0.0567 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0099 0.00	0.1857
24--COD	0.0031 0.00	0 0.00	0 0.00	0.0016 0.00	982E-8 0.00	0 0.00	0 0.00	0 0.00	0 0.00	0.0003 0.00	0.0056
25--SPECIAL HAND	0.0169 0.00	0 0.00	0.0951 0.00	0.1669 0.00	6.0934 0.03	0 0.00	164.03 0.14	0.3599 0.00	0 0.00	69.262 0.02	1302.6
26--POBOX/CALLER	214.38 0.26	0 0.00	0.4215 0.00	0.5583 0.00	4.0343 0.02	348.22 0.25	0 0.00	0.254 0.00	0 0.00	96.781 0.02	1819.9
27--OTHER SERVCS	0.8395 0.00	0 0.00	0.4812 0.00	0.3961 0.00	17.135 0.07	34.34 0.02	0 0.00	6069.8 2.49	433.6 0.28	773.94 0.18	20621
Total	83758.8	2921.39	63518.2	18445.1	25603.6	137084	114455	243997	152975	423001	8197099

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-1 In section B.1 of your testimony you describe various changes, between BY2000 and BY2004, in the configuration of cost pools used to distribute mail processing costs.

a. Please state, for each change in cost pool configuration, in which of the intervening fiscal years (FY2001 through FY2003) the given change was used in producing the CRA reports for that year.

b. Please refer to spreadsheet r2005 lr-k-100 pt_2.xls in LR-K-100 and confirm that the use of additional cost pools within LDC 17 is reflected also in the version of "PRC costing" that the Postal Service has presented in the current rate filing. If not confirmed, please explain.

c. Please refer to spreadsheet r2005 lr-k-100 pt_2.xls in LR-K-100 and confirm that the combining of certain Function 4 cost pools (e.g., LD4x) with Non-MODS cost pools is not reflected in the version of "PRC costing" that the Postal Service has presented in the current rate filing. If not confirmed, please explain.

d. Please describe which other cost pool reconfigurations between BY2000 and BY2004 are reflected also in the version of "PRC costing" that the Postal Service has presented in the current rate filing.

e. Please explain fully the rationale behind the inclusion of some but not all of the proposed pool reconfigurations in the version of "PRC costing" that the Postal Service has presented in the current rate filing.

RESPONSE:

a. In FY 2001, the PMPC and the AFSM100 (including LDC 15 VCR flat keying operations and the LDC 17 flat operation 035) cost pools were added as two new cost pools; also in FY 2001, the collection mail activities (1CANCEL) and the metered mail preparation (1MTRPREP) were separated into two cost pools.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

In FY 2002, separate cost pools were implemented for Mechanical Tray Sorter / Robotics (1TRAYSRT), Dispatch (1DSPATCH), Flats Preparation (1FLATPRP), Manual Transport at Opening Units (1OPTRANS), Scan Where You Band (1SWYB).

In FY 2003, the MODS LDC 41-44, 48 cost pools were combined with the non-MODS group, with the costs subdivided using the non-MODS methodology. For the non-MODS/Function 4 Express Mail cost pool, in-office and out-of-office activities were separated. The 1SWYB cost pool was combined with 1SCAN.

b. Confirmed.

c. Confirmed.

d. The FY 2001-2002 cost pool changes listed in response to part (a) above are all reflected in the 'PRC costing.'

e. Redirected to the United Postal Service.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-4 Assume that an IOCS tally shows an employee working at a postal window (e.g., selling stamps to a customer) in a Function 4 office (station and branch). Under the methodology you propose in this docket, will the costs associated with this tally always be attributed as window service costs and not as mail processing costs? If no, please explain why not.

RESPONSE:

Yes.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-5 You describe a new cost pool that you call 1DSPATCH. At page 7 in your testimony you refer to it as "the dispatch unit."

a. What is "the dispatch unit" in a postal facility?

b. Please confirm that "the dispatch unit" is defined by MODS numbers 124-129. If not confirmed, please give the correct numbers.

c. Is "the dispatch unit" typically located on the platform? Or is it located on the workroom floor?

d. In what fiscal year was the 1DSPATCH pool first used to produce the CRA reports?

e. Before you introduced 1DSPATCH as a separate pool, which pool or pools would work under MODS numbers 124-129 have been assigned to?

f. What is the normal craft and pay level for employees in this pool?

g. Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that the new cost pool needed to be included in the MODS/IOCS costing scheme.

h. Please describe all normal duties for employees in this cost pool and any unique skills required.

i. Is it fair to say that the workload in this cost pool varies greatly, with periods of intense activity followed or preceded by periods of little or no activity?

j. If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

k. Has the Postal Service undertaken any study to assure that use of MODS numbers 124-129 is uniform and consistent in all processing plants that use those numbers? If yes, what was the result of such a study?

RESPONSE:

a. Redirected to witness McCrery, USPS-T-29.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

b. Confirmed.

c. Redirected to witness McCrery, USPS-T-29.

d. Please see the response to TW/USPS-T11-1(a).

e. Before FY02, operations 124-129 were in the 1POUCHNG cost pool. The MODS descriptions for operations 124-129 in FY 01 were 'Pouching Operations'.

f. Redirected to witness McCrery, USPS-T-29.

g. Please see the response of the United Postal Service to TW/USPS-T11-1e, and also the text on page 6, lines 24-33, and page 7, lines 1-2 of my testimony.

h-k. Redirected to witness McCrery, USPS-T-29.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
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TW/USPS-T11-6 You describe a new cost pool that you call 1FLATPRP.

a. Please confirm that this pool is defined by MODS number 035. If not confirmed, please give the correct number(s).

b. In what fiscal year was the 1FLATPRP pool first used to produce the CRA reports?

c. Before you introduced 1FLATPRP as a separate pool, which pool would work under MODS number 035 have been assigned to?

d. What is the normal craft and pay level for employees in this pool?

e. Please describe all normal duties for employees in this cost pool and any unique skills required.

f. Please confirm that the purpose of this cost pool is to prepare flats that arrive in non-carrier route bundles for piece sorting on the AFSM-100 or other flats sorting machines. If not confirmed, or if there are additional duties, please explain.

g. If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

h. Has the Postal Service undertaken any study to assure that use of MODS number 035 is uniform and consistent in all processing plants that use this number? If yes, what was the result of such a study?

RESPONSE:

a. Confirmed

b. Please see the response to TW/USPS-T11-1(a).

c. In FY 2001, operation 035 was assigned to the AFSM 100 cost pool. The MODS description for operation 035 in FY 01 was 'Prep Operation – AFSM 100.'

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-7 You describe a new cost pool that you call 1OPTRANS. At page 7 in your testimony you refer to it as "the opening unit's manual transport."

a. What is "the opening unit's manual transport" in a postal facility?

b. Please confirm that 1OPTRANS is defined by MODS number 114. If not confirmed, please give the correct number(s).

c. In what fiscal year was the 1OPTRANS pool first used to produce the CRA reports?

d. Before you introduced 1OPTRANS as a separate pool, which cost pool would work under MODS number 114 have been assigned to?

e. What is the normal craft and pay level for employees in this pool?

f. Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that 1OPTRANS needed to be included as a separate pool in the MODS/IOCS costing scheme.

g. Please describe all normal duties for employees in this cost pool and describe any unique skills required.

h. If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

i. Has the Postal Service undertaken any study to assure that use of MODS number 114 is uniform and consistent in all processing plants? If yes, what was the result of such a study? Specifically, did the Postal Service verify that MODS number 114 is used by, and only used by, employees that operate "the opening unit's manual transport?"

j. Is MODS number 114 sometimes used to represent an SCF opening unit?

RESPONSE:

a. Redirected to witness McCrery, USPS-T-29.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

b. Confirmed.

c. Please see the response to TW/USPS-T11-1(a).

d. In FY 2001, operation 114 was assigned to the opening cost pool 1OPPREF. The MODS description for operation 114 in FY 01 was 'Outgoing Unit – Outgoing Pref.

e. Redirected to witness McCrery, USPS-T-29.

f. Please see the response of the United Postal Service to TW/USPS-T11-1e. and also the text on page 6, lines 24-33, and page 7, lines 1-2 of my testimony.

g-j. Redirected to witness McCrery, USPS-T-29.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-8 You describe a new cost pool called 1TRAYSRT. At page 6 in your testimony you refer to it as "the tray sorters and robotics cost pool."

a. Please confirm that 1TRAYSRT is defined by MODS numbers 618, 619 and 627-629. If not confirmed, please give the correct numbers.

b. In what fiscal year was the 1TRAYSRT pool first used to produce the CRA reports?

c. Before you introduced 1TRAYSRT as a separate pool, which cost pool(s) would work under MODS numbers 618, 619 and 627-629 have been assigned to?

d. What is the normal craft and pay level for employees in this pool?

e. Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that 1TRAYSRT needed to be included as a separate pool in the MODS/IOCS costing scheme.

f. Please describe all normal duties for employees in this cost pool and describe any unique skills required.

g. If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

h. Has the Postal Service undertaken any study to assure that use of MODS numbers 618, 619 and 627-629 is uniform and consistent in all processing plants? If yes, what was the result of such a study? Specifically, did the Postal Service verify that these MODS numbers are used by, and only used by, employees that operate "tray sorters and robotics?"

i. Please confirm that the cost pool handles trays of letters and flats that have been sorted at a piece distribution operation in the given plant. If not confirmed, please explain.

j. Does the pool also handle trays of letters and flats that have arrived from another postal facility? If yes, please describe the circumstances under which this occurs.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

RESPONSE:

a. Confirmed.

b. Please see the response to TW/USPS-T11-1(a).

c. Operations 618-619 were new LDC 13 operations for Mechanized Tray Sorting in FY 02. The Robotics LDC 13 Operations 627-629 were also new LDC 13 operations for Robotics. In FY 01, the description of the LDC 17 operations 358-359 was 'Robotics' and these operations were grouped with the 1OPPREF cost pool.

d. Redirected to witness McCrery, USPS-T-29.

e. Please see the response of the United Postal Service to TW/USPS-T11-1e. and also the text on page 6, lines 24-33, and page 7, lines 1-2 of my testimony.

f-j. Redirected to witness McCrery, USPS-T-29.

RESPONSES OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-9 Is the pool called "1PRESORT" any different from the "Bulk Presort" pool used in previous rate filings? If yes, please explain. In any event, please answer the following.

a. Please confirm that 1PRESORT is defined by MODS numbers 002 and 003. If not confirmed, please give the correct numbers.

b. What is the normal craft and pay level for employees in this pool?

c. Please describe all normal duties for employees in this cost pool and identify any unique skill levels required.

d. If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

e. Has the Postal Service undertaken any study to assure that use of MODS numbers 002 and 003 is uniform and consistent in all processing plants? If yes, what was the result of such a study?

RESPONSE:

No, "1PRESORT" is not any different from "Bulk Presort".

a. Confirmed.

b-e. Redirected to witness McCrery, USPS-T-29.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO INTERROGATORIES OF TIME WARNER, INC

TW/USPS-T11-10 Please refer to your answer to question 8 in POIR 4 and the Excel spreadsheet POIR4_item8_response.xls filed with that answer. The spreadsheet contains tables that break down the dollar weighted direct tallies, mixed tallies and unidentified container tallies at each allied operation.

a. Please provide, in a similar Excel format, the dollar weighted not handling tallies, by IOCS activity code, at the same allied operations.

b. Please provide a similar breakdown of the dollar weighted not handling tallies for the remaining (non-allied) cost pools.

RESPONSE:

a - b. The attached Excel file contains a worksheet for each of the three cost pool groupings: 1) Plants, 2) Post-Offices, Stations, and branches, and 3) BMCs. Each worksheet provides the dollar-weighted not-handling tallies by IOCS activity code for the allied (shaded in blue) and non-allied cost pools in the cost pool grouping.

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
TO INTERROGATORIES OF VALPAK
REDIRECTED FROM WITNESS ROBERT L. SHAW, JR.

VP/USPS-T2-7.

a. For Base Year 2004, what is the total number of IOCS tallies recorded in Cost Segment 3.1 for clerks and mailhandlers, and used to develop the costs show in your Table 1 for mail processing?

b. Please provide a breakdown of total Segment 3.1 tallies that indicates the number and associated cost of tallies for: (i) handling an individual class or subclass of mail; (ii) handling mixed mail; (iii) moving empty equipment; (iii) not handling mail, on break; and (iv) not handling mail (please identify specific reasons to the extent practicable).

RESPONSE.

a. The total number of IOCS tallies used to develop the costs in Table 1 is 163,880 tallies plus all 1,154 'clocking in and out' tallies for the BMCs, and Post-Offices, Stations, and Branches (PO/Sta/Brs). The 163,880 tallies includes the mail processing 'clocking in and out' tallies for the MODS facilities, since those can be identified by MODS operations. While it is not possible to individually allocate the 1,154 tallies for the other facilities to the mail processing function because IOCS reports all such tallies under the administrative services function, a proportional reallocation by function of the aggregated costs associated with those tallies has been used. Therefore, the tally dollar weights for the 1,154 tallies shown in the first table below represent the reallocated portion for the mail processing.

b. Listed below is the mapping of C/S 3.1 tally categories from LR-K-55 into the requested categories.

Category	No. of Tallies	Tally Dollar Weights
Handling an individual class or subclass of mail	67,593	6,188,100
Handling mixed mail items & mixed mail containers	13,206	1,053,390
Handling empty items & empty containers	12,066	1,040,083
Not-Handling	70,589	6,142,723

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Clocking in & out for BMCs, PO/Sta/Brs – see response to a) above	1,154	90,593
Express Mail / Out-Of-Office Activities	426	55,172

The Out-of-Office activities for Express Mail Units at Post-Offices, Stations and Branches are listed separately because their costs are not distributed based on IOCS tallies but on the FY 02 C/S 3.4 distribution key. Please note that for Table 1 of USPS-T-2, mixed mail handling tallies (which include handling empty equipment) are distributed to subclasses by cost pool, and within cost pool by item type and by container type based on the volume (cube) occupied by shapes of loose pieces and item types in the container (see USPS-T-11, in particular section 3.2.3, and LR-K-55 Part II, for a definition of the various categories). Please also note that not-handling tallies are categorized by the cost pools in which they occur, and are generally distributed in proportion to the subclasses from the handling tallies (direct tallies, and distributed item and container tallies) within a cost pool. They are not distributed across cost pools solely on the basis of IOCS activity codes. The table below was generated only to answer this question.

Not-Handling Categories (based on IOCS activity codes)	No. of Tallies	Tally Dollar Weights
Not-handling related to IOCS Q.19 operations (5610,5620,5700,5750)	23,785	2,105,729
Empty Equipment (6523,6524)	4,809	417,848
Breaks (6521)	21,883	1,885,049
Clocking in/out for Plants (6522)	2,757	235,454
Platform - related to IOCS Q.18b (6210,6220,6225)	5,415	387,698
Special Services & Miscellaneous Operations (primarily IOCS Q.18e)	6,082	546,357
Mail Processing Support and Other	5,858	564,586

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VP/USPS-T2-9.

For the costs associated with all tallies which do not indicate that an individual class or subclass of mail was being handled (*e.g.*, handling mixed-mail, handling empty equipment, on break — not handling mail, etc.), please indicate:

a. Which types of tallies have their associated costs distributed in proportion to the cost of direct "handling-mail" tallies (*i.e.*, tallies where either an individual piece of mail or an identifiable subclass of mail is being handled); and

b. Which types of tallies have their associated costs distributed on a basis that is not in proportion to the cost of direct "handling-mail" tallies. For any such tallies, please provide a brief description of how their associated costs are distributed.

RESPONSE.

a. Explanations of city carrier tallies have been retained by witness Shaw.

For clerk and mail handler mail processing tallies, it should be noted that the cost estimates shown in Table 1 of USPS-T-2 represent the total of volume-variable costs for C/S 3.1 developed at the cost pool level (see sections B.1, B.2.1, and Table 1 of USPS-T-11), before premium pay adjustment. The final distribution keys consist of the combined direct tallies, distributed mixed-mail tallies and distributed not-handling tallies within a cost pool, as defined and described in Section B.2.3 of USPS-T-11, *Cost Pool Distribution Keys*. Section B.2.3.a indicates that mixed-mail tallies within a cost pool where the employee is observed to be handling an "item" (uncounted or empty) or a "container" (with mail contents "identified" by percentages of shapes of loose mail and item types) are distributed in proportion to the direct tallies by subclass for the *same item type(s) and/or piece shapes within that cost pool.* (See footnote 14 for a definition of the terms "items" and "containers" and footnote 16 for a definition of the terms "identified" and "unidentified" relating to containers.)

b. Section B.2.3.a also indicates that within a cost pool, tallies for employees observed to be handling either an "unidentified" or empty container are distributed to subclasses in proportion to the subclasses from the combined direct container tallies (i.e. containers with identical mail) and distributed "identified" container tallies for the

RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH
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same container types in that cost pool. Section B.2.3.b indicates that within a cost pool, regardless of the specific not-handling activities of the employees, tallies for employees observed not to be handling a piece of mail, an "item" or a container are distributed to subclasses, based on the handling tallies in that cost pool. The handling tallies consist of the direct tallies and the distributed mixed-mail tallies. Sections B.2.3.b and B.2.3.c also indicate for certain cost pools such as the Platform, the Miscellaneous and the Support cost pools, the distribution keys for the not-handling tallies are based on handling tallies from groups of cost pools.

CHAIRMAN OMAS: At this point I'm going to add answers Witness Van-Ty-Smith provided to the Presiding Officer's Information Request. There are four answers that were not designated. They are as follows: POIR 2, Question 9; POIR 4, Questions 8 and 10; POIR 7, Question 7, Part 2.

Witness Van-Ty-Smith, would your answers to those questions be the same as those you've previously provided in writing?

THE WITNESS: Yes, they will be.

CHAIRMAN OMAS: I am now handing the reporter two copies of those answers and direct that they be admitted into evidence and transcribed.

(The documents referred to were marked for identification as Exhibit Nos. POIR 2, Question 9; POIR 4, Questions 8 and 10; POIR 7, Question 7, Part 2, and were received in evidence.)

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RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO
POIR NO. 2, QUESTION 9

9. The Postal Service has supplied the Commission with files that are not PC executable. Library References LR-K-55 and LR-K-100 contain programs that are in text formats and have to be converted to PC SAS.

a. Please provide the following SAS programs and SAS log missing in LR-K-100: MBC, DOLWGTBM, MODFIN04, MAPCLCRA, and MBC SASLOG.
b. The input files to a SAS program called MODSPOOL in LR-K-55 are missing. These are quarterly files called MODSFIN.FY04Q1.DATA, MODSFIN.FY04Q2.DATA MODSFIN.FY04Q3.DATA, and MODSFIN.FY04Q4.DATA. Please provide these files in a format that can be executed using a PC SAS platform.

RESPONSE:

(a) For both the USPS and PRC versions, the same programs are used to partition data collected from the IOCS sampled facilities into BMCs, MODS 1&2, and nonMODS facilities. Thus, the MBC SAS program and the MODFIN04 data set are in the PROGRAMS directory of the diskette in USPS-LR-K-55. The MBC SASLOG is in the SASLOGS directory of the diskette in USPS-LR-K-55.

Also, the program modules DOLWGTBM and MAPCLCRA are used for both the USPS and PRC versions. DOLWGTBM and MAPCLCRA are in the PROGRAMS directory of the diskette in USPS-LR-K-55.

(b) The quarterly files MODSFIN.FY04Q(1 through 4).DATA with encrypted finance numbers (*F2*) and deleted facility names (*FINNAME*) are provided as the PC SAS files MODSQ1-MODSQ4 in the CD of USPS-LR-K-126, filed today. Please note that Table I-2A and Table I-2B of USPS-LR-K-55 are the output tables from the MODSPOOL program that processes the data from those MODS files.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO
POIR NO. 4, QUESTION 8

8. Please provide a matrix showing a breakdown of allied cost pools showing the number of direct tallies, their associated dollar values, and their percent share of total by ›ce shapes, item types, and container types for each cost pool as described in direct ,timony of witness Van-Ty-Smith, section B.2.3. The breakdown should include uncounted and empty items, identified containers by loose pieces and items, and unidentified and empty containers. Also, identify cell or cells where the recorded direct tally is not used and a broader set of tallies is used to form a distribution key for mixed and not-handling tallies including a description of what is used to create the proxy distribution key.

RESPONSE:

The matrix for the breakdown of all handling tallies is organized into two worksheets in the attached Excel file (POIR4 item8 response.xls). The first worksheet shows the dollars associated with each requested category by cost pool and the corresponding percent share of total handling dollars. The second worksheet shows the number of records associated with each requested category by cost pool. Each worksheet consists of three tables showing the requested categories as follows:

Table 1. The direct tallies by piece shapes, item types and container types.

Table 2. The mixed tallies for handlings of items by item types and identified containers by container types. Each item type includes a breakdown by uncounted and empty categories. Each container type includes a breakdown by shapes of loose pieces and item types.

Table 3. The mixed tallies for handlings of unidentified and empty containers by container types.

The cells where a broader set of tallies is used for a distribution key are located in Table 2. They consist of all items (uncounted and empty) and all identified containers for the BMCS PLA cost pool, and of all identified containers for the MODS 17 1OPTRANS, the MODS 17 1PLATFRM and the PO/STA/BR ALLIED cost pools. For

those cells in Table 2, the direct container tallies are not used in the distribution key.

Each piece shape and item type from Table 2 is distributed in proportion to the subclasses recorded for the same direct piece shape and item type from Table 1. For example, uncounted/empty flat trays (TRAY_F) and flat trays (TRAY_F) in identified containers in Table 2 are distributed in proportion to the subclasses from direct flat trays (TRAY_F) from Table 1. Parcel pieces (PC_PCL) in identified containers in Table 2 are distributed in proportion to the subclasses from direct parcel pieces (PC_PCL) from Table 1. The broader set of direct tallies by piece shape and item type used for each of these four cost pools is as follows:

- for BMCS PLA: direct tallies for all BMC mail processing cost pools, allied as well as non-allied.
- for MODS 17 1OPTRANS and the MODS 17 1PLATFRM: direct tallies for the MODS allied cost pools shown in Table 1, and the MODS 13 1SACKS_M and the MODS 13 1TRAYSRT cost pools.
- for PO/STA/BR ALLIED: direct tallies for the PO/STA/BR mail processing cost pools, allied and non-allied, which exclude the REGISTRY and the MISC cost pools.

Since within a cost pool, each unidentified and empty container type from Table 3 is distributed in proportion to the distributed subclasses for the same identified container type from Table 2 combined with the recorded subclasses for the same direct container type from Table 1, it follows that the subclasses from the broader set of tallies used for the identified containers in BMCS PLA, MODS 17 1OPTRANS, MODS 17 1PLATFRM

and PO/STA/BR ALLIED are also reflected in the unidentified and empty containers for ese four cost pools.

The aggregate of the recorded subclasses for the direct tallies from Table 1 and the distributed subclasses for the mixed tallies from Tables 2 and 3 constitutes the subclasses for the handling tallies. The not-handling tallies are distributed in proportion to the handling tallies within each allied cost pool except for the platform cost pools BMCS PLA and MODS 17 1PLATFRM which use a broader set of handling tallies. See USPS-T-11, p.18, lines 21-30, and LR-K-55, Part II for a description of the broad-based distribution keys used in these two platform cost pools.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO
POIR NO. 4, QUESTION 10

10. Please provide the data file called XKEY used in NONMOD4 SAS program of the LR-K-55.

RESPONSE:

The data file accessed in NONMOD4 SAS program through the XKEY address (see JCL.rtf) is CS34DK. The CS34DK.rft file is in the PROGRAMS directory of the diskette originally provided with LR-K-55.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO POIR NO. 7, QUESTION 7 (PART 2)

7. A number of the SAS programs filed in LR-K-100 and LR-K-55 contain hardcoded ;ures such as those listed in the SAS program 'm5allied' in LR-K-100. Please identify ıe source of all hard-coded numbers used in LR-K-100 and LR-K-55.

RESPONSE.

(Question 7—Part 2) Hard-coded numbers used in LR-K-55 can be categorized into three groups as follows (in most of these cases, the tables were not shown in the libray reference because the hard-coded numbers are the same numbers that would have shown up in the tables):

1) Hard-Coded Data for MODS Cost Pools (DOLWGT).
Note: The sources for the hard-coded numbers for DOLWGTNM and DOLWGTBM are in Part I of LR-K-55.

2) Adjustment for undistributed mixed mail items in the INTL ISC and PMPC Cost Pools (Programs MOD2ITEM, MOD3CONT)

3) Proportional Re-allocation of Clocking In and Out (Activity code '6522') and Activity Code '5340' in program PREMITOT.

,) Hard-Coded Data for MODS Cost Pools (DOLWGT)

DOLWGT contains hard-coded data for DOLLARS and IOCDOL as follows:

```
*..... Mail Processing Cost Pools - BY 04 USPS.............;

     IF POOL = 'BCS/     ' THEN DO;V='11'; *econometric;
             space='902';
             dollars =  158403; iocdol =  154290; VARB= .90   ; END;
     IF POOL = 'BCS/DBCS' THEN DO;V='11'; *econometric;
             space='901';
             dollars = 1272441; iocdol = 1266814; VARB= .85   ; END;
     If POOL = 'OCR/     ' THEN DO;V='11'; *econometric;
             space='903';
             dollars =  211011; iocdol =  217769; VARB= .78   ; END;
     IF POOL = 'AFSM100  ' THEN DO;V='12'; *econometric;
             space='906';
             dollars =  546840; iocdol =  519843; VARB=1.00   ; END;
     IF POOL = 'FSM/     ' THEN DO;V='12'; *econometric;
             space='904';
             dollars =    3520; iocdol =    7889; VARB=1.00   ; END;
     IF POOL = 'FSM/1000' THEN DO;V='12'; *econometric;
             space='905';
             dollars =  230941; iocdol =  226034; VARB= .73   ; END;
     IF POOL = 'MPLSM    ' THEN DO;V='13'; *econometric;
             space='907';
```

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```
        dollars =        0; iocdol =      129; VARB= .90  ; END;
IF POOL = 'MECPARC ' THEN DO;V='13';
        space='909';
        dollars =     7098; iocdol =     8634; VARB= .83  ; END;
IF POOL = 'SPBS OTH' THEN DO;V='13'; *econometric;
        space='910';
        dollars =   427110; iocdol =   427769; VARB= .77  ; END;
IF POOL = 'SPBSPRIO' THEN DO;V='13'; *econometric;
        space='910';
        dollars =    95150; iocdol =    98173; VARB= .77  ; END;
IF POOL = '1SACKS_M' THEN DO;V='13';
        space='908';
        dollars =    30355; iocdol =    29414; VARB= .83  ; END;
IF POOL = '1TRAYSRT' THEN DO;V='13';
        space='971';
        dollars =   139652; iocdol =   129018; VARB= .83  ; END;
IF POOL = 'MANF    ' THEN DO;V='14'; *econometric;
        space='911';
        dollars =   246898; iocdol =   259892; VARB= .90  ; END;
IF POOL = 'MANL    ' THEN DO;V='14'; *econometric;
        space='912';
        dollars =   962846; iocdol =   971377; VARB= .87  ; END;
IF POOL = 'MANP    ' THEN DO;V='14'; *econometric;
        space='913';
        dollars =    77846; iocdol =    77520; VARB= .78  ; END;
IF POOL = 'PRIORITY' THEN DO;V='14'; *econometric;
        space='914';
        dollars =   232857; iocdol =   212848; VARB= .76  ; END;
IF POOL = 'LD15    ' THEN DO;V='15'; *econometric;
        space='915';
        dollars =   178217; iocdol =    21229; VARB=1.00  ; END;
IF POOL = '1CANCEL ' THEN DO;V='17'; *econometric;
        space='918';
        dollars =   299092; iocdol =   312576; VARB= .46  ; END;
IF POOL = '1DSPATCH' THEN DO;V='17';
        space='973';
        dollars =   218321; iocdol =   215677; VARB= .83  ; END;
IF POOL = '1FLATPRP' THEN DO;V='17';
        space='974';
        dollars =   282739; iocdol =   259967; VARB= .83  ; END;
IF POOL = '1MTRPREP' THEN DO;V='17'; *econometric;
        space='918';
        dollars =    32263; iocdol =    31251; VARB= .83  ; END;
IF POOL = '1OPBULK ' THEN DO;V='17';
        space='921';
        dollars =   228247; iocdol =   208425; VARB= .83  ; END;
IF POOL = '1OPPREF ' THEN DO;V='17';
        space='920';
        dollars =   562762; iocdol =   502894; VARB= .83  ; END;
IF POOL = '1OPTRANS' THEN DO;V='17';
        space='    '; *dont need for space cost dist;
        dollars =   130816; iocdol =   127121; VARB= .83  ; END;
IF POOL = '1PLATFRM' THEN DO;V='17';
        space='922';
        dollars = 1351900; iocdol = 1362377; VARB= .83  ; END;
IF POOL = '1POUCHNG' THEN DO;V='17';
        space='923';
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

```
        dollars =  138268; iocdol =  130739; VARB= .83  ; END;
IF POOL = '1PRESORT' THEN DO;V='17';
        space='917';
        dollars =   12669; iocdol =   69568; VARB  .83  ; END;
IF POOL = '1SACKS_H' THEN DO;V='17';
        space='919';
        dollars =  128372; iocdol =  126251; VARB= .83  ; END;
if POOL = '1SCAN    ' THEN DO;V='17';
        space='916';
        dollars =   83753; iocdol =   96165; VARB= .83  ; END;
IF POOL = '1SWYB    ' THEN DO;V='17';
        space='972'; *was 923 before;*merged with scan in 2004;
        dollars =       0; iocdol =      0.1;VARB= .83  ; END;
IF POOL   'BUSREPLY' THEN DO;V='18';
        space='924';
        dollars =   36101; iocdol =   44504; VARB= .83  ; END;
IF POOL   'EXPRESS ' THEN DO;V='18';
        space='928';
        dollars =  100914; iocdol =  105452; VARB= .83  ; END;
IF POOL = 'MAILGRAM' THEN DO;V='18';
        space='    ';
        dollars      3520; iocdol =    3626; VARB= .83  ; END;
IF POOL = 'REGISTRY' THEN DO;V='18';
        space='930';
        dollars =  151234; iocdol =  177991; VARB= .42  ; END;
IF POOL = 'REWRAP   ' THEN DO;V='18';
        space='925';
        dollars =   22223; iocdol =   24676; VARB= .83  ; END;
IF POOL = '1EEQMT   ' THEN DO;V='18';
        space='926';
        dollars =   30848; iocdol =   31285; VARB= .83  ; END;
IF POOL = '1MISC    ' THEN DO;V='18';
        space='929';
        dollars =  231961; iocdol =  229948; VARB= .83  ; END;
IF POOL = '1SUPPORT' THEN DO;V='18';
        space='929';
        dollars =  277680; iocdol =  280926; VARB= .83  ; END;
IF POOL = 'INTL ISC' THEN DO;V='19';
        space='931';
        dollars =  165161; iocdol =  171903; VARB= .83  ; END;
IF POOL = 'PMPC     ' THEN DO;V='19';
        space='927';
        dollars =  137898; iocdol =  169361; VARB= .83  ; END;
IF POOL = 'LD41     ' THEN DO;V='41';
        space='932';
        dollars =   23465; iocdol =   33706; VARB= .83  ; END;
IF POOL = 'LD42     ' THEN DO;V='42';
        space='933';
        dollars =     435; iocdol =    3673; VARB= .83  ; END;
IF POOL = 'LD43     ' THEN DO;V='43';
        space='934';
        dollars =  684154; iocdol =  732585; VARB= .83  ; END;
IF POOL = 'LD44     ' THEN DO;V='44';
        space='934';
        dollars =  156310; iocdol =  181499; VARB= .83  ; END;
IF substr(POOL,1,4) = 'LD48' THEN DO;V='48';
        space='935';
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

```
        dollars =  588869; iocdol =  548493; VARB  .83  ; END;
IF POOL = 'LD49     ' THEN DO;V='49';
        space='938';
        dollars =  293973; iocdol =  350194; VARB= .83  ; END;
IF POOL = 'LD79     ' THEN DO;V='79';
        space='939';
        dollars =  184307; iocdol =  139938; VARB= .83  ; END;

*.....Administrative and window Services - BY 04 ..........;

IF substr(POOL,1,4) = '2ADM' THEN DO;
        dollars =  445323; iocdol = 549463 ; END;
IF substr(POOL,1,4) = '2WIN' THEN DO;
        dollars =  843399; iocdol =  913585; END;
IF pool   '2ADM INQ' THEN DO;
        dollars =  16662 ; iocdol =  10309 ; END;
IF pool   '2ADM ISC' THEN DO;
        dollars =   7850 ; iocdol =  11030 ; END;
IF pool   '2ADM PMP' THEN DO;
        dollars =   2227 ; iocdol     3843 ; END;

  factor = dollars/iocdol;
```

The sources for the DOLLARS come from Part I of LR-K-55, Tables I-2, I-2i, I-2C, and I-2Ci.

The following 'proc freq' SAS codes can be added to Program 'MOD1POOL' in the data step 'DATA OUT1.MODS;' to generate the hard-coded numbers for 'IOCDOL':

```
PROC FREQ data=out1.mods;
 TABLES COSTPOOL;
 WEIGHT WGT;
 TITLE1 'COST POOLS - IOCS $';
```

The table obtained from the above 'proc freq' is listed below.

COST POOLS - IOCS $

The FREQ Procedure

COSTPOOL	Frequency	Percent	Cumulative Frequency	Cumulative Percent
2ADM	549462.6	4.87	549462.6	4.87
2ADM INQ	10309.24	0.09	559771.9	4.96
2ADM ISC	11030.38	0.10	570802.2	5.06
2ADM PMP	3843.271	0.03	574645.5	5.09
11 BCS/	154289.6	1.37	728935.1	6.46
11 BCS/DBCS	1266814	11.22	1995749	17.68
11 OCR/	217769.4	1.93	2213519	19.61
12 AFSM100	519842.7	4.60	2733361	24.21
12 FSM/	7888.914	0.07	2741250	24.28
12 FSM/1000	226033.5	2.00	2967284	26.28
13 MECPARC	8633.99	0.08	2975918	26.36
13 MPLSM	128.9266	0.00	2976047	26.36

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO POIR NO. 7, QUESTION 7 (PART 2)

13	SPBS_OTH	427768.9	3.79	3403816	30.15
13	SPBSPRIO	98172.87	0.87	3501988	31.02
13	1SACKS_M	29414.21	0.26	3531403	31.28
13	1TRAYSRT	129017.9	1.14	3660421	32.42
14	MANF	259891.7	2.30	3920312	34.72
14	MANL	971376.9	8.60	4891689	43.33
14	MANP	77520.37	0.69	4969209	44.02
14	PRIORITY	212848	1.89	5182057	45.90
15	LD15	21229.17	0.19	5203287	46.09
17	1CANCEL	312575.7	2.77	5515862	48.86
17	1DSPATCH	215677.2	1.91	5731539	50.77
17	1FLATPRP	259967.3	2.30	5991507	53.07
17	1MTRPREP	31250.84	0.28	6022758	53.35
17	1OPBULK	208424.8	1.85	6231182	55.19
17	1OPPREF	502893.9	4.45	6734076	59.65
17	1OPTRANS	127121.1	1.13	6861197	60.77
17	1PLATFRM	1362377	12.07	8223574	72.84
17	1POUCHNG	130739.2	1.16	8354313	74.00
17	1PRESORT	69568.18	0.62	8423881	74.62
17	1SACKS_H	126250.9	1.12	8550132	75.73
17	1SCAN	96164.56	0.85	8646297	76.59
18	BUSREPLY	44503.96	0.39	8690801	76.98
18	EXPRESS	105452.3	0.93	8796253	77.91
18	MAILGRAM	3625.743	0.03	8799879	77.95
18	REGISTRY	177990.6	1.58	8977869	79.52
18	REWRAP	24676.03	0.22	9002545	79.74
18	1EEQMT	31284.65	0.28	9033830	80.02
18	1MISC	229947.7	2.04	9263778	82.06
18	1SUPPORT	280925.5	2.49	9544703	84.54
19	INTL ISC	171902.7	1.52	9716606	86.07
19	PMPC	169360.7	1.50	9885967	87.57
45	2WINDOW	913584.5	8.09	10799551	95.66
49	LD49	350193.5	3.10	11149745	98.76
79	LD79	139937.9	1.24	11289683	100.00

2) Adjustment for undistributed mixed mail items in the INTL ISC and PMPC Cost Pools (Programs MOD2ITEM, MOD3CONT)

Tallies for undistributed mixed mail items or containers for each of the INTL ISC and PMPC cost pools are re-allocated proportionately to all other distributed item or container subclasses within the cost pool by applying hard-coded factors in the last data step of program MOD2ITEM or program MOD3CONT. The hard-coded factors are pool-specific ratios that consist of all cost pool items which include the undistributed mixed mail items or containers in the numerator, and exclude the undistributed mixed mail items or containers in the denominator, as shown below.

```
Program MOD2ITEM

        * pool adjusment for undistributed items;
          IF POOL='INTL ISC' THEN DOLLAR= DOLLAR *29460.5/28838;
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

```
IF POOL='PMPC     ' THEN DOLLAR= DOLLAR *16223  /16027;

Program MOD3CONT

      * pool adjusment for undistributed items;
        if pool='PMPC     ' then dollar= dollar *20537/20118;
```

The sources for the hard-coded numbers in Program MOD2ITEM come from the tables shown below. The numerator is the total in the 'items to be distr' column. The denominator is the total excluding the item types with no distribution keys (i.e. where the line number in the 'items to be distr' column is positive but shows a '0' in the 'direct dk' column).

Checking for Items Undistributed Within Cost Pool
INTL ISC and PMPC Cost Pools - re MOD2ITEM

POOL=INTL ISC

The FREQ Procedure
Table of TYPE by cat

TYPE Frequency	cat direct dk	items to be distr	Total
BUNDLE	2163	125.34	2288.3
CONCON	22.262	179.1	201.36
OTHR_I	14.011	154.08	168.09
PALLET	35.594	97.243	132.84
PC_CRD	546	0	546
PC_FLT	7069.3	363.38	7432.7
PC_IPP	1786.3	1074.1	2860.5
PC_LTR	11711	113.02	11824
PC_PCL	12753	1731.2	14485
SCKB_O	452.38	2303.7	2756.1
SCKBWN	**0**	**65.874**	65.874
SCKGRN	20.757	273.01	293.77
SCKINT	5202.4	8943.5	14146
SCKO_Y	938.93	5242.9	6181.8
SCKOTH	139	452.18	591.18
SCKWH1	44.253	171.9	216.16
SCKWH2	21.017	23.148	44.165
SCKWH3	21.017	0	21.017
TRAY_F	1482.3	3321.1	4803.4
TRAY_L	3413.3	4269.3	7682.7
TRAY_P	**0**	**556.33**	556.33
Total	47836.5	29460.5	77297

Checking for Items Undistributed Within Cost Pool
INTL ISC and PMPC Cost Pools - re MOD2ITEM

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

POOL=PMPC

The FREQ Procedure
Table of TYPE by cat

TYPE Frequency	cat direct dk	items to be distr	Total
BUNDLE	381.72	21.434	403.16
OTHR_I	63.525	481.2	544.72
PALLET	308.73	385.15	693.88
PC_CRD	61.769	0	61.769
PC_FLT	7203.2	174.77	7378
PC_IPP	3663	88.559	3751.6
PC_LTR	448.77	7.7233	456.49
PC_PCL	21108	5651.1	26759
SCKB_O	62.886	392.92	455.81
SCKGRN	**0**	**42.969**	42.969
SCKINT	58.635	0	58.635
SCKO_Y	5556.2	6592.4	12149
SCKOTH	**0**	**106.49**	106.49
SCKWH2	**0**	**46.34**	46.34
TRAY_F	1063.4	1769.9	2833.3
TRAY_L	661.11	420.83	1081.9
TRAY_P	60.319	40.757	101.08
Total	40701	16222.5	56923.5

The sources for the hard-coded numbers in Program MOD3CONT come from the tables shown below. The numerator is the total in the 'Cntnr to be distr' column. The denominator is the total excluding the containers with no distribution key (i.e. where the line number in the 'Cntnr to be dist' is positive but shows '0' in both the 'direct dk' and the 'identif con dk' columns). The tables show that no adjusment is needed for the INTL ISC cost pool, only for the PMPC cost pool.

Checking for Containers Undistributed Within Cost Pool
INTL ISC and PMPC Cost Pools - re MOD3CONT

POOL=INTL ISC

The FREQ Procedure
Table of HANDLING by cat

HANDLING Frequency	cat direct dk	identif cont dk	Cntnr to be dist	Total

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

BMC-OTR	66.578	928.5	1169.7	2164.8
ERMC	0	2079	733.32	2812.3
FLATCART	0	83.949	38.966	122.91
GPC/APC/	88.439	11527	4476.6	16092
HAMPER	22.488	2678.4	1953.1	4654
NOTIN CN	21.866	66.167	22.262	110.29
NUT.TRCK	0	1451	537.18	1988.2
PALLTBXO	0	94.037	212.2	306.24
PALLTBXU	0	126.05	75.732	201.78
U-CART	0	43.732	122.08	165.82
WIRETAIN	0	295.4	508.53	803.93
Z-OTH CN	0	426.52	711.96	1138.5
Total	199.37	19800.2	10561.6	30561.2

Checking for Containers Undistributed Within Cost Pool
INTL ISC and PMPC Cost Pools - re MOD3CONT

POOL=PMPC

The FREQ Procedure
Table of HANDLING by cat

HANDLING Frequency	cat direct dk	identif cont dk	Cntnr to be dist	Total
BMC-OTR	86.625	1649.2	1075.6	2811.3
ERMC	144.48	5259.7	12246	17650
FLATCART	**0**	**0**	**46.34**	46.34
GPC/APC/	63.191	2203.8	1777.2	4044.1
HAMPER	0	960.32	1636.9	2597.2
NOTIN CN	46.34	61.769	0	108.11
NUT.TRCK	0	61.241	0	61.241
PALLTBXO	0	736.58	2033.7	2770.3
PALLTBXU	0	287.24	613.76	900.99
U-CART	**0**	**0**	**61.241**	61.241
WIRETAIN	**0**	**0**	**311.66**	311.66
Z-OTH CN	0	533.26	734.59	1267.8
Total	340.638	11753	20536.8	32630.4

The following SAS program codes can be added at the end of program MOD1IDR to obtain the above tables:

```
data items;
  set out1.itempc;
  if pool='INTL ISC' or pool='PMPC';
  cat='items tobe distr';
data cont1;
  set out1.itempc;
  if pool='INTL ISC' or pool='PMPC';
  cat='identif cont dk';
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO POIR NO. 7, QUESTION 7 (PART 2)

```
data cont ;
  set outl.contemp;
  if pool 'INTL ISC' or pool='PMPC';
  cat 'Cntnr tobe distr';
data modkey;
  set outl.modkey ;
  if pool='INTL ISC' or pool='PMPC';
  cat=' direct  dk      ';
  wgt key;
data itemchk;
  set items modkey;

  proc sort;
   by pool;
  proc freq formchar(1,2,7)='    ';
   by pool;
  tables type*cat/norow nocol nopercent;
  weight wgt;
  title1 'Checking for Items Undistributed Within Cost Pool';
  title2 'INTL ISC and PMPC Cost Pools - re MOD2ITEM';
data contchk;
  set cont1 cont modkey;
  if 'A'<=f9219<='L';
  proc sort;
   by pool;
  proc freq formchar(1,2,7)='    ';
   by pool;
 tables handling*cat/norow nocol nopercent;
  weight wgt;
  title1 'Checking for Containers Undistributed Within Cost Pool';
  title2 'INTL ISC and PMPC Cost Pools - re MOD3CONT';
```

3) Proportional Re-allocation of Clocking In and Out (Activity code '6522') and Standard Mail Mixed (Activity Code '5340') in program PREMITOT.

2.a) Proportional Re-allocation of Clocking In and Out to BMC and non-MODS Premium Costs.

Program PREMITOT estimates the percent of mail processing premium costs for non-BMC facilities out of the total C/S 3 premium costs. Clocking in and out (actv=6522) premium costs are included in the MODS mail processing pool premium costs. However, they need to be reallocated between the administrative and mail processing portions of the premium tallies for the BMCs and the PO/STA/BRs. Since the reallocation is proportional, BMC and PO/STA/BR premium tallies can be inflated by hard-coded clocking in/out 'inflation' factors. The hard-coded factors for each facility group consist of two ratios, one for the Night Pay and one for the Sunday Pay. The numerator for each ratio consists of the mail processing and non-mail processing premium tallies for the facility group, including those with actv=6522; the denominator consists

of the mail processing and non-mail processing premium tallies for the facility group, excluding those with actv=6522. The hard coded numbers occur in PREMITOT where the comment caption indicates '*...clocking in/out inflation factors for premium tallies:'. The comment captions next to those numbers indicate that the sources for the hard-coded numbers are from TAB3 and TAB1 for the BMCs, and TAB4 and TAB2 for the non-MODS (i.e. PO/STA/BRs) as follows:

```
*...clocking in/out inflation factors for premium tallies ;
*...add mail proc and admin in numerator, substract 6522 in denom;

          NITEFACT=(352465+32445)/(352465+32445-6870 ); *TAB 3 & 1;
          SUNDFACT=(50644+4505)/(50644+4505-1508);
         IF NIGHT='1' THEN DOLLAR1=DOLLAR*nitefact; *totalN;
          IF SUNDAY='1' THEN DOLLAR2=DOLLAR*sundfact;


*...clocking in/out inflation factors for premium tallies ;
*...mail process. break time inflation factors for premium tallies;

         OVH6522N=(772526+87558)/(772526+87558-27676); *Tab 4 & 2;
         OVH6522S=(27401+2096)/(27401+2096-0    );
         OVH6521N=772526/(772526-63750); *tab 4;
         OVH6521S=27402/(27402-1019);
         IF NIGHT='1' THEN DOLLAR1=DOLLAR*OVH6521N*OVH6522N ;
         IF NIGHT='1' THEN VCOSTS1=VCOSTS*OVH6521N*OVH6522N ;
         IF SUNDAY='1' THEN DOLLAR2=DOLLAR*OVH6521S*OVH6522S;
         IF SUNDAY='1' THEN VCOSTS2=VCOSTS*OVH6521S*OVH6522S;
```

Additionally, as shown by the above program codes, break time premium costs are re-allocated to the mail processing premium tallies for the PO/STA/BRs.

The PREMITOT program codes in the following data steps generate Tab 1 and Tab 3 for the BMCs:

Data step 'DATA BMCADW BMC6522;'

```
PROC FREQ DATA=BMC6522;
        TABLES CAT*NIGHT CAT*SUNDAY/NOROW NOCOL NOPERCENT;
        WEIGHT DOLLAR;
     TITLE1 'Tab 1. BMC ADMWIN NIGHT AND SUNDAY PREMIUM COSTS';
     TITLE2 'INCLUDE TOTAL 6522 PREMIUM COSTS';
```

Data step 'BMCDIR BMDOLLAR;'

```
PROC FREQ DATA=BMDOLLAR;
   TABLES NIGHT SUNDAY/NOROW NOCOL NOPERCENT;
   WEIGHT DOLLAR;
  TITLE1 'Tab 3. BMC MAIL PROCESSING PREMIUM COSTS';
  TITLE2 'DO NOT INCLUDE ALLOCATED 6522 COSTS';
```

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tab 1 - BMCS ADMWIN NIGHT AND SUNDAY PREMIUM COSTS
INCLUDE TOTAL 6522 PREMIUM COSTS
The FREQ Procedure
Table of ACTV by NIGHT

Frequency	ACTV 1	NIGHT Total
OTHE	25576	25576
6522	6869.5	6869.5
Total	32445.4	32445.4

Table of ACTV by SUNDAY

Frequency	ACTV 1	SUNDAY Total
OTHE	2997.7	2997.7
6522	1507.7	1507.7
Total	4505.43	4505.43

tab 3 - BMCS MAIL PROCESSING PREMIUM COSTS
DO NOT INCLUDE ALLOCATED 6522 COSTS
cost pools include fixed costs

The FREQ Procedure

NIGHT	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	352464.5	100.00	352464.5	100.00

SUNDAY	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	50644.22	100.00	50644.22	100.00

The PREMITOT program codes in the following data steps generate Tab 2 and Tab 4 for the PO/STA/BRs:

Data step `'DATA NMODADW NMOD6522;'`

```
PROC FREQ DATA=NMOD6522;
          TABLES CAT*NIGHT CAT*SUNDAY/NOROW NOCOL NOPERCENT;
          WEIGHT DOLLAR;
        TITLE1 'Tab 2. NON-MODS ADMWIN NIGHT AND SUNDAY PREMIUM COSTS';
        TITLE2 'INCLUDE TOTAL 6522 PREMIUM COSTS IDENTIFIED SEPARATELY';
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

Data step 'DATA NMDDIR NMDOLLAR;'

```
PROC FREQ DATA=NMDOLLAR;
      TABLES CAT*NIGHT CAT*SUNDAY/NOROW NOCOL NOPERCENT;
      WEIGHT DOLLAR;
     TITLE1 'Tab 4. NONMODS MAIL PROCESSING PREMIUM COSTS';
     TITLE2 'DO NOT INCLUDE ALLOCATED 6522 COSTS';
TITLE3 'INCLUDE MAIL PROC 6521 PREMIUM COSTS (IDENTIFIED SEPARATELY)';
```

Tab 2. NON-MODS ADMWIN NIGHT AND SUNDAY PREMIUM COSTS
INCLUDE TOTAL 6522 PREMIUM COSTS IDENTIFIED SEPARATELY

The FREQ Procedure

Table of CAT by NIGHT

	CAT	NIGHT	
Frequency	1		Total
OTHR	59882		59882
6522	27676		27676
Total	87558.4		87558.4

Table of CAT by SUNDAY

	CAT	SUNDAY	
Frequency	1		Total
OTHR	2096.4		2096.4
6522	0		0
Total	2096.43		2096.43

Tab 4. NONMODS MAIL PROCESSING PREMIUM COSTS
DO NOT INCLUDE ALLOCATED 6522 COSTS
INCLUDE MAIL PROC 6521 PREMIUM COSTS (IDENTIFIED SEPARATELY)

The FREQ Procedure

Table of CAT by NIGHT

	CAT	NIGHT	
Frequency	1		Total
OTHR	708776		708776

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH
TO POIR NO. 7, QUESTION 7 (PART 2)

6521	63750	63750
Total	772526	772526

Table of CAT by SUNDAY

CAT / SUNDAY		
Frequency	1	Total
OTHR	26383	26383
6521	1019.1	1019.1
Total	27401.7	27401.7

2.b) Proportional Re-allocation of activity code '5340' to the Premium distribution keys

The premium tallies for actv=5340 are redistributed proportionately to the 'enhanced carrier' and 'standard mail' Night Pay and Sunday Pay premium direct tallies by applying to those direct tallies hard-coded 'inflation' factors in the PREMITOT program codes following the comment caption '*.....adjustment for actv=5340.....;' as follows:

```
*.....adjustment for actv=5340 redist to standard.....;
        IF ' 9'<=SUBSTR(DMM,1,2)<='13' AND NIGHT='1'
                    AND PLATF = 'NON-PLA,NON-PREM'
           THEN VCOSTS= VCOSTS*(436033+35829+4108)/(436033+35829);
        IF ' 9'<=SUBSTR(DMM,1,2)<='13' AND NIGHT='1'
                    AND SUBSTR(PLATF,1,8) = 'PLATFORM        '
           THEN VCOSTS= VCOSTS*(11484+2044+ 60)/(11484+2044);


*.....adjustment for actv=5340.....;
        IF ' 9'<=SUBSTR(DMM,1,2)<='13' AND SUNDAY='1'
                    AND PLATF = 'NON-PLA,NON-PREM'
          THEN VCOSTS= VCOSTS*(45908+3096+137)/(45908+3096);
```

The inflation factors are ratios which consist of the direct tallies for 'enhanced carrier,' 'standard mail,' and actv=5340 in the numerator; and the same tallies but without those for actv=5340 in the denominator. The following 'proc freq' codes were inadvertently omitted from two data steps ('DATA OUTX; SET S4;' and 'DATA OUTX; SET S5;') below the comment caption '*.....derive premium distribution keys.....;'.

Data step 'DATA OUTX; SET S4;'

```
PROC FREQ FORMCHAR(1,2,7)='    ';
```

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

```
    TABLES  MAIL*PLATF/ NOPERCENT NOROW ;
    WEIGHT DOLLAR;
TITLE1 'TABLE V-3C: NIGHT PAY DISTRIBUTION KEYS   PRC VERSION ';
TITLE2 'NON-BMC MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS';
TITLE3 'BY PLATFORM AND NON-PLATFORM OPERATIONS';
TITLE4 'SUBCLASSES ARE IDENTIFIED IN SEPARATE PREF & NON-PREF';
TITLE5 'COLUMNS FOR NON-PLATFORM OPERATIONS';
TITLE6 'BASED ON PREMIUM DIRECT TALLIES';
TITLE7 'ACTV 5340 UNDISTRIBUTED';
```

Data step `'DATA OUTX; SET S5;'`

```
PROC FREQ FORMCHAR(1,2,7)''    ';
  TABLES  MAIL*PLATF / NOPERCENT NOROW ;
  WEIGHT DOLLAR;
TITLE1 'TABLE V-3F: SUNDAY PAY DISTRIBUTION KEYS   PRC VERSION ';
TITLE2 'NON-BMC MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS';
TITLE3 'BY PLATFORM AND NON-PLATFORM OPERATIONS';
TITLE4 'SUBCLASSES ARE IDENTIFIED IN SEPARATE PREF & NON-PREF';
TITLE5 'COLUMNS FOR NON-PLATFORM OPERATIONS';
TITLE6 'BASED ON PREMIUM DIRECT TALLIES';
TITLE7 'ACTV 5340 UNDISTRIBUTED';
```

These `'proc freq'` codes generate Tables V-3C and V-3F which are the sources for the hard-coded numbers:

TABLE V-3C: NIGHT PAY DISTRIBUTION KEYS
NON-BMC MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS
BY PLATFORM AND NON-PLATFORM OPERATIONS
SUBCLASSES ARE IDENTIFIED IN SEPARATE PREF & NON-PREF
COLUMNS FOR NON-PLATFORM OPERATIONS
BASED ON VOL-VARIABLE COSTS FOR DIRECT TALLIES
, undistributed 5340

The FREQ Procedure

Table of MAIL by PLATF

Col Pct	NON-PLA	MAIL NON-PLA, PREM-544	PLATFORM NON-PREM	PLATF Frequency Total (660)
1--LTRS SGL PC	1104530	0	18657	1123187
		58.80	0.00	30.38
2--LTRS PRESORT	294834	0	5096	299930
		15.69	0.00	8.30
3--CARDS SGL PC	49146	0	128.63	49275
		2.62	0.00	0.21
4--CARDS PRSORT	13773	0	122	13895
		0.73	0.00	0.20
5--PRIORITY	177566	0	8899	186465
		9.45	0.00	14.49

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

6--EXPRESS	17182	0	1190.4	18372
		0.91	0.00	1.94
8-1 IN COUNTY	2120.1	0	330.9	2451
		0.11	0.00	0.54
8-2 OUT COUNTY	151672	0	5407.8	157080
		8.07	0.00	8.81
10- (A) ENH.CARR	0	35829	2044.4	37873
		0.00	6.91	3.33
11--(A) REGULAR	0	436033	11484	447517
		0.00	84.08	18.70
14--(B) PARCELS	0	20618	3473.7	24091
		0.00	3.98	5.66
15--(B) BD PRINT	0	11063	1231.5	12294
		0.00	2.13	2.01
16--(B) MEDIA ML	0	10969	852.94	11822
		0.00	2.12	1.39
18- USPS	30172	0	1958.2	32130
		1.61	0.00	3.19
19 FREE MAIL	2434.3	0	61.947	2496.2
		0.13	0.00	0.10
20--INTL MAIL	35098	0	410.6	35509
		1.87	0.00	0.67
5340	0	4108.4	60.054	4168.5
		0.00	0.79	0.10
Total	1878528	518619	61409.3	2458557

TABLE V-3F: SUNDAY PAY DISTRIBUTION KEYS
NON-BMC MAIL PROCESSING SBUCLASS VOLUME-VARIABLE COSTS
BY PLATFORM AND NON-PLATFORM OPERATIONS
SUBCLASSES ARE IDENTIFIED IN SEPARATE PREF & NON-PREF
COLUMNS FOR NON-PLATFORM OPERATIONS
BASED ON VOL-VARIABLE COSTS FOR DIRECT TALLIES
undistributed 5340

The FREQ Procedure

Table of MAIL by PLATF

MAIL	PLATF		
Col Pct	NON-PLA	NON-PLA, PREM-659	PLATFORM NON-PREM
			Frequency Total (655)
1--LTRS SGL PC	52184	0	384.45	52569
		50.92	0.00	15.41
2--LTRS PRESORT	19683	0	0	19683
		19.21	0.00	0.00
3--CARDS SGL PC	2831.4	0	0	2831.4
		2.76	0.00	0.00
4--CARDS PRSORT	617.73	0	0	617.73
		0.60	0.00	0.00
5--PRIORITY	6183.1	0	431.87	6614.9
		6.03	0.00	17.31
6--EXPRESS	387.36	0	0	387.36

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO POIR NO. 7, QUESTION 7 (PART 2)

		0.38	0.00	0.00
8-1 IN COUNTY	69.209	0	261.75	330.96
		0.07	0.00	10.49
8-2 OUT COUNTY	15448	0	179.54	15628
		15.07	0.00	7.20
10--(A) ENH.CARR	0	3096.1	528.11	3624.2
		0.00	6.05	21.17
11 (A) REGULAR	0	45908	579.66	46488
		0.00	89.77	23.24
14--(B) PARCELS	0	1087.4	60.054	1147.5
		0.00	2.13	2.41
15 (B) BD PRINT	0	835.84	0	835.84
		0.00	1.63	0.00
16 -(B) MEDIA ML	0	72.744	0	72.744
		0.00	0.14	0.00
18 USPS	1610.4	0	69.282	1679.7
		1.57	0.00	2.78
20--INTL MAIL	3469.7	0	0	3469.7
		3.39	0.00	0.00
5340	0	137.37	0	137.37
		0.00	0.27	0.00
Total	102484	51137.7	2494.72	156116

CHAIRMAN OMAS: Is there any additional written cross-examination of Witness Van-Ty-Smith?

(No response.)

CHAIRMAN OMAS: If there is none, this brings us to oral cross-examination. Four participants initially requested oral cross-examination.

However, the American Postal Workers Union AFL-CIO no longer intends to cross-examine this witness. On the other hand, Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers Association, Inc. has requested oral cross-examination.

The four participants now scheduled to pose questions are the American Bankers Association and the National Association of Presort Mailers, Major Mailers Association, the Office of Consumer Advocate and now Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers Association, Inc.

Mr. Hall?

MR. HALL: Yes.

CHAIRMAN OMAS: Thank you.

Are there any other parties who wish to cross-examine?

(No response.)

CHAIRMAN OMAS: There being none, Mr. Hart,

would you please begin?

MR. HART: Henry Hart for the American Bankers Association and National Association of Presort Mailers.

CROSS-EXAMINATION

BY MR. HART:

Q Good morning, Ms. Van-Ty-Smith.

A Good morning.

Q I just have a question on one of your interrogatory responses, and that is your response to Time-Warner/USPS-T-11-1(a). Let me know when you have that.

A I do have it.

Q And if you'll turn to the third paragraph, the last paragraph of that response? You state that in fiscal year 2003 the MODS LDC 41 through 44 and 48 cost pools were combined with a non-MODS group with the cost subdivided using the non-MODS methodology.

Could you please explain what you mean when you refer to the non-MODS methodology?

A Those refer to the post office station and branches that are not part of the MODS offices. That's the answer.

Q Thank you. Why were the changes made? Why did you make the change in Cost Pools 41 through 44

and 48 in this case?

A We did it so that we can get more detail on shape and in order to also differentiate between distribution operations from allied operations, allied activity operations, so this is to get more detail.

Q Are you aware that in the last rate case in R2001-1 that those costs pools, 41 through 44, were classified as work share and related proportional?

A I believe this is outside the scope of my testimony.

Q Do you happen to know whether they were?

A I don't know offhand, no.

Q Do you know the approximate amount of cost involved in those cost pools, in those five cost pools, 41 through 44 and 48? When I say cost, in other words, per cost pool.

A Are you talking about the total cost of those operations?

Q No. Two-tenths of a cent. I guess that's per piece.

A Are you talking about unit cost?

Q Yes.

A No. I'm sorry. I don't deal with unit cost.

Q Perhaps if you didn't know whether they used

to be work share and related proportional then you may not know the answer to this question, but let me ask it.

Do you know where those costs ended up, the costs that were in the last case, in R2001-1, the costs that were in Cost Pools LDC 41 through 44 and 48 that have not been combined in the non-MODS group? Did they end up in non-work sharing related fixed, do you know, or did they stay in work share and related proportional?

A I'm sorry, but I cannot answer that question. I don't really know to answer that question.

MR. HART: That's all I have. Thank you.

THE WITNESS: Thank you.

CHAIRMAN OMAS: Thank you, Mr. Hart.

Mr. Costich?

MR. COSTICH: Thank you, Mr. Chairman. I'm Rand Costich for the OCA.

CROSS-EXAMINATION

BY MS. COSTICH:

Q Good morning, Ms. Van-Ty-Smith.

A Good morning, sir.

Q Could you turn to page 5 of your testimony?

A Yes.

Q At this point you are describing changes that have been made in cost pools from the last case. Is that correct?

A Yes. It's not just page 5. It started on -- let's see -- page 4.

Q Right, and it goes on beyond page 5.

A Yes. Yes, sir.

Q Could you give me a layman's definition of a cost pool?

A It's a group of operations where certain activities are defined within that group of operations.

Q And what is the purpose of creating cost pools?

A Cost pools may define activities that could be related or similar, and the purpose of a cost pool is to be able to distribute the cost to the subclasses that you see in that cost pool.

Q So the creation of a cost pool is part of the distribution of costs to the classes and services?

A Yes, and also the cost pools are formed so that we can apply some variability factors to the cost pool to determine what portion of the costs are variable.

Q When you described the changes that had been

made, I believe you just had an exchange with counsel for the American Bankers Association and NAPM concerning the merging of some cost pools from the last case into a larger cost pool. Is that correct?

A I wouldn't say it's a larger cost pool. You merge the cost pool, but then you take those tallies and you subdivided them into other cost pools that would have more details let's say on shape.

Q So there are now more cost pools than there were in the last case?

A No, not necessarily. Are you asking me what is the number of cost pools, or are you asking me what was done with the functions for cost pools, whether those stay the same or are subdivided into the other cost pools?

Q Well, let's just talk about the number of cost pools that has changed from the last case. Is it larger or smaller?

A I think we have asked them, and by merging those cost pools we gave less, but I would have to check on that if I were to count them.

Q Where would we go to count them?

A We can look at the Table 1, the Table 1 from the last rate case.

Q Okay. Could you look at page 7? On Line 25

there's a formula. Do you see that?

A Uh-huh.

Q Is that what is referred to as the volume variability distribution key methodology for determining attributable costs?

A I'm sorry. Could you repeat the page? I don't seem to have that.

Q Page 7.

A Seven. Okay.

Q Volume 25.

A Yes.

Q Is that the formula for the volume variability distribution key attribution methodology?

A Yes. This is the mechanics by which I do it.

Q Could you look at Table 1?

A Yes.

Q It starts on page 32. Is that correct?

A Correct.

Q The first part of this table is called Mail Processing Plants Group. Is that correct?

A Yes.

Q Could you look at your response to OCA/USPS-T-11-1?

A Yes.

Q This question referred to your Table 1 and asked you what would happen if the numbers in the column Pool Volume Variable Factor changed. Is that how you understood the question?

A Yes.

Q It asks if one had different volume variability factors could one simply replace the volume variability factors that are here and then proceed with the same analysis that you have done. Is that correct?

A Yes.

Q You answered to Part (a), "Yes," and then you said, "...provided that an alternative method to derive the volume variability factor is consistent with the volume variability distribution key methodology," right?

A Yes.

Q And that volume variability distribution key methodology is the formula that was on page 7 in Line 25?

A It is the formula, but it has a lot more theory and methodology reasons behind it.

I mention that you will find the methodology described in the LR-K-1, which is a summary description, Appendix H. You can do it as long as

it's consistent with that methodology.

Q Do you know of an example that would be inconsistent with that methodology?

A I don't know, no.

Q Could you look at your response to OCA/USPS-T-11-2?

A I'm sorry. Could you repeat the question?

Q Interrogatory No. 2 from the OCA.

A I have it. Yes.

Q This asked if one could take the numbers from Table 1 in the Pool Volume Variable Cost column and change the corresponding numbers in Table 3 and proceed to get attributable costs for classes and services. Is that correct?

A You're talking about the response to (a)?

Q Yes.

A Yes.

Q And again you qualified your response by saying that the methodology would have to be consistent with the volume variable distribution key methodology, right?

A Yes. Correct.

Q Going from Table 1 to Table 3, that's the distribution key part of that methodology?

A That's correct.

Q I'm still having trouble trying to understand what would be an inconsistent methodology.

If you have volume variable factors and you've used those and applied them to pool costs, you've obtained the volume variable costs for the pool, and then you distribute them to classes and services in accordance with your Table 3, where could you go wrong?

A What I'm describing is just the mechanics. There's a whole methodology based on economic theory behind it. I'm saying unless you're consistent with the way it has been done you cannot just plug in any number and say this is what you can do just because I have the formula.

Q Is the basic issue here the creation of cost pools and then their analysis?

A No. I think that as I mentioned it's a whole system and it's based on some theory which is described in Appendix H.

Q Are you sponsoring Appendix H?

A No, I'm not, but I'm referring to that because this is the method that we use.

Q You can't explain the theory that underlies that method?

A No. I'm not an expert at that.

Q Is anyone else testifying today an expert in that?

A I would say perhaps witness Bozzo may be able to answer some of those questions.

Q Could you look at your response to OCA Question 4?

A Okay.

Q Now, this question asked you to combine some of your cost pools and run them through into Table 3. Is that correct?

A Yes. Analogous to Table 3, that's the question.

Q That's right. You described how you combined your cost pools to create the ones that the OCA asked for, correct?

A That's correct.

Q On the second page of your response in the paragraph that's numbered one, in Part C and E the LD-15 cost pool continues to be treated as a separate cost pool. Would that also have been true in A?

A Yes. That would have been true in A.

Q I'm not sure that I understand entirely what you've described here, but has anything you've described injected a contradiction with the volume variability distribution key methodology?

A No. All I'm describing here is that because IOCS does not sample the remark and coding centers we do not have tallies to distribute the cost of every C-15 cost pool -- which are primarily the remote importing centers -- to subclasses and therefore we have to use a proxy distribution key from IOCS, but the same method applies.

You get the total dollars. For the LDC-15 you multiply it by the volume variability factor and you distribute it to subclasses.

Q If you could go back to the first page and look at the question, particularly the different lists of aggregations that were requested, do any of those aggregations create a violation of the volume variable distribution key methodology?

A Well, you don't have volume variability factors. They haven't been calculated. If you aggregate the cost pool I would imagine that you will have to recalculate volume variable factors for these combined cost pools.

Q Suppose one did that.

A Yes?

Q Would one have violated any of the provisions of volume variability distribution key methodology?

A I think that if they were combined and the volume variable factors were derived again using the methodology in Appendix H then there would be no violation.

MR. COSTICH: Thank you.

I have no further questions, Mr. Chairman.

CHAIRMAN OMAS: Thank you, Mr. Costich.

Mr. Olson?

MR. OLSON: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. OLSON:

Q William Olson for Valpak Direct Marketing System and Valpak Dealers Association. Hello.

A Hello.

Q Ms. Van-Ty-Smith, could you take a look at your response to Valpak T2-7(b) that we submitted to witness Shaw, but you answered? Do you have that?

A Yes, I do.

Q At the bottom of the first page there's a table with four rows that shows the number of tallies and the tally dollar weights of those tallies for each row, correct?

A Yes.

Q The tally dollar weights, are those in thousands?

A Yes. That's correct.

Q If I understand this chart correctly the not-handling category at the bottom, the last row in that chart says that there were 70,000 plus not-handling tallies and that represented over $6.1 billion of mail processing costs. Would that be correct?

A Yes, if you add it up and it got up to that.

Q Well, does it add up to that? I'm not adding anything up, I'm just taking the numbers from the bottom of the bottom row.

A Yes, I see that on the first page. Yes. That's correct.

Q Then, when you go to the second page of your response the table at the bottom there takes the not-handling tallies and breaks it out into eight different subsets, correct?

A Correct.

Q So if you were to sum the tallies at the bottom of page 2 it would probably add up to the 70,000 not-handling tallies we have at the bottom of page 1, correct?

A I would think so.

Q Now, just focusing on the fourth row, Breaks, they have a tally dollar weight of about $1.8

billion, correct?

A Correct.

Q How are those costs distributed to classes and subclasses of mail?

A The breaks are always breaks within a cost pool and within that cost pool the breaks are distributed in proportion to the subclasses in that cost pool, but I really don't use from any cost pool the not-handling tallies because we take the cost pool dollars, and we take the volume variable factors from the dollars and then we distribute it to the subclasses based on the handling tallies.

Q That's why you say that this table was not something you used to distribute the classes of mail, but something you generated to respond to our questions, correct?

A That is correct. Yes.

Q I think I understand, but let me take as an illustration the BCS/DBCS cost pool and can you tell us generally what that cost pool includes?

A It includes equipment relating to DBCS.

Q Therefore, if workers were on break a certain number of these 21,000 tallies would have occurred in that BCS/DBCS cost pool would you not assume? Some subset of that 21,000 would occur in

that cost pool?

A Yes.

Q How do you allocate the cost of those breaks within that cost pool? Is it to the individual classes of mail and subclasses of mail that are processed on those machines?

A It's -- well, first of all I do not use the not-handling as I mentioned before. I take the volume variable cost for the cost pool and I distribute it based on the handling tallies.

Q Right. So these break not-handling tallies would be distributed based on the handling tallies within the BCS/DBCS cost pool, correct?

A I think I just said that I take the volume variable cost. I do not use the not-handling tallies as I provided in my response to this question. I take the volume variable cost for that cost pool and I distributed that based on the subclasses associated with the handling tallies in that cost pool.

Q Okay, but these are nonvolume variable costs correct?

A No. The volume variable factor deals with a cost pool as a whole and the volume variable factor applies to the cost pool as a whole. It doesn't say breaks is nonvolume variable.

Q No. I understand. I thank you for that clarification.

What I'm trying to get at, though, is once you have a level of volume variability for the cost pool, once you have direct tallies for that cost pool and you're allocating the not-handling costs within that cost pool -- and I'm using this one as an illustration, BCS/DBCS -- is it not accurate to say that you allocate these not-handling costs to the classes and subclasses of mail that are processed on those machines?

A They may not be -- what I use are the handling tallies. I don't know if you're making a distinction on the tallies on the subclasses, the pieces that you see on the machine or if you're including other handling within that cost pool. I use the handling tallies.

Q What type of work is done in the BCS/DBCS cost pool that doesn't correlate to the working with barcode sorters and DPSing mail?

A I don't know the answer to this question. For the distribution, if your question is relating to the distribution to the subclasses I'm using the IOCS tallies to do that. The IOCS tallies that I define as handling tallies.

Q From what you know of the BCS/DBCS cost pool can you conclude that all of those costs are distributed to letter-shaped pieces?

A Probably the great majority of them would be.

Q Do you know if we DPS anything but letters?

A No.

Q So can you think of anything that would be DPSed that would be in this cost pool that would not be related to letters? Letter-shaped mail I'm talking about.

A Right. If a person is by some -- if there's a container that comes and if it may contain some other shapes it probably would be a very small portion of it, but that could occur.

Q You mean something for example that was misdirected to this cost pool, to this machine? Pieces of express mail or something that were flat-shaped and obviously not going to be DPSed?

A I can't speculate on it. I don't know. I can only look at the data, and this is what I find in the data and this is what I use to do the distribution.

Q Do you happen to know whether detached address labels are processed in this cost pool on

BCS/DBCS equipment?

A I do not know.

Q If you'd just accept subject to check that witness Lewis has said that there are some unknown amount of DALs that are processed on this equipment let me just ask you this question which assuming that that if DALs are DPSed as witness Lewis describes would the work be predominantly in this cost pool?

A I do not know the answer to that question.

Q How would I find out the answer to that question?

A Well, you mentioned witness Lewis. I don't know. I use the activity codes that are in that cost pool, so I do not deal at that level. I do not know.

Q We know from other testimony I believe that if a city carrier is tallied by the in-office cost system and he happens to be processing a detached address label that the IOCS instructions say that you record the associated piece whether it be a flat or a letter, you don't record it as a letter-shaped piece just because a DAL is a letter.

Do you know that to be correct or could you accept that?

A I don't know the answer to that. The carrier is outside of the scope of my testimony.

Q My question is about workers that are operating the BCS/DBCS equipment. Do they work with that rule, that if one is handling a DAL is it recorded as a letter, or a flat, or a parcel that it would be associated with?

A As I mentioned before, I use the activity codes which provide me the subclasses. I do not know the answer to that question. It's going through the steps that lead up to the activity codes, and I would not know the answer to that.

Q Do you know who would know the answer to that?

A No, I don't.

MR. OLSON: Mr. Chairman, I would ask that if the Postal Service knows the answer to that question since I don't really have any idea who to ask that to, if they could provide that I would be grateful or alternatively identify a witness for me that I could ask that to.

CHAIRMAN OMAS: Ms. Portonovo?

MS. PORTONOVO: Mr. Olson, you can ask Marc Smith, who will be testifying on Friday.

CHAIRMAN OMAS: Thank you.

MR. OLSON: Thank you.

//

BY MR. OLSON:

Q Let me ask you to look at page 2 again of that same interrogatory response in the bottom row. Look at the bottom row there, Mail Processing Support and Other. That has 5,858 tallies for a total of $564 million approximately, correct?

A Yes.

Q How are those mail processing support and other costs distributed? Can you make any general statements about how those are distributed or is it simply you have to go look at the cost pool that they fall in?

A If those are not-handling tallies, generally they would be distributed to the subclass from the handling tallies, but again, as I mentioned before depending on the cost pool what I do is to take the volume variable cost and distribute it to the subclass from the handling tally.

For many cost pools I do not look at the not-handling tallies.

Q The same thing with the Platform Handling Tallies two rows above that -- 5,400 tallies, $387 million. It would be the same answer there?

A No, that would not be the same answer. The not-handling tallies for the platform are distributed

based on the mail processing or the mail processing cost pool, the subclasses that we find in the mail processing cost pools for a given facility type.

We do distribute the not-handling tallies for platform differently because of the large amount of the not-handling tallies in that cost pool.

Q Could you repeat what you said about how the platform tallies are allocated? I don't think I understood.

A The platform not-handling tallies are distributed to the subclasses for all mail processing cost pools based on the handling tallies in those cost pools, so it would go beyond the platform. It would include all the allied operation and the distribution operation.

Q Is this the only type of not-handling tally that's handled specially as you described this?

A Yes. The two platforms -- the platform of the BMC is handled the same way, the platform of the plants is handled this way.

We also include the miscellaneous operation in the post office in branches because just as the name implies there's a lot of miscellaneous activities in it and if there's a large amount we distribute it to all subclasses.

Q Did you say this row includes platform costs for both BMCs and plants?

A Let me check. Yes, they would.

Q I believe you were here in the hearing room earlier when I spoke with Mr. Shaw and he suggested I ask you a question.

A Uh-huh.

Q It had to do with the Postal Service institutional response to Valpak T2-2. Are you familiar with that response?

A No, I'm not.

Q Let me describe this for you and then ask a question he thought you might know the answer to. The question asks about both cost segment 3.1 mail processing and 6.1 mail processing city carriers.

He gave us a list of seven or so types of activities of people who were found not to be handling mail and he said that their employee activity is recorded as one of the following, and he gave us: preparing mail for sequencing, sequencing or casing deliverable mail, withdrawing and strapping out mail, et cetera. Does that sound familiar to you?

MS. PORTONOVO: Mr. Olson, do you have a copy of that we can look at?

MR. OLSON: No. Well, I have a copy I could

show the witness. It's marked-up if you don't mind.

BY MR. OLSON:

Q Ms. Van-Ty-Smith, I'm going to show you witness Shaw's response to Valpak T2-2 and in the response in subsection (b) he has a number of bullets. What I'm going to ask you is whether there is a comparable list of bullets that you could give us for subsection (a) dealing with cost segment 3.1?

A You're talking here about tallies that may be not-handling tallies, but associated with the mixed mail activities? Is that the focus of your question?

Q They are not-handling mail tallies, whether they're mixed mail or not I'm not sure. Is that what that indicates to you?

A So they would be including both handling and not-handling mail?

Q Well, what he said was that not-handling tallies would be further broken up into seven or eight different categories and he provides a number of bullets there for that cost segment, I guess 6.1 and he said you would know about cost segment 3.1.

A I thought I provided that answer in the not-handling categories that you see in response to Question 7.

Q So is the list that appears in response to

Valpak 7 a comparable list to what witness Shaw provided?

A I don't know what you mean by *comparable*. I went into it and I tried to come up with some major categories of not-handling and this is what the table shows.

Q Well, he told us his was I believe he said an exhaustive or inclusive list of those not-handling mail tallies. Is this illustrative or exhaustive? Is it a complete list?

A The list that I have or his list?

Q Your list.

A My list. This is the major categories I came up with.

Q Not necessarily exhaustive?

A By exhaustive are you saying --

Q Complete. It's not necessarily complete?

A Are you talking about the details, more details? They are including all the not-handling tallies. That's what I have.

Q So it is a complete list?

A It is a complete list.

Q Thank you. Now, let me ask you if you have with you the institutional response to Valpak T2-25 that I discussed with witness Shaw, also. Do you have

that?

A I'm sorry. I do not have any institutional response.

Q Okay. I've handed this out before, if I could provide this to you at this time. Again, Mr. Shaw suggested this was a level of detail I think that he could not speak to. I had asked him about two of the lines when Mr. Hollies suggested I ask a later witness and you are a later witness.

Let me ask you to look at -- first of all, generally if you could orient yourself to that response?

A Okay.

Q On the second page could you look at the fourth line which shows 1PLATFRM?

A Platform.

Q It shows I believe 16,490 tallies for platform. Do you see that?

A Yes.

Q Now, if you go to your response to Valpak T7(b) the number of platform tallies there are 5,415. Could you explain the difference of 10,000 tallies between those two numbers?

A The difference is that I believe the platform that you see on this institutional response

relates to the cost pool while the one that I provided says it relates to IOCS Question 18(b), so one is based on IOCS and the other one is based on the platform cost pool.

Q Well, didn't you previously say that your number of 5,415 tallies for platform was for both BMCs and plants and included all platform tallies?

A I'm sorry. If you look at the caption between, those relate only to three activity codes. 6210 I believe is waiting for mail, 6220 I can't remember, but it also relates to the platform as well as 6225. Those relate only to those activity codes.

The platform that you see there includes probably more activity codes than I have reflected there.

Q Forgive me. I'm still not grasping the difference. Let me just do this slowly. Witness Shaw's -- strike that. Your response to Valpak T2-7 says that for cost segment 3.1 there were 5,415 platform IOCS tallies.

A Related, related. If you read the caption it says platform related to IOCS Question 18(b) and it lists the activity codes that are included in that category.

Q Is there another number then of platform

tallies that are not simply related to IOCS Question 18(b)?

A The number, the 16,000 that you have there includes all tallies for the platform cost pool, not just the handling I believe.

Q Not just for handling or not just related to IOCS Question 18(c)?

A Well, you're comparing two slightly different groupings.

Q That's what I need your help on.

A Right. One is a cost pool which is based on the MODS operation codes. Anything which indicates that it is a platform, relates MODS operations codes are included in there.

In the table that I have and the platform related, since you are asking that I provide some categories of not-handling I specifically took those three activity codes that are related to platform and provide you the numbers for those, but some of the other platform could be included in some other categories that you see.

For instance, like not-handling relate to Question 19, operations. So you could have some tallies that are in that category that are also in a platform.

Q So there could be platform tallies spread throughout the table at the bottom of page 3 of your response?

A That's correct. That's why I have a caption that says specifically those three activity codes.

Q I commend you for understanding this. I appreciate your help on that. I want to finish up with a couple of questions about T25 and the percentages in Columns 1, 2 and 3 for platform.

Let's just focus on T2-25, the institutional response, and the Postal Service's institutional response said that nine percent of the total platform IOCS tallies in this response were related to an identified mail product, correct?

A Yes.

Q Eighteen percent mixed mail and 73 percent no mail identified, correct?

A That's correct.

Q Under circumstances such as that where so many tallies are not related to handling mail how do you make an accurate distribution of platform costs to various classes and subclasses of mail?

A Well, the nature of the operation is such that platform probably would include a higher proportion of not-handling tallies then of a cost

pool, but as I mentioned before the 73 percent, the not-handling tallies would be distributed based on all of the subclasses for the mail processing cost pool, so the distribution would include a lot of tallies.

For the mixed mail, we distribute that base on all the allied operations which also would expand quite a bit the base for the subclasses.

Q I don't think I know what you mean when you say that it's based on a lot of tallies?

A We do not take just the direct tallies from the platform to distribute the not-handling tallies in the platform.

Q How do you do it?

A We take all the tallies, the handling tallies for the subclasses from all mail processing cost pools, so we include the subclasses from most of the cost pool that you see listed in this table. It would include the BCS, the DBCS, the OCR. Anyway, all of those cost pools. So you would end up with a lot of tallies.

Q If the percentage of tallies with mail product identified dropped even further would that give you concern about the reliability of this method of allocating costs?

A As I mentioned before, depending on the

nature of the operations you may have a higher proportion of not-handling in some operations in some cost pools and in others, and perhaps what we should be looking is at the sample of handling tallies that we have.

If you have a big cost pool and you have a high proportion of not-handling, but you have many tallies in the sample of not-handling tallies I don't think that would give me concern. As I mentioned before, the fact that you have a lot of not-handling tallies may have to do with the nature of the operation, but you still have a sample of direct tallies that you can rely on to do the distribution.

Q When you use the word *direct tallies* do you mean tallies for which a mail product is identified?

A Yes. I use that in that sense.

Q Not mixed mail and not no mail identified?

A No, but you can -- the mixed mail with the information which is collected provides you another way to be able to distribute it based on the direct tallies. So we're not just distributing on the direct tallies, we distributing on the handling tallies which means that it includes the distributed mixed mail in it.

Q When I read the transcript I'm sure I will

understand that, but I appreciate so much your effort to explain this confusing issue to me. Thank you so much.

A You're welcome.

MR. OLSON: Thank you, Mr. Chairman.

CHAIRMAN OMAS: Thank you, Mr. Olson.

Is there any power of cross-examination of this witness?

(No response.)

CHAIRMAN OMAS: Are there any questions from the bench?

(No response.)

CHAIRMAN OMAS: Ms. Portonovo, would you like some time with your witness?

MS. PORTONOVO: Yes, I would. I'd like to have 10 minutes, please.

CHAIRMAN OMAS: We'll return at 11:55.

(Whereupon, a short recess was taken.)

CHAIRMAN OMAS: Ms. Portonovo?

MS. PORTONOVO: Mr. Chairman, the Postal Service would like to conduct a brief redirect.

CHAIRMAN OMAS: All right.

REDIRECT EXAMINATION

BY MS. PORTONOVO:

Q Ms. Van-Ty-Smith, the OCA asked you

whether --

A Excuse me. I can hardly hear you.

Q I'm sorry. Can you hear me now?

A Yes.

Q Ms. Van-Ty-Smith, the OCA asked you whether you were aware of any reason why the alternatives they had requested in their Question 4 were inconsistent with the volume variability distribution key methodology and you had answered not necessarily.

Have you studied whether combining the cost pools according to their request would be consistent with the volume variability distribution key methodology?

A I have not studied any alternative.

MS. PORTONOVO: Thank you.

There's no further questions.

CHAIRMAN OMAS: Is there any redirect?

(No response.)

CHAIRMAN OMAS: Ms. Van-Ty-Smith, that completes your testimony here today and we thank you for your contribution to the record and you are now excused.

(Witness excused.)

MS. VAN-TY-SMITH: Thank you.

CHAIRMAN OMAS: Thank you.

I think because of the time of day why don't we go ahead and take an hour. We have two witnesses for this afternoon, so why don't we take a break and come back at 1:00. See you then.

(Whereupon, at 11:58 a.m., the hearing in the above-entitled matter was recessed, to reconvene at 1:00 p.m. this same day, Wednesday, July 6, 2005.)

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

(1:03 p.m.)

CHAIRMAN OMAS: Mr. Koetting?

MR. KOETTING: Thank you, Mr. Chairman. The Postal Service calls as its next witness Dr. Thomas Bozzo.

CHAIRMAN OMAS: Mr. Bozzo, would you stand, please?

Whereupon,

A. THOMAS BOZZO

having been duly sworn, was called as a witness and was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KOETTING:

Q Dr. Bozzo, could you please state your name for the record and your position?

A My name is A. Thomas Bozzo, I'm a Vice President with Christenson Associates, Madison, Wisconsin.

Q Dr. Bozzo, you have in front of you a document entitled direct testimony of A. Thomas Bozzo on behalf of the United States Postal Service which has been designated as USPS-T12. Are you familiar with that document?

A I am.

Q Was it prepared by you or under your supervision?

A It was.

Q If you were to testify orally today would this be your testimony?

A It would.

Q In that testimony are you sponsoring any Category 2 library references?

A I'm sponsoring USPS Library Reference LR-K-56.

MR. KOETTING: Thank you.

With that, Mr. Chairman, the Postal Service would request that the direct testimony of A. Thomas Bozzo on behalf of the United States Postal Service designated as USPS-T12, along with the associated Library Reference USPS-LR-K56 be admitted into evidence.

CHAIRMAN OMAS: Is there objection?

(No response.)

CHAIRMAN OMAS: Hearing none, I will direct counsel to provide the reporter with two copies of the correct and direct testimony of A. Thomas Bozzo. That testimony is received into evidence; however, as is our practice it will not be transcribed.

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(The document referred to was marked for identification as Exhibit No. USPS-T-12 and was received in evidence.)

CHAIRMAN OMAS: Mr. Bozzo, have you had the opportunity to examine the packet of designated written cross-examination presented to you this afternoon?

THE WITNESS: I have.

CHAIRMAN OMAS: If the questions contained in that packet were posed to you orally today would your answers be the same as those provided in writing?

THE WITNESS: They would with correction as follows. In Interrogatory ADA&NAPM/USPS-T13-5, redirected from witness Smith, in the seventh line of the response to Part A the word *increases* should be replaced with *decreases*.

In the accompanying Table 1 the title which ends reading response to ABA&NAPM/USPS-T13-*6(a)* should read *5(a)*. With that, they would be my oral response today.

CHAIRMAN OMAS: There would be no additional corrections?

THE WITNESS: There are no additional corrections. No, sir.

CHAIRMAN OMAS: Counsel, would you please provide two copies of the corrected designated written cross-examination of witness Bozzo to the reporter? That material is received into evidence and is to be transcribed into the record.

(The document referred to was marked for identification as Exhibit No. USPS-T12-1a-b, 2-3 and 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 A. THOMAS BOZZO
(USPS-T-12)

Party	Interrogatories
American Bankers Association and National Association of Presort Mailers	ABA&NAPM/USPS-T12-1a-b, 2-3 ABA&NAPM/USPS-T13-5-6, 11b redirected to ABA&NAPM/USPS-T21-1-18, 60 redirected to MMA/USPS-T12-1 PB/USPS-T12-2 TW/USPS-T11-11 redirected to T12
Major Mailers Association	MMA/USPS-T12-1
Office of the Consumer Advocate	OCA/USPS-T12-1-6
Pitney Bowes Inc.	ABA&NAPM/USPS-T21-2 redirected to T12 PB/USPS-T12-2
Time Warner Inc.	TW/USPS-T11-11 redirected to T12

Party	Interrogatories
Ipak Direct Marketing Systems, ..,c. and Valpak Dealers' Association Inc.	VP/USPS-T12-1-7, 8a, 9a-b VP/USPS-T2-12-14 redirected to T12

Respectfully
submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS A. THOMAS BOZZO (T-12)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
ABA&NAPM/USPS-T12-1a	ABA&NAPM
ABA&NAPM/USPS-T12-1b	ABA&NAPM
ABA&NAPM/USPS-T12-2	ABA&NAPM
ABA&NAPM/USPS-T12-3	ABA&NAPM
ABA&NAPM/USPS-T13-5 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T13-6 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T13-11b redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-1 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-2 redirected to T12	ABA&NAPM, Pitney Bowes
ABA&NAPM/USPS-T21-3 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-4 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-5 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-6 redirected to T12	ABA&NAPM
BA&NAPM/USPS-T21-7 redirected to T12	ABA&NAPM
BA&NAPM/USPS-T21-8 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-9 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-10 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-11 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-12 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-13 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-14 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-15 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-16 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-17 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-18 redirected to T12	ABA&NAPM
ABA&NAPM/USPS-T21-60 redirected to T12	ABA&NAPM
MMA/USPS-T12-1	ABA&NAPM, MMA
OCA/USPS-T12-1	OCA
OCA/USPS-T12-2	OCA
OCA/USPS-T12-3	OCA
OCA/USPS-T12-4	OCA
CA/USPS-T12-5	OCA

the set of modeled cost pools, so I do not agree that my response to PB/USPS-T12-2 calls into question any previous claims regarding the Postal Service's cost modeling.

a. My response to ABA&NAPM/USPS-T21-1 lists productivities at the 3-digit MODS operation level for the operational groups employed in USPS-LR-K-48, so any 3-digit MODS operation listed in the attachment that is not listed in the ABA&NAPM/USPS-T21-1 response does not have a MODS productivity employed in USPS-LR-K-48.

b. BY 2004 MODS workhours for each 3-digit MODS mail processing operation are provided by witness Van-Ty-Smith in USPS-LR-K-55, Table I-2B. Additional ("unscrubbed") productivities for MODS operations not listed in the response to ABA&NAPM/USPS-T21-1 may be computed by dividing TPF (or TPH for manual operations) by workhours, using the data provided in response to TW/USPS-T11-11. Operations not listed in the response to TW/USPS-T11-11 do not have MODS workload (piece handling) data, and thus no MODS productivity can be computed for such operations. The cited data are provided in substantially similar format to the attachment to the interrogatory.

c. Redirected to witness Abdirahman.

Postal Rate Commission
Submitted 6/17/2005 10:48 am
Filing ID: 45014
Accepted 6/17/2005

ATTACHMENT TO ABA&NAPM-USPS-T12-1
USPS DEFINITIONS OF MAIL PROCESSING COST POOLS FIRST CLASS LETTERS AS OF R2000-1[1]

1. MODS BCS/ **FCM: Worksharing Related Proportional**
STDA: Worksharing Related Proportional

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

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 (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

1.A.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=11 POOL=BCS/---				
	47	OSS - RETURN TO SENDER	34142	
	241	MAIL CART SYS - OUTGO PRI	78	
	242	MAIL CART SYS - OUTGOING	4	
	243	MAIL CART SYS - MANAGED M	31	
	244	MAIL CART SYS - INCOMING	39	
	245	MAIL CART SYS - INCOMING	4	
	246	MAIL CART SYS - INCOMING	38	
	247	MAIL CART SYS - BOX SECTI	-2	
	250	MAIL CART SYS - DELV PT SE	12	
	251	MAIL CART SYS - DELV PT SE	12	
	311	MPBCS OSS - INTL OUTBOUND	1174	
	312	MPBCS INTL OUTBOUND	3496	
	315	MPBCS OSS - INTL INBOUND	2179	
	316	MPBCS INTL INBOUND	4	
	603	MAILER VALIDATION	277	
	860		8	
	861	BCS ON OCR-OUTGO PRIMARY	6634	
	862	BCS ON OCR-OUTGO SECONDY	3060	
	863	BCS ON OCR-MMP	26476	
	864	BCS ON OCR-SCF PRIMARY	35850	
	865	BCS ON OCR-INCOM PRIMARY	15137	
	866	BCS ON OCR-INCOM SECOND	54166	
	867	BCS ON OCR-BOX SECTION	1547	
	868	BCS ON OCR-SECT/SEGM 1ST	249	
	869	BCS ON OCR-SECT/SEGM 2ND	620	
	870		6	
	871	MPBCS-OUTGOING PRIMARY	409198	
	872	MPBCS-OUTGOING SECONDARY	146454	
	873	MPBCS-MANAGED MAIL	993061	

874	MPBCS-INCOMING SCF	2322177
875	MPBCS-INCOMING PRIMARY	968093
876	MPBCS-INCOMING SECONDARY	2169653
877	MPBCS-BOX SECTION	79480
878	MPBCS-SECTOR/SEGMENT 1ST	198274
879	MPBCS-SECTOR/SEGMENT 2ND	72328
914	MPBCS-DELV POINT SEQ 1ST	12617
915	MPBCS-DELV POINT SEQ 2ND	3571
916	BCS-OSS DELV POINT SEQ 1S	4288
917	BCS-OSS DELV POINT SEQ 2N	1143
971	BCS-OSS-OUTGOING PRIMARY	1460042
972	BCS-OSS-OUTGOING SECONDA	148818
973	BCS-OSS-MANAGED MAIL	299039
974	BCS-OSS-INCOM SCF PRIM	174753
975	BCS-OSS-INCOMING PRIMARY	119532
976	BCS-OSS-INCOMING SECONDA	15203
977	BCS-OSS-BOX	1425
978	BCS-OSS SECTOR/SEGMT 1ST	3802
979	BCS-OSS SECTOR/SEGMT 2ND	4894
		9793086

1.B.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=11 POOL=BCS/DBCS---				
	261	DBCS-OCR-OUTGOING PRIMARY	185287	
	262	DBCS-OCR-OUTGO SECONDARY	819	
	263	DBCS-OCR-MANAGED MAIL	12488	
	264	DBCS-OCR-INCOM SCF PRIMAR	14658	
	265	DBCS-OCR-INCOMING PRIMARY	3239	
	266	DBCS-OCR-INCOM SECONDARY	-3440	
	267	DBCS-OCR-BOX SECTION	4306	
	271	DBCS-OSS-OUTGOING PRIMARY	1383164	
	272	DBCS-OSS-OUTGO SECONDARY	40409	
	273	DBCS-OSS-MANAGED MAIL	55388	
	274	DBCS-OSS-INCOM SCF PRIMAR	20362	
	275	DBCS-OSS-INCOMING PRIMARY	12531	
	276	DBCS-OSS-INCOM SECONDARY	254	
	277	DBCS-OSS-BOX SECTION	1	
	278	DBCS-OSS-SECTOR/SEGMENT 1	80	
	279	DBCS-OSS-SECTOR/SEGMENT 2	14	
	281	DBCS-ISS-OUTGOING PRIMARY	21177	
	282	DBCS-ISS-OUTGO SECONDARY	90	
	283	DBCS-ISS-MANAGED MAIL	2556	
	284	DBCS-ISS-INCOM SCF PRIMAR	1894	
	285	DBCS-ISS-INCOMING PRIMARY	332	
	291	DBCS-ISS/OSS-OUTGOING PRI	4630	
	292	DBCS-ISS/OSS-OUTGO SECOND	1053	
	293	DBCS-ISS/OSS-MANAGED MAIL	120	

294 DBCS-ISS/OSS-INCOM SCF PR	8
295 DBCS-ISS/OSS-INCOMING PRI	22
296 DBCS-ISS/OSS-INCOM SECOND	5
297 DBCS-ISS/OSS-BOX SECTION	-3
299 DBCS-ISS/OSS-RESERVED	20
309 DBCS-ISS/OSS INT OUTGOING	6
313 DBCS OSS-INTL OUTBOUND	74
314 DBCS INTL OUTBOUND	158
317 DBCS OSS-INTL INBOUND	629
319 DBCS-ISS/OSS INT INBOUND	49
356 DBCS-ISS INT OUTGOING PRI	5
357 DBCS-ISS INT INBOUND PRIM	40
891 DBCS-OUTOING PRIMARY	2470242
892 DBCS-OUTGOING SECONDARY	1431004
893 DBCS-MANAGED MAIL	4503268
894 DBCS-INCOMING SCF	3520805
895 DBCS-INCOMING PRIMARY	1593248
896 DBCS-INCOMING SECONDARY	2862605
897 DBCS-BOX SECTION	329223
898 DBCS-SECTOR/SEGMENT 1ST	850909
899 DBCS-SECTOR/SEGMENT 2ND	138344
908 CSBCS-SECTOR/SEGMENT	308
909 CSBCS-INCOMING SECONDARY	3107
910 CSBCS-BOX MAIL	162
911 CSBCS-DELIVERY POINT SEQU	3144
918 DBCS-DELV POINT SEQ 1ST	9947557
919 DBCS-DELV POINT SEQ 2ND	3286012
925 DBCS-OSS-DELV POINT SEQ 1	6130
926 DBCS-OSS-DELV POINT SEQ 2	194
	32708687

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2. MODS OCR/ **FCM: Worksharing Related Proportional**
STDA: Worksharing Related Proportional

TY	**R2001-1**	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort** _____
	R2005-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort** _____

This cost pool contains the costs related to Optical Character Reader (OCR) operations at MODS facilities. These costs are included in the First-Class Mail and Standard Mail (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

2.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=11 POOL=OCR/---				
	46	ISS - RETURN TO SENDER	92423	
	301	MLOCR-ISS-INTL OUTBOUND	4683	
	302	MLOCR-INTL OUTBOUND	13	
	303	MLOCR-ISS-INTL INBOUND	6151	
	831	MLOCR OUTOING PRIMARY	228896	
	832	MLOCR-OUTGO SECONDARY	31377	
	833	MLOCR-MANAGED MAIL	129839	
	834	MLOCR-INCOM SCF PRIMARY	442228	
	835	MLOCR-INCOMING PRIMARY	233295	
	836	MLOCR-INCOM SECONDARY	197123	
	837	MLOCR-BOX SECTION	41928	
	841	CHUNKY MOD - OUTGO PRIMAR	169148	
	842	CHUNKY MOD - OUTGO SECOND	31092	
	843	CHUNKY MOD - MANAGED MAIL	138307	
	844	CHUNKY MOD - INCOM SCF PR	192236	
	845	CHUNKY MOD = INCOM PRIMAR	68348	
	846	CHUNKY MOD - INCOM SECOND	62946	
	847	CHUNKY MOD - BOX SECTION	317	
	851	SLOCR-OUTGOING PRIMARY	9212	
	852	SLOCR-OUTGO SECONDARY	1530	
	853	SLOCR-MANAGED MAIL	2068	
	854	SLOCR-INCOM SCF PRIMARY	14366	
	855	SLOCR-INCOMING PRIMARY	150	
	856	SLOCR-INCOM SECONDARY	50	
	857	SLOCR-BOX SECTION	87	
	881	MLOCR-ISS-OUTGO PRIMARY	4206732	
	882	MLOCR-ISS-OUTGO SECONDAR	41342	
	883	MLOCR-ISS-MANAGED MAIL	1167816	
	884	MLOCR-ISS-INCOMING SCF	714340	
	885	MLOCR-ISS-INCOM PRIMARY	422377	
	886	MLOCR-ISS-INCOM SECONDAR	13969	
	887	MLOCR-ISS-BOX SECTION	1779	
			8666168	

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3. MODS FSM/*

FCM: Non-Worksharing Related Fixed
STDA: Non-Worksharing Related Fixed

TY R2001-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____
R2005-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____

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."

3.A.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=12 POOL=FSM/---				
	140		11	
	141	MPFSM-OUGOING PRIMARY	3793761	
	142	MPFSM-OUTGOING SECONDARY	396175	
	143	MPFSM-MMP	2364300	
	144	MPFSM-SCF	2303241	
	145	MPFSM0-INCOMING PRIMARY	927050	
	146	MPFSM-INCOMING SECONDARY	1715777	
	147	MPFSM-BOX SECTION	79520	
	148	MPFSM-INCOMING NON-SCHEM	31844	
	191	SPFSM CONSOLIDATED	58	
	192	FSM-INTERNAT OUTBOUND	41074	
	193	FSM-INTERNAT INBOUND	4867	
	194		319	
	195		66	
	196		28	
	197		17	
	331	AFSM100 OUTGOING PRIMARY	87966	
	332	AFSM100 OUTGOING SECONDAR	1123	
	333	AFSM100 MANAGED MAIL	92939	
	334	AFSM100 INCOMING SCF	61885	
	335	AFSM100 INCOMING PRIMARY	26553	
	336	AFSM100 INCOMING SECONDAR	64391	
	337	AFSM100 BOX SECTION	230	
	338	AFSM100 INCOMING NON-SCHE	12	
	421	FSMOCR OUTGOING PRIMARY	1975336	
	422	FSMOCR OUTGOING SECONDARY	220526	
	423	FSMOCR MMP	2774480	
	424	FSMOCR SCF	3248208	
	425	FSMOCR INCOMING PRIMARY	840930	
	426	FSMOCR INCOMING SECONDARY	6931569	
	427	FSMOCR BOX SECTION	7899	
	961	FMBCR-OUTGOING PRIMARY	3907	
	962	FMBCR-OUTGOING SECONDARY	1084	
	963	FMBCR-MANAGED MAIL	29989	
	964	FMBCR-INCOMING SCF PRIM	68858	
	965	FMBCR-INCOMING PRIMARY	17229	
	966	FMBCR-INCOMING SECONDARY	320525	
	967	FMBCR-BOX SECTION	241	
			28433988	

3.B.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=12 POOL=FSM/1000---				
	305	FSM 1000-INTERNAT OUTBOUN	3345	
	306	FSM 1000-INTERNAT INBOUND	162	
	308	FSM 1000BCR-INTERNAT INBO	71	
	441	FSM 1000, OUTGOING PRIMAR	2633931	
	442	FSM 1000, OUTGOING SECOND	400617	
	443	FSM 1000, MMP	2864935	
	444	FSM 1000, SCF	3589763	
	445	FSM 1000, INCOMING PRIMAR	1098851	
	446	FSM 1000, INCOMING SECOND	613573	
	447	FSM 1000, BOX SECTION	36893	
	448	FSM 1000, INCOMING NON-SC	28827	
	450	FSM 1000, PRIORITY OUTGOI	55850	
	451	FSM 1000, PRIORITY INCOMI	55091	
	461	FSM1000BCR-OUTGOING PRIMA	48676	
	462	FSM1000BCR-OUTGOING SECON	2253	
	463	FSM1000BCR-MMP	30709	
	464	FSM1000BCR-SCF	109183	
	465	FSM1000BCR-INCOMING PRIMA	35472	
	466	FSM1000BCR-INCOMING SECON	254828	
	467	FSM1000BCR-BOX SECTION	610	
			11863640	

---

4. MODS LSM

FCM: Worksharing Related Proportional
STDA: Worksharing Related Proportional

TY	**R2001-1**	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	
	R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	

This cost pool contains the costs related to Letter Sorting Machine (LSM) operations at MODS facilities. As witness Kingsley indicated in her testimony (USPS-T-10, page 3, line 27 to page 4, line 3), very few LSMs remain in the field. The cost models do not include LSM operations as a result of this fact. Despite the assumption that LSMs are no longer used, this cost pool has been classified as "worksharing related proportional" to reflect the fact that some sites may still be using the LSM for piece distribution of letters and cards.

4.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=12 POOL=LSM/---				
	80		12	
	81	MPLSM CONSOLIDATED	23775	
	82	INVALID	34020	
	83	INVALID	36191	

84		1793
85		66
86		93
87		102
88		21
89		12
90	LSM CONSOLIDATED INTERNAT	4604
91	CONSOLIDATED SPLSM/DBCS K	24031
92		38415
93		3190
94		2272
95		2885
96		5720
98		67
99		95
		177364

---

5. MODS SPBS OTH*

FCM: Non-Worksharing Related Fixed
STDA: (Nonauto): Worksharing Related Proportional
STDA: (Auto): Worksharing Related Fixed

TY R2001-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____
R2005-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____

This cost pool contains the costs 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 (A) letter bundles. Standard (A) nonautomation presort letter trays can contain bundles and bundle sorting costs are included in the cost models; therefore a "worksharing related proportional" classification is used. Standard (A) 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 relationships between the three automation rate categories that are being de-averaged using cost models.

5.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=13 POOL=SPBS OTH---				
	52	GPL-INTERN EXPRESS OUTBND	18	
	53	GPL-INTERN STAND OUTBND S	55	
	54	GPL-INTERN ECONOMY OUTBND	42	
	56	GPL-INTERN EXPRESS INBND	52	
	58	GPL-INTERN ECONOMY INBND	24	
	134	SPBS OUTGOING PREF	2473408	
	135	SPBS OUTGOING STANDARD	1134141	
	136	SPBS INCOMING PREF	3714849	

137 SPBS INCOMING STANDARD	5697980
254 LIPS OUTGOING PREF	110691
255 LIPS OUTGOING STANDARD	119631
256 LIPS INCOMING PREF	274978
257 LIPS INCOMING STANDARD	539528
346 SPBS INTERNAT OUTBOUND	17809
347 SPBS INTERNAT INBOUND	6013
434 SPBSBCR OUTGOING PREF	41239
435 SPBSBCR OUTGOING STANDARD	127
436 SPBSBCR INCOMING PREF	417
	14131002

---

6. MODS 1SACKSM **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**
R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**

This cost pool contains the costs related to mechanized sack sorting operations at MODS facilities. On occasion, 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.

6.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=13 POOL=1SACKS_M---				
	238	MECHAN SORT-SACK/OUTSIDE	1168628	
	239	MECHAN SORT-SACK/OUTSIDE	886215	
	349	MECH SACK-INTERNATIONAL	16141	
			2070984	

---

7. MODS MANF* **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**
R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**

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.

7.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=14 POOL=MANF---				
	60	MANUAL FLT-OUTGOING PRIM	877463	
	62	MANUAL FLT-INTERNAT OUT	40419	
	63	MANUAL FLT-INTERNAT IN	2013	
	69	RIFFLE FLAT MAIL	62124	
	70	MANUAL FLT-OUTGO SECOND	311706	
	73	MANUAL FLT-STATE DISTRIB	380959	
	74	MANUAL FLT-SCF DISTRIB	2134358	
	75	MANUAL FLT-STANDARD	277038	
	170	MANUAL FLT-INCOMING PRIM	1448400	
	175	MANUAL FLT-INCOM SECOND	9110377	
	178	MANUAL FLT-PRIMARY BOX	537048	
	179	MANUAL FLT-SECONDARY BOX	178678	
			15360583	

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8. MODS MANL

FCM: Worksharing Related Proportional
STDA: Worksharing Related Proportional

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

This cost pool contains the costs related to manual letter sorting operations in MODS facilities. These costs are included in both the First-Class Mail and Standard (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

8.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=14 POOL=MANL---				
	29	MAIL PREP-METERED BYPASS	152242	
	30	MANUAL LTR-OUTGOING PRIM	14168800	
	32	MANUAL LTR-INTERNAT OUT	143798	
	33	MANUAL LTR-INTERNAT IN	36513	
	40	MANUAL LTR-OUTGO SECOND	3044492	
	43	MANUAL LTR-STATE DISTRIB	4377457	
	44	MANUAL LTR-SCF DISTRIB	6619859	
	45	MANUAL LTR-STANDARD	1347159	
	150	MANUAL LTR-INCOMING PRIM	5436251	
	160	MANUAL LTR-INCOM SECOND	10510605	
	168	MANUAL LTR-PRIMARY BOX	2526504	
	169	MANUAL LTR-SCONDARY BOX	1318934	
			49682614	

9. MODS LD15 **FCM: Worksharing Related Proportional**
STDA: Worksharing Related Proportional

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs related to Labor Distribution Code (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 (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

9.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=15 POOL=LD15---				
	381	VCS FLATS KEYING - CAREER	97807	
	382	VCS FLATS KEYING - TRANS	41795	
	383	RBCS LETTER KEYING - CARE	8041	
	384	RBCS LETTER KEYING - TRAN	8457	
	385	VCS KEYING - RESERVED	9	
	386	VCS KEYING - RESERVED	57	
	771	CONTRACTING OFFICERS REP	4206	
	774	AUDIT MODULE	1707	
	775	RBCS KEYING	12112621	
	776	LTR MAIL LABELING MACHIN	918499	
	779	RBCS GROUP LEADER	222450	
			13415649	

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10. MODS 1BULKPR **FCM: Worksharing Related Fixed**
STDA: Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs related to tray sortation (based on the next operation) once presort mail has been accepted and verified by the Bulk Mail Entry 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 cost category. As a result, the "worksharing related fixed" classification is used.

10.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1BULK PR---				
	2	PRESORT PREF-CARRIER	147539	
	3	PRESORT STND-CARR/SATURT	54313	
	4	PRESORT PREF-3/5 DIGIT	146807	

5 PRESORT STND-3/5 DIGIT/B	47213
6 PRESORT PREF-ZIP+4	15963
7 PRESORT STND-ZIP+4	7491
8 PRESORT PREF-ZIP+4 BARCO	9224
9 PRESORT STND-ZIP+4 BARCO	11120
	439670

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11. MODS 1CANCMMP **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	
R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	

This cost pool contains the costs related to cancellation and meter mail preparation operations in MODS facilities and should not be affected by mailer worksharing activities related to presort letters and cards.

11.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1CANCMPP---				
	10	HAND CANCELLATIONS	2884769	
	11	MICRO MARK	370887	
	12	M - 36	12010	
	13	MARK II/HALF MARK	130454	
	14	FLYER	214763	
	15	ADV FACER CANCELLER SYS	2426954	
	16	FLAT CANCELLATIONS	317287	
	17	ALLIED LABOR CANCELLATION	2152156	
	18	ALLIED LABOR CANCELLATION	809293	
	19	ALLIED LABOR CANCELLATION	572205	
	20	MAIL PREPARATION-METERED	1555813	
	21	MAIL PREPARATION-METERED	120536	
	22	MAIL PREPARATION-METERED	13312	
	23	MAIL PREPARATION-METERED	5595	
	24	MAIL PREPARATION-METERED	63	
	25	MAIL PREPARATION-METERED	75549	
	26	MAIL PREPARATION-METERED	98	
	27	MAIL PREPARATION-METERED	2222	
	28	MAIL PREPARATION-METERED	55123	
			11719089	

12. MODS 1OPBULK

FCM (Nonauto): Worksharing Related Proportional
FCM (Auto): Worksharing Related Fixed
STDA (Nonauto): Worksharing Related Proportional
STDA (Auto): Worksharing Related Fixed

TY	R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____
	R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____

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 (A) nonautomation presort rate categories, these costs are classified as "worksharing related proportional" because package sorting costs are included in the cost models.

12.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1OPBULK---				
	115	OPEN UNIT-OUTGOING,BBM	2087852	
	116	OPEN UNIT-OUTGOING,BBM	1657802	
	117	OPEN UNIT-OUTGOING,BBM	1858725	
	185	OPEN UNIT-INCOMING,BBM	3180721	
	186	OPEN UNIT-INCOMING,BBM	1448230	
	187	OPEN UNIT-INCOMING,BBM	732382	
	188	OPEN UNIT-INCOMING,BBM	600094	
	189	OPEN UNIT-INCOMING,BBM	717503	
			12283309	

---

13. MODS 1OPPREF

TY	R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____
	R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____

13.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1OPPREF---				
	35	PREP AFSM 100	215	
	110	OPEN UNIT-OUTGOING,PREF	6977804	
	111	OPEN UNIT-OUTGOING,PREF	2311959	
	112	OPEN UNIT-OUTGOING,PREF	2296690	
	113	OPEN UNIT-OUTGOING,PREF	2343649	
	114	OPEN UNIT-OUTGOING,PREF	1596925	
	180	OPEN UNIT-INCOMING,PREF	6102326	
	181	OPEN UNIT-INCOMING,PREF	1567350	
	182	OPEN UNIT-INCOMING,PREF	1028152	
	183	OPEN UNIT-INCOMING,PREF	1359238	
	184	OPEN UNIT-INCOMING,PREF	1689219	
	343	OPENING UNIT-INT OUTBN	239835	

344 OPENING UNIT-INT INBND	97636
	27610998

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14. MODS PLATFORM

FCM: Non-Worksharing Related Fixed
STDA: Non-Worksharing Related Fixed

TY	**R2001-1**	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	
	R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**	

This cost pool contains the costs related to platform operations at MODS facilities. These operations do not involve piece distribution or package distribution activities. Therefore, the cost pool has been classified as indicated.

14.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1PLATFRM---				
	210	PLATFORM LOAD/UNLOAD	12137151	
	211	PLATFORM LOAD/UNLOAD	3483891	
	212	PLATFORM LOAD/UNLOAD	2147611	
	213	PLATFORM LOAD/UNLOAD	1994375	
	214	PLATFORM LOAD/UNLOAD	1240911	
	215	PLATFORM LOAD/UNLOAD	1169748	
	216	PLATFORM LOAD/UNLOAD	433521	
	217	PLATFORM LOAD/UNLOAD	506477	
	218	PLATFORM LOAD/UNLOAD	719825	
	219	PLATFORM LOAD/UNLOAD	1068769	
	220	PLATFORM LOAD/UNLOAD	582273	
	221	PLATFORM LOAD/UNLOAD	422475	
	222	PLATFORM LOAD/UNLOAD	619113	
	223	PLATFORM LOAD/UNLOAD	241164	
	224	PLATFORM LOAD/UNLOAD	603689	
	225	PLATFORM LOAD/UNLOAD	2539486	
	226	PLATFORM LOAD/UNLOAD	392262	
	227	PLATFORM LOAD/UNLOAD	419973	
	228	PLATFORM LOAD/UNLOAD	603632	
	229	PLATFORM LOAD/UNLOAD	1603476	
	230	PLATFORM MISCELLANEOUS	3423329	
	231	PLATFORM MISCELLANEOUS	1812226	
	232	PLATFORM MISCELLANEOUS	1351094	
	233	PLATFORM MISCELLANEOUS	1924045	
	234	PLATFORM MISCELLANEOUS	2740310	
	351	PLATFORM INTERNATIONAL	79123	
	352	LOAD/UNLOAD AT PIERS	45	
	454	CODE/BILL/DISPATCH-INT	68827	
			44328821	

15. MODS 1POUCHING

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

15.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1POUCHNG---				
	120	POUCHING OPERATIONS	2851497	
	121	POUCHING OPERATIONS	1588424	
	122	POUCHING OPERATIONS	892468	
	123	POUCHING OPERATIONS	1122526	
	124	POUCHING OPERATIONS	1855159	
	125	POUCHING OPERATIONS	1423777	
	126	POUCHING OPERATIONS	796418	
	127	POUCHING OPERATIONS	1466015	
	128	POUCHING OPERATIONS	2584251	
	129	POUCHING OPERATIONS	1177972	
	208	SCAN-WHERE-YOU-BAND	1451622	
	209	SCAN-WHERE-YOU-BAND	228300	
	345	POUCHING INTERNATIONAL	222534	
			17660963	

---

16. MODS 1SACKSH

FCM: Non-Worksharing Related Fixed
STDA: Non-Worksharing Related Fixed

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

This cost pool contains the costs related to manual sack sorting operations at MODS facilities and should not be affected by mailer worksharing activities related to letters and cards.

16.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1SACKS_H---				
	235	MANUAL SORT-SACK/OUTSIDE	3634160	
	236	MANUAL SORT-SACK/OUTSIDE	1312885	
	237	MANUAL SORT-SACK/OUTSIDE	2201975	
	348	MANUAL SACK SORT-INTERN	3901	
			7152921	

17. MODS SCAN — FCM: Non-Worksharing Related Fixed; STDA: Non-Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs for activities related to the Air Contract Data Collection System (ACDCS) that is used to route First-Class air shipments. These operation 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."

17.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=17 POOL=1SCAN---				
	64	SCANNING OPERATION	1735	
	118	ACDCS OUTGOING	1376196	
	119	ACDCS INCOMING	363712	
	350	OVERLABEL/DIRECT AO SACK	227	
			1741870	

---

18. MODS BUSREPLY — FCM: Non-Worksharing Related Fixed; STDA: Non-Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

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 operations numbers. As a 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 of presort letters and cards. Therefore, a non-worksharing related fixed classification has been used.

18.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=BUSREPLY---				
	573	SHORT PAID/NIXIE-INTER	37390	
	930	BUSNS REPLY/POSTAGE DUE	1193751	
			1231141	

19. MODS REGISTRY **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs related to registered mail operations and should not be affected by mailer worksharing activities related to letters and cards.

19.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=REGISTRY---				
	578	REGIST MAIL/DILOM POUCH	22029	
	585	REGISTRY SECTION	4123540	
	586	REGISTRY SECTION	375094	
	587	REGISTRY SECTION	89025	
	588	REGISTRY SECTION	173766	
	589	REGISTRY SECTION	132040	
	590	REGISTRY SECTION	212279	
			5127773	

---

20. MODS REWRAP **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs related to rewrap operations and should not be affected by mailer worksharing activities related to letters and cards.

20.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=REWRAP---				
	109	DAMAGED PARCEL REWRAP	531251	
	574	REPARI & REWRAP-INTERNAT	1776	
			533027	

---

21. MODS 1EEQMT **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY R2001-1	SP		BMM		Non-Auto Presort		Auto Presort
R2005-1	SP		BMM		Non-Auto Presort		Auto Presort

This cost pool contains the costs related to empty equipmentl operations and should not be affected by mailer worksharing activities related to letters and cards.

21.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=1EEQMT---				
	549	EMPTY EQUIP PROCESSING	1405720	
	576	EMPTY EQUIPMENT-INTERNAT	8180	
			1413900	

---

22. MODS INTL

FCM: Non-Worksharing Related Fixed
STDA: Non-Worksharing Related Fixed

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

This cost pool contains the costs related to international mail sorting operations and should not be affected by mailer worksharing activities related to letters and cards.

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23. MODS 1MISC

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

23.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=1MISC---				
	132	INTELPOST	2157	
	545	FOREIGN MAILS	25466	
	546	FOREIGN MAILS	810	
	560	MISC ACTIVITY-MAIL PROC	3393640	
	561	MISC ACTIVITY-MAIL PROC	659264	
	562	MISC ACTIVITY-MAIL PROC	605373	
	563	MISC ACTIVITY-MAIL PROC	642816	
	564	MISC ACTIVITY-MAIL PROC	530978	
	577	PREP & VERIFY DELV BILLS	29089	
	580	INSURED&RETURNED PARCELS	2105	
	681	ADMIN & CLER-PRC&DST INT	36914	
	998		1289	
			5929901	

24. MODS 1SUPPORT

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

24.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=18 POOL=1SUPPORT---				
	340	STANDBY - MAIL PROC	343121	
	341	QWL COOR - NONSUPER EMPS	98190	
	547	SCHEME EXAMINERS	442991	
	548	DETAIL-MAIL ORD-PUB HSE	55199	
	554	OFFICE WORK&RECORDS-MP	2112512	
	555	OFFICE WORK&RECORDS-MP	633591	
	607	STEWARDS - CLERKS - MP	1325793	
	612	STEWARDS-MAIL HANDLER-MP	534841	
	620	TRAVEL-MAIL PROCESSING	774487	
	630	MEETING TIME - MP	190794	
	677	ADMIN & CLER-PROC & DIST	1199862	
	755	DELIVERY BCS SERVICING	247	
	798	MISCODED/UNCODED MAIL	61460	
			7773088	

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25. MODS LD41

FCM: Worksharing Related Proportional
STDA: Worksharing Related Proportional

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

This cost pool contains the <u>costs related to automated distribution at Customer Service MODS facilities</u>. These costs are included in the First-Class Mail and Standard Mail (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification is used.

25.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=41 POOL=LD41---				
	48	ISS - RETURN TO SENDER	840	
	49	OSS - RETURN TO SENDER	849	
	253	CSBCS - INCOMING PRIMARY	30	
	361	DBCS/MLOCR-OCR-ISS OUTGO	4865	
	362	DBCS/MLOCR-OCR-ISS OUTGO	6	
	364	DBCS/MLOCR-OCR-ISS INC SC	3709	
	365	DBCS/MLOCR-OCC-ISSINCOM	535	
	366	DBCS/MLOCR-OCC-ISSINCOM	3673	
	371	DBCS/MPBCS-OSS OUTGO PRI	390	
	375	DBCS/MPBCS-OSS INCOM PRI	3	

376 DBCS/MPBCS-OSS INCOM SEC	4
378 DBCS/MPBCS-OSS SECT/SEG 1	2
411 DBCS-ISS/OSS-OUTGOING PRI	1
413 DBCS-ISS/OSS-MANAGED MAIL	28
416 DBCS-ISS/OSS-INCOM SECOND	5
605 MAILER VALIDATION	1
606 MAILER VALIDATION	3
821 DBCS/MPBCS-OUTGO PRIM	4010
822 DBCS/MPBCS-OUTGO SECOND	337
823 DBCS/MPBCS-MMP	9254
824 DBCS/MPBCS-SCF	4261
825 DBCS/MPBCS-INCOM PRIM	7369
826 DBCS/MPBCS-INCOM SECOND	25809
827 DBCS/MPBCS-BOX SECTION	2282
828 DBCS/MPBCS-SECT/SEG 1ST	111898
829 DBCS/MPBCS-SECT/SEG 2ND	7602
905 CSBCS-DELIVERY POING SEQU	286782
906 CSBCS-CARRIER ROUTE	34122
907 CSBCS EQUIPMENT SERVICING	8006
912 DBCS/MPBCS-DELV PNT 1ST	356112
913 DBCS/MPBCS-DELV PNT 2ND	64346
942 DBCS/MPBCS-OSS-DELV PT SE	62
943 DBCS/MPBCS-OSS-DELV PT SE	38
	937234

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26. MODS LD43

FCM: Worksharing Related Proportional
STDA: Worksharing Related Proportional

TY R2001-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____
R2005-1	**SP**	_____	**BMM**	_____	**Non-Auto Presort**	_____	**Auto Presort**	_____

This cost pool contains the costs related to manual distribution at Customer Service MODS facilities. These costs are included in the First-Class Mail and Standard Mail (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification is used.

26.	**MOD**	**NAME**	**MODHRS[2] R2001-1**	**MODHRS R2005-1**
---LDC=43 POOL=LD43---				
	240	MANUAL DIST - STATION/BR	18896990	

27. MODS LD44 FCM: Worksharing Related Proportional
STDA: Worksharing Related Proportional

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

This cost pool contains the costs related to Post Office box distribution at Customer Service MODS facilities. These costs are included in the First-Class Mail and Standard Mail (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification is used.

27.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=44 POOL=LD44---				
	769	STA/BR BOX SECTION	4202229	

---

28. MODS LD48SSV FCM: Non-Worksharing Related Fixed
STDA: Non-Worksharing Related Fixed

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

This cost pool contains the costs related to special service operations at Customer Service MODS facilities and should not be affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification is used.

28.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=48 POOL=LD48_SSV---				
	542	INSURED - COD - CUSTOMS	131539	
	543	INSURED - COD - CUSTOMS	138282	
	544	CAGES SRVS CARR/SPC DLY	2684123	
			2953944	

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29. MODS LD49 FCM: Worksharing Related Proportional
STDA: Non-worksharing Related Fixed

TY	R2001-1	SP		BMM		Non-Auto Presort		Auto Presort	
	R2005-1	SP		BMM		Non-Auto Presort		Auto Presort	

This cost pool contains the costs related to Computerized Forwarding System (CFS) operations at MODS facilities. These costs are worksharing related in the sense that First-Class presort mailers are required to meet strict addressing standards. However, these costs are not included in the cost models. As a result, this cost pool is classified as

"worksharing related fixed." For Standard Mail (A), this cost pool is classified as "worksharing related fixed" as this mail is not forwarded.

29.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=49 POOL=LD49---				
	239	ZIP+4 LOOKUP AT CMU/CFS	3750	
	791	COMP FORWARD SYS-DEL UNIT	2	
	792	COMP FORWARD SYS-RET TO S	28	
	795	ADDRESS LABEL PREP	109421	
	796	MAIL MARKUP/FORWARDING	48810	
	797	COMPUTER MAIL FORWARDING	6918304	
			7080315	

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30. MODS LD79

TY	**R2001-1**	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**
	R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**

30.	MOD	NAME	MODHRS[2] R2001-1	MODHRS R2005-1
---LDC=79 POOL=LD79---				
	550	PRESORT VERIFICATION	1581203	
	1	PLATFORM ACCEPT/WEIGHER	1426429	
	660	MAILING REQ & BUS MAIL	456509	
	697	ADM & CLR-ML REQ & BUS ML	206669	
			3670810	

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31. MODS 1SUPPF1 **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY	**R2001-1**	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**
	R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**

This cost pool contains the costs related to support operations at MODS facilities and should not be affected by mailer worksharing activities for letters and cards.

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32. MODS 1SUPPF4 **FCM: Non-Worksharing Related Fixed**
STDA: Non-Worksharing Related Fixed

TY	**R2001-1**	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**
	R2005-1	**SP**		**BMM**		**Non-Auto Presort**		**Auto Presort**

This cost pool contains the costs related to support operations at MODS facilities and should not be affected by mailer worksharing activities for letters and cards.

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33. NONMODS ALLIED — FCM: Non-Worksharing Related Fixed; STDA: Non-Worksharing Related Fixed

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

This cost pool contains the costs related to allied and platform operations at Non-MODS facilities. This cost pool does not involve piece distribution or package distribution activities and has therefore been classified as indicated.

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34. NONMODS AUTO/MECH FCM: Worksharing Related Proportional; STDA: Worksharing Related Proportional

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

This cost pool contains the costs related to automation and mechanization operations at Non-MODS facilities. These costs are included in the First-Class Mail and Standard Mail (A) 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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35. NONMODS MANf

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

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36. NONMODS MANL — FCM: Worksharing Related Proportional; STDA: Worksharing Related Proportional

TY R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____
R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort	_____

This cost pool contains the costs related to manual letter sorting operations in Non-MODS facilities. These costs are included in the First-Class Mail and Standard Mail (A) cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a "worksharing related proportional" classification has been used.

37. NONMODS MISC — FCM: Non-Worksharing Related Fixed; STDA: Non-Worksharing Related Fixed

TY	R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____
	R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____

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.

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38. NONMODS REGISTRY — FCM: Non-Worksharing Related Fixed; STDAA: Non-Worksharing Related Fixed

TY	R2001-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____
	R2005-1	SP	_____	BMM	_____	Non-Auto Presort	_____	Auto Presort _____

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.

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[1] Rather than assuming that all cost pools are affected by mailer worksharing (prebarcoding and presorting) activities, USPS witness Miller (USPS-T24-12) 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.

*This cost pool definition seems clearly to not relate to First Class letter operations. However, in the cost pool breakdowns, there are letter costs assigned to this cost pool.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers

ABA&NAPM/USPS-T12-2.

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

a) If a variability factor is estimated to be 0.780 for "Outgoing ISS", as an example, and assuming that your econometric specifications are correct, please confirm that the remaining 0.220 is just the random behavior of labor hours, including, for example, not working. If not confirmed, please explain what this number represents insofar as what labor is doing.

b) If your answer to part (a) is "Confirmed," please also confirm that this random behavior should be reflected in the residual of your model. If not confirmed, please explain where the behavior is reflected, for example as another variable you do not capture in your model.

c) If your answer to part (b) is a "Confirmed," please also confirm that you conducted tests for the randomness on the residuals. If confirmed, please provide the test results. If not confirmed, please conduct the tests and provide them.

d) If your tests in part (c) indicate residuals are not random, please confirm that this implies that other relevant variable(s) might be missing from your model, which possibly would account, for example in one area, for the remaining 0.220 or a portion of it.

e) If the 22% of labor activities in this MODS group is random behavior, please state in your opinion if the non-random behavior of labor would include: no activity, activities such as cleaning, organizing or waiting for new batches to arrive; taking a break; or any other "non-volume variable" activities that you might be able to shed light on. If you cannot answer this question, please forward it to the appropriate person(s) for an answer.

f) Please explain whether you attempted to include other variables in your models in order to account for the rest of the non-volume variability factor(s) for the "Outgoing ISS" and other MODS operational groups.

Response.

a. Not confirmed. The references to the Docket No. R2000-1 testimony of witness Degen and to the Docket No. R2001-1 testimony of witness

Kingsley previously provided in my response to ABA&NAPM/USPS-T21-2 describe work activities and conditions that cause mail processing variabilities to be less than 100 percent. Note also that "random behavior" of labor hours does not imply variabilities less than 100 percent, nor is the reverse true. For example, a hypothetical mail processing labor demand given by $\ln HRS = a + \ln TPH + \varepsilon$, where ε is a random variable with zero mean, exhibits both 100 percent volume-variability and random behavior of workhours. Likewise, labor demand given hypothetically by $\ln HRS = a + b \ln TPH$, where $b < 1$, exhibits less than 100 percent variability and no random behavior of workhours.

b. Not confirmed. In addition to reflecting non-unit elastic relationships between MODS piece handlings and workhours, my mail processing labor demand models include non-volume explanatory variables as described in USPS-T-12 at 42-44.

c. Not applicable.

d. Not applicable.

e. Please see the response to part (a).

f. Please see the response to part (b).

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T12-3.

a) Please confirm that the volume and hours data you used are aggregated across all plants and machines used in that particular MODS group.

b) Please confirm that all plants use exactly the same type of machine(s) to perform a particular MODS operation. If not confirmed, please explain how you controlled for the differences in the machines used or differences in the plants where the data were collected.

c) In light of your answer to b. is part of the reason you cannot achieve 100% volume variabilities in your econometric models due to differences in machines and plants? Please fully explain your answer.

Response.

a. Not confirmed. The observations in my data set are not aggregated across plants.

b. Partly confirmed. As described in USPS-T-12, the econometric models are estimated at the level of MODS operation groups for generally similar types of equipment—e.g., separately for DBCS, MPBCS, OCR, AFSM 100, UFSM 1000, and FSM 881 equipment. However, it is my understanding that some plants may use differently-configured equipment than other plants. This is addressed in the model by incorporating plant-specific control variables.

c. I would note that the purpose of the analysis is not to "achieve" any predetermined degree of variability, but rather to obtain statistically consistent estimates of the actual degree of variability. That said, I do not believe differences in machines and plants have the effect of causing my measured variabilities to be less than 100 percent. For one thing, certain of the econometric models produce variabilities very close to 100 percent.

Also, as described in the response to part (b), my econometric modeling controls for major differences between equipment types and for other plant-specific factors that may affect a modeled operation group. Methods that fail to control for such factors tend to confound volume and non-volume effects and thus yield biased and/or inconsistent variability estimates.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Smith

ABA&NAPM-USPS-T13-5

In your response to a number of ABA&NAPM-USPS-T21 interrogatories, redirected from USPS witness Abdirahman, you state that the cost pool in question exhibits "lower volume variability" in this case compared to R2001-1.

a. For all MODS and NONMODS mail processing cost pools, by 3 digit code as well, please state how many exhibit lower volume variabilities and identify them in a list, what percentage that is of the total cost pools, and total number of code operations, and on a unit cost weighted basis, what percentage it is of all such cost pools.
b. Please explain for each cost pool with a lower volume variability in this case than the last case, what management cost savings, technological change, or other factor may have caused the result.

Response.

a. Twenty-eight cost pools defined in both the BY 2000 and BY 2004 CRAs have lower variabilities in BY 2004. These are listed in Table 1, below. Cost pools are the finest level of operations for which variability factors are estimated in the CRA. For a list of the 3-digit MODS operations associated with each MODS cost pool, please see USPS-LR-K-55, Table I-2B. It is unclear what unit costs the question intends to be used to weight the cost pools, but the cost pools with variability ~~increases~~ constitute 57 percent of mail processing total (pool) labor cost and 56 percent of mail processing volume-variable cost. The cost pools not listed in Table 1 or in the response to ABA&NAPM/USPS-T13-6 were either undefined in BY 2000 or the variability did not change.

b. Please see USPS-T-12 at 53-54 for discussion of changes in econometrically estimated variabilities. The 1CANCEL cost pool has an econometrically estimated variability in BY 2004, whereas the BY 2000 variability for the combined cancellation and meter prep cost pool in use at the time was

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Smith

computed from IOCS tallies. For the remaining operations except Non-MODS Registry, the changes result from the replacement of variabilities calculated from IOCS data with an average of the econometric variabilities. For Non-MODS Registry, the small decrease is a result of an update with FY2004 IOCS sample data versus comparable data from FY 2000; I am not aware of operational factors that would drive the change.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Smith

Table 1. Cost Pools With Decreasing Variabilities, BY 2004 Pool Cost, and BY 2004 Volume-Variable Cost, Response to ABA&NAPM/USPS-T13-6(a):

Pool	Pool Cost	Volume-Variable Cost
BCS/	158,403	142,563
BCS/DBCS	1,272,441	1,081,575
FSM/1000	230,941	168,587
MECPARC	7,098	5,891
1SACKS_M	30,355	25,195
1CANCEL	299,092	137,582
1MTRPREP	32,263	26,778
1OPBULK	228,247	189,445
1OPPREF	562,762	467,092
1PLATFRM	1,351,900	1,122,077
1POUCHNG	138,269	114,763
1PRESORT	12,669	10,515
1SACKS_H	128,372	106,549
1SCAN	83,753	69,515
BUSREPLY	36,101	29,964
LD49	293,973	243,998
NMO	39,355	32,665
OTHR	354,242	294,021
PLA	225,861	187,465
PSM	71,879	59,660
SPB	77,825	64,595
SSM	30,307	25,154
Allied	1,010,558	838,763
Auto/Mech	216,212	179,456
MANF	246,898	222,208
MANL	962,846	837,676
MANP	77,846	60,720
Registry (Non-MODS)	70,385	24,635
Total Above Pools	8,250,853	6,769,106
Total All Pools	14,563,371	11,990,094
Percent of Total	57%	56%

Costs in $000 from USPS-T-11 at 32-33

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Smith

ABA&NAPM-USPS-T13-6

In your response to some ABA&NAPM-USPS-T21 interrogatories, redirected from USPS witness Abdirahman, you state that the cost pool in question exhibits "higher volume variability" in this case compared to R2001-1.

a. For all MODS and NONMODS mail processing cost pools, by 3 digit code as well, please state how many exhibit higher volume variabilities and identify them in a list, what percentage that is of the total cost pools, and total number of code operations, and on a unit cost weighted basis, what percentage it is of all such cost pools.
b. Given your long expertise in this area, please explain for each cost pool with a higher volume variability in this case than the last case, what management cost savings, technological change, or other factor may have caused the result.

Response.

a. Nineteen cost pools defined in both the BY 2000 and BY 2004 CRAs have higher variabilities in BY 2004. These are listed in Table 2, below. Cost pools are the finest level of operations for which variability factors are estimated in the CRA. For a list of the 3-digit MODS operations associated with each MODS cost pool, please see USPS-LR-K-55, Table I-2B. It is unclear what unit costs the question intends to be used to weight the cost pools, but the 19 cost pools with variability increases constitute 28 percent of both mail processing total (pool) labor cost and mail processing volume-variable cost.

b. Please see USPS-T-12 at 53-54 for discussion of changes in econometrically estimated variabilities. For the remaining operations except MODS (LDC 18) Registry, the change results from the replacement of variabilities calculated from IOCS data with an average of the econometric variabilities. For MODS Registry, the small increase is a result of an update with

Response of United States Postal Service Witness Bozzo
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Redirected from Witness Smith

FY2004 IOCS sample data versus comparable data from FY 2000; I am not aware of operational factors that would drive the change.

Table 2. Cost Pools With Increasing Variabilities, BY 2004 Pool Cost, and BY 2004 Volume-Variable Cost, Response to ABA&NAPM/USPS-T13-6(a).

Cost Pool	Pool Cost	Volume-Variable Cost
OCR/	211,011	164,589
FSM/	3,520	3,520
SPBS OTH	427,110	328,875
SPBSPRIO	95,150	73,266
MANF	246,898	222,208
MANL	962,846	837,676
MANP	77,846	60,720
PRIORITY	232,857	176,971
EXPRESS	100,914	83,759
MAILGRAM	3,520	2,922
REGISTRY	151,234	63,518
REWRAP	22,223	18,445
1EEQMT	30,848	25,604
1SUPPORT	277,680	230,474
1MISC	231,961	192,528
INTL ISC	165,161	137,084
LD79	184,307	152,975
EXPRS IN	39,832	33,060
MISC	603,099	500,572
Total Above Pools	4,068,017	3,308,765
Total All Pools	14,563,371	11,990,094
Percent of Total	28%	28%

Costs in $000 from USPS-T-11 at 32-33

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Smith

ABA&NAPM-USPS-T13-11

In your response to ABA&NAPM-USPS-T21-46 c., redirected from USPS witness Abdirahman, you state with reference to MODS 79 LD 79 "The increase in the variability from .299 to .83 is the main factor in the higher unit costs."

a. Can you explain, or direct this question to a witness who can explain what factors are actually at work in the real world of BMC's that would cause this variability to escalate so dramatically?
b. Is this an indication of greater efficiency (greater variability, and consequently managerial ability to control in the absence of estimated volume) or less efficiency (higher unit cost).
c. For mail processing labor that is redundant on a slow night, what cost reducing activities does management engage them in? If your answer is "none", what do they do during their shift?

Response:

a. Answered by witness Smith.

b. As noted in the response to ABA&NAPM/USPS-T13-6, the variability change was due to a change in the methodology for calculating the variability for the LD79 cost pool. It is not possible to draw general conclusions regarding the efficiency of operations from the degree of volume-variability.

c. Answered by witness McCrery.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
Redirected from Witness Abdirahman

ABA&NAPM/USPS-T21-1.

Please refer to the library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY." For each of the MODS operational groups listed in the following table, please provide the following items:

i) The detailed sequence of activities that constitute this group, at the most disaggregated level.
ii) The corresponding IOCS activity code.
iii) The corresponding LDC code.
iv) The cost associated with each activity.
v) The productivity associated with each activity.
vi) State if each of the activities included is worksharing or non-worksharing related.

MODS Operational Groups List:
Outgoing ISS
Incoming ISS
REC
LMLM
Outgoing OSS
Incoming OSS
Outgoing BCS Primary
Outgoing BCS Secondary
Incoming BCS MMP
Incoming BCS SCF/Primary
Incoming BCS Secondary Carrier Route (1 Pass)
Incoming BCS Secondary DPS (2 Pass)
Incoming CSBCS Secondary DPS (3 Pass)
Manual Outgoing Primary
Manual Outgoing Secondary
Manual ADC (in MMP)
Manual Incoming SCF/Primary
Manual Incoming Secondary, MODS Site
Manual Incoming Secondary Non MODS Sites
P.O. Box Sort DPS
P.O. Box Sort Other
Tray Opening Unit Bundle Sorting

Response of United States Postal Service Witness Bozzo
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Redirected from Witness Abdirahman

ABA&NAPM/USPS-T21-1 Response:

i. The table below provides the 3-digit MODS operation numbers for the operation groups in the list with MODS-based productivities. See also Handbook M-32, Management Operating Data System, filed as Docket No. R2001-1, LR-J-165. Please note that productivities for "Manual Incoming Secondary Non-MODS Sites," "P.O. Box Sort DPS," "P.O. Box Sort Other," and "Tray Opening Unit Bundle Sorting" are derived from special studies.

ii. The IOCS tallies associated with the listed operation groups will not, in general, all have a single activity code. IOCS activity code assignments depend on the mail, if any, a sampled employee is handling, and the specific work activities observed by the data collectors at the time of the reading.

iii. The table below lists the LDC code associated with the MODS operations provided for part (i). Additionally, non-MODS manual sorting is typically LDC 43, P.O. Box sorting is typically LDC 44, and opening unit operations are in LDC 17.

iv. The table below provides the estimated cost for the MODS operations provided for part (i), calculated by splitting witness Van-Ty-Smith's cost pool dollars to operations using the MODS workhours in LR-K-55, part I.

v. The table below provides productivity for each 3-digit MODS operation provided for part (i). Please note that productivities for "Manual Incoming Secondary Non-MODS Sites," "P.O. Box Sort DPS," "P.O. Box Sort Other," and "Tray Opening Unit Bundle Sorting" are derived from special studies and cannot be disaggregated.

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vi. It is my understanding that the 1OPPREF cost pool associated with "Tray Opening Unit Bundle Sorting" is classified as Worksharing Related-Fixed by witness Abdirahman. It is my understanding that the remaining listed operation groups are associated with cost pools classified as Proportional.

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Response to ABA&NAPM/USPS-T21-1

MODS Productivity, LDCs, and Cost by Operation

Group	Group Name	Operation	Operation Name	TPF/Hour	LDC	Est. Cost ($)
01	Outgoing ISS	281	DBCS/DIOSS ISS OUTGOING PRIMARY	8,519	11	14,362,529
01	Outgoing ISS	282	DBCS/DIOSS ISS OUTGOING SECONDARY	39,751	11	3,628
01	Outgoing ISS	881	MLOCR-ISS-OUTGOING PRIMARY	6,545	11	94,993,743
01	Outgoing ISS	882	MLOCR-ISS-OUTGOING SECONDARY	7,304	11	226,198
02	Incoming ISS	283	DBCS/DIOSS ISS MANAGED MAIL	5,660	11	836,868
02	Incoming ISS	284	DBCS/DIOSS ISS INCOMING SCF PRIMARY	9,011	11	577,447
02	Incoming ISS	285	DBCS/DIOSS ISS INCOMING PRIMARY	6,276	11	82,158
02	Incoming ISS	286	DBCS/DIOSS ISS INCOMING SECONDARY	9,918	11	22,869
02	Incoming ISS	287	DBCS/DIOSS ISS BOX SECTION	4,118	11	7,438
02	Incoming ISS	883	MLOCR-ISS-MANAGED MAIL	3,046	11	26,896,525
02	Incoming ISS	884	MLOCR-ISS-INCOMING SCF	5,275	11	16,589,619
02	Incoming ISS	885	MLOCR-ISS-INCOMING PRIMARY	4,126	11	7,298,446
02	Incoming ISS	886	MLOCR-ISS-INCOMING SECONDARY	3,500	11	249,320
03	REC	775	RBCS KEYING	765	15	127,604,828
04	LMLM	776	LETTER MAIL LABELING MACHINE	3,182	15	11,968,896
05	Outgoing OSS	091	CIOSS TRS IMAGE LIFT MODE	3,863	11	171,489
05	Outgoing OSS	092	CIOSS TERNATIONAL OUTBOUND	6,069	11	80,852
05	Outgoing OSS	093	CIOSS FORWARD IMAGE LIFT MODE	7,333	11	287,243
05	Outgoing OSS	094	CIOSS REVERSE SIDE SCAN	3,061	11	25,447
05	Outgoing OSS	095	CIOSS RESCAN	3,359	11	4,868
05	Outgoing OSS	096	CIOSS OTHER MODE	4,095	11	25,317
05	Outgoing OSS	097	CIOSS INTRCEPT IMAGE LIFT MODE	3,395	11	95,118
05	Outgoing OSS	098	CIOSS FWDS LABEL MODE	5,676	11	275,574
05	Outgoing OSS	099	CIOSS RTS LABEL MODE	6,018	11	161,022
05	Outgoing OSS	261	DBCS/DIOSS OCR O/G PRIMARY	4,284	11	2,898,551
05	Outgoing OSS	262	DBCS/DIOSS OCR O/G SECONDARY	74,214	11	7,117
05	Outgoing OSS	271	DBCS/DIOSS OSS OUTGOING PRIMARY	9,729	11	69,755,115
05	Outgoing OSS	272	DBCS/DIOSS OSS OUTGOING SECONDARY	11,717	11	1,655,685
05	Outgoing OSS	971	BCS-OSS-OUTGOING PRIMARY	8,702	11	10,513,124

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Group	Group Name	Operation	Operation Name	TPF/Hour	LDC	Est. Cost ($)
05	Outgoing OSS	972	BCS-OSS-OUTGOING SECONDARY	3,155	11	1,308,217
06	Incoming OSS	263	DBCS/DIOSS OCR MANAGED MAIL	7,977	11	185,643
06	Incoming OSS	264	DBCS/DIOSS OCR INCOMING SCF PRIMARY	7,075	11	176,330
06	Incoming OSS	265	DBCS/DIOSS OCR INCOMING PRIMARY	9,544	11	18,065
06	Incoming OSS	266	DBCS/DIOSS OCR INCOMING SECONDARY	10,153	11	189,309
06	Incoming OSS	267	DBCS/DIOSS OCR BOX SECTION	13,216	11	23,228
06	Incoming OSS	273	DBCS/DIOSS OSS MANAGED MAIL	4,333	11	3,578,175
06	Incoming OSS	274	DBCS/DIOSS OSS INCOMING SCF PRIMARY	11,818	11	295,366
06	Incoming OSS	275	DBCS/DIOSS OSS INCOMING PRIMARY	9,746	11	553,531
06	Incoming OSS	276	DBCS/DIOSS OSS INCOMING SECONDARY	7,699	11	127,222
06	Incoming OSS	277	DBCS/DIOSS OSS BOX SECTION	44,220	11	335
06	Incoming OSS	278	DBCS/DIOSS OSS SEC/SEGMENT 1ST PASS	53,527	11	1,064
06	Incoming OSS	973	BCS-OSS-MANAGED MAIL	5,012	11	3,058,979
06	Incoming OSS	974	BCS-OSS-INCOMING SCF	7,593	11	1,887,878
06	Incoming OSS	975	BCS-OSS-INCOMING PRIMARY	10,494	11	834,042
06	Incoming OSS	976	BCS-OSS-INCOMING SECONDARY	7,065	11	1,003,964
06	Incoming OSS	977	BCS-OSS-BOX SECTION	113,033	11	1,530
06	Incoming OSS	978	BCS-OSS SECTOR/SEGMENT 1ST PASS	408	11	26,154
06	Incoming OSS	979	BCS-OSS SECTOR/SEGMENT 2ND PASS	18,800	11	2,169
07	Out BCS Primary	481	DBCS-EC EC MODE-OUTGOING PRIMARY	5,397	11	833,624
07	Out BCS Primary	851	MPBCS CHUNKY MOD-OUTGOING PRIMARY	2,441	11	281,239
07	Out BCS Primary	861	BCS ON OCR-OUTGOING PRIMARY	750	11	68,276
07	Out BCS Primary	871	MPBCS-OUTGOING PRIMARY	4,745	11	2,014,767
07	Out BCS Primary	891	DBCS/DIOSS BCS OUTGOING PRIMARY	8,184	11	60,017,486
08	Out BCS Secondary	482	DBCS-EC EC MODE-OUTGOING SECONDARY	3,901	11	21,884
08	Out BCS Secondary	852	MPBCS CHUNKY MOD-OUTGOING SECONDARY	11,462	11	2,218
08	Out BCS Secondary	862	BCS ON OCR-OUTGOING SECONDARY	13,313	11	106,439
08	Out BCS Secondary	872	MPBCS-OUTGOING SECONDARY	8,109	11	5,967,899
08	Out BCS Secondary	892	DBCS/DIOSS BCS OUTGOING SECONDARY	8,889	11	35,872,193
09	In BCS MMP	483	DBCS-EC EC MODE-MANAGED MAIL	5,602	11	192,237
09	In BCS MMP	853	MPBCS CHUNKY MOD-MANAGED MAIL	323	11	379
09	In BCS MMP	863	BCS ON OCR-MANAGED MAIL	4,223	11	405,516
09	In BCS MMP	873	MPBCS-MANAGED MAIL	6,899	11	24,329,008

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Group	Group Name	Operation	Operation Name	TPF/Hour	LDC	Est. Cost ($)
09	In BCS MMP	893	DBCS/DIOSS BCS MANAGED MAIL	6,276	11	151,017,917
10	In BCS SCF/Primary	484	DBCS-EC EC MODE-INCOMING SCF PRIMAR	2,326	11	349,043
10	In BCS SCF/Primary	485	DBCS-EC EC MODE-INCOMING PRIMARY	2,502	11	120,756
10	In BCS SCF/Primary	854	MPBCS CHUNKY MOD-INCOMING SCF PRIM	9,091	11	82,052
10	In BCS SCF/Primary	864	BCS ON OCR-INCOMING SCF	6,229	11	1,349,375
10	In BCS SCF/Primary	865	BCS ON OCR-INCOMING PRIMARY	10,747	11	1,226,964
10	In BCS SCF/Primary	874	MPBCS-INCOMING SCF	6,546	11	47,954,377
10	In BCS SCF/Primary	875	MPBCS-INCOMING PRIMARY	7,266	11	13,356,596
10	In BCS SCF/Primary	894	DBCS/DIOSS BCS INCOMING SCF PRIM	6,520	11	127,443,199
10	In BCS SCF/Primary	895	DBCS/DIOSS BCS INCOMING PRIMARY	7,028	11	55,881,513
11	In BCS Secondary (1 Pass)	486	DBCS-EC EC MODE-INCOMING SECONDARY	47,416	11	18,257
11	In BCS Secondary (1 Pass)	866	BCS ON OCR-INCOMING SECONDARY	9,373	11	2,560,782
11	In BCS Secondary (1 Pass)	867	BCS ON OCR-BOX SECTION	16,616	11	38,398
11	In BCS Secondary (1 Pass)	876	MPBCS-INCOMING SECONDARY	5,660	11	29,274,566
11	In BCS Secondary (1 Pass)	877	MPBCS-BOX SECTION	8,870	11	2,133,586
11	In BCS Secondary (1 Pass)	896	DBCS/DIOSS BCS I/C SECONDARY	7,055	11	70,060,956
11	In BCS Secondary (1 Pass)	897	DBCS/DIOSS BCS BOX SECTION	13,134	11	8,885,554
11	In BCS Secondary (1 Pass)	909	CSBCS-INCOMING SECONDARY	482,333	11	341
12	In BCS Secondary (2 Pass)	868	BCS ON OCR-SECTOR/SEGMENT 1ST PASS	80,910	11	253
12	In BCS Secondary (2 Pass)	869	BCS ON OCR-SECTOR/SEGMENT 2ND PASS	1,694	11	11,776
12	In BCS Secondary (2 Pass)	878	MPBCS-SECTOR/SEGMENT 1ST PASS	9,175	11	1,860,990
12	In BCS Secondary (2 Pass)	879	MPBCS-SECTOR/SEGMENT 2ND PASS	15,340	11	840,543
12	In BCS Secondary (2 Pass)	898	DBCS/DIOSS BCS SECT/SEGM 1ST PASS	9,888	11	5,777,478
12	In BCS Secondary (2 Pass)	899	DBCS/DIOSS BCS SECT/SEGM 2ND PASS	15,972	11	2,016,622
12	In BCS Secondary (2 Pass)	914	MPBCS-DELIV POINT SEQ 1ST PASS	9,149	11	1,445,204
12	In BCS Secondary (2 Pass)	915	MPBCS-DELIV POINT SEQ 2ND PASS	16,701	11	590,574
12	In BCS Secondary (2 Pass)	916	BCS-OSS-DELIV POINT SEQ 1ST PASS	15,514	11	83,315
12	In BCS Secondary (2 Pass)	917	BCS-OSS DELIV POINT SEQ 2ND PASS	23,233	11	51,028
12	In BCS Secondary (2 Pass)	918	DBCS/DIOSS BCS DPS, 1ST PASS	6,341	11	506,474,162
12	In BCS Secondary (2 Pass)	919	DBCS/DIOSS BCS DPS, 2ND PASS	18,946	11	149,234,829
12	In BCS Secondary (2 Pass)	925	DBCS/DIOSS-OSS-DELIV P SEQ 1ST PASS	990	11	838,469
12	In BCS Secondary (2 Pass)	926	DBCS/DIOSS-OSS-DELIV P SEQ 2ND PASS	15,860	11	51,033
13	In BCS Secondary (3 Pass)	911	CSBCS-DELIVERY POINT SEQUENCE (DPS)	18,279	11	259,688

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Group	Group Name	Operation	Operation Name	TPF/Hour	LDC	Est. Cost ($)
14	Manual Out Primary	030	MANUAL LTR-OUTGOING PRIMARY	435	14	321,902,946
15	Manual Out Secondary	040	MANUAL LTR-OUTGOING SECONDARY	635	14	54,261,981
16	Manual ADC (in MMP)	043	MANUAL LTR-STATE DISTRIBUTION	535	14	91,665,059
16	Manual ADC (in MMP)	045	MANUAL LTR-BULK BUSINESS	766	14	16,516,766
17	Manual In SCF/Primary	044	MANUAL LTR-SCF DISTRIBUTION	681	14	138,508,993
17	Manual In SCF/Primary	150	MANUAL LTR-INCOMING PRIMARY	495	14	95,751,823
18	Manual In Secondary (MODS Sites)	160	MANUAL LTR-INCOMING SECONDARY	639	14	144,520,236
18	Manual In Secondary (MODS Sites)	168	MANUAL LTR-PRIMARY BOX	325	14	60,017,385
18	Manual In Secondary (MODS Sites)	169	MANUAL LTR-SECONDARY BOX	546	14	32,114,619

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ABA&NAPM/USPS-T21-2.

Please refer to the library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Outgoing ISS," the variability factor is given to be 0.780. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.220 (1-0.780).

Response:

The question seems to assume incorrectly that the variability factors reported in my direct testimony (USPS-T-12) and used by witness Abdirahman are obtained from the partition of specific activities within each cost pool into those that are deemed 100 percent volume-variable and those that are deemed 100 percent non-volume-variable. In fact, the volume-variability factors, including the one referenced by this question, are econometric estimates of cost pool-level variabilities. That is, they are empirical estimates, obtained by the application of regression and similar statistical methods to regression samples of cost pool-level MODS data, of the percentage change in labor hours utilized within a given cost pool for a given percentage change in piece handlings in that cost pool. Please see USPS-T-12 at 3-5, 42-44.

For additional discussion of operational factors underlying the econometric variability estimates, please see witness Kingsley's testimony from Docket No. R2001-1, USPS-T-39 at 28-30 and 34-38; see also witness Degen's testimony from Docket No. R2000-1, USPS-T-16 at 32-51 and 52-54.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-3.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming ISS," the variability factor is given to be 0.770 (sic). Please indicate what specific activities you consider to be non-variability factors accounting for the 0.220 (1-0.780).

Response:

Please note that the correct factor is 0.780. Please see the response to

ABA&NAPM/USPS-T21-2.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-4.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational groups "Outgoing ISS" and "Incoming ISS" the variability factors are given to be both 0.856 & 0.881, respectively. Please explain why these two operation groups have different variability factor, whereas they are the same for "Outgoing ISS" and "Incoming ISS" which are both 0.780.

Response:

The "Outgoing ISS" and "Incoming ISS" operations both use the variability factor for the OCR cost pool, which contains most of the associated workhours. The OSS operation groups include MPBCS/OSS and DBCS/OSS operations, which have different estimated cost pool variabilities. The cited variability factors for the OSS groups are averages reflecting the relative proportions MPBCS and DBCS OSS processing.

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ABA&NAPM/USPS-T21-5.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Outgoing OSS," the variability factor is given to be 0.856. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.144 (1-0.856).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-6.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Outgoing OSS," the variability factor is given to be 0.856, whereas, the comparable number for R2001-1 was 0.896. Please indicate what specific factors have resulted for the drop in variability factor for this operation.

Response:

The variability factor in LR-K-48 reflects updated variability factors for the BCS/ and

BCS/DBCS cost pools, and also the FY 2004 processing mix between MPBCS/OSS and

DBCS/OSS operations. Please see also the response to ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-7.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming OSS," the variability factor is given to be 0.881. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.119 (1-0.881).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-8.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming OSS," the variability factor is given to be 0.881, whereas, the comparable number for R2001-1 was 0.926. Please indicate what specific factors have resulted for the drop in variability factor for this operation.

Response:

Please see the response to ABA&NAPM/USPS-T21-6.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-9.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. Please explain why the variability factors for OSS operations are larger than ISS operations.

Response:

The higher OSS variability factors reflect higher estimated variabilities for BCS (OSS) cost pools, compared to the OCR (ISS) cost pool. Please see also the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
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ABA&NAPM/USPS-T21-10.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Outgoing BCS Primary," the variability factor is given to be 0.851. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.149 (1-0.851).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
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ABA&NAPM/USPS-T21-11.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Outgoing BCS Secondary," the variability factor is given to be 0.857. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.143 (1-0.857).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-12.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming BCS MMP," the variability factor is given to be 0.857. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.143 (1-0.857).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-13.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming BCS SCF/Primary," the variability factor is given to be 0.863. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.137 (1-0.863).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-14.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming BCS Secondary Carrier Route," the variability factor is given to be 0.863. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.137 (1-0.863).

Response:

Please see the responses to ABA&NAPM/USPS-T21-2 and ABA&NAPM/USPS-T21-4.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-15.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Incoming BCS Secondary DPS (2 Pass)" and "Incoming CSBSC [sic] Secondary DPS (3 Pass)," the variability factor are both given to be 0.850. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.150 (1-0.850). Furthermore, explain why these two operation groups have the same values.

Response:

The "Incoming BCS Seondary DPS (2 Pass)" and "Incoming CSBCS Secondary DPS (3 Pass)" operation groups have a common variability because most of the workhours are associated with the same cost pool (BCS/DBCS) for variability estimation purposes. Please also see the response to ABA&NAPM/USPS-T21-2.

Response of United States Postal Service Witness Bozzo
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ABA&NAPM/USPS-T21-16.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Manual Outgoing Primary", "Manual Outgoing Secondary," "Manual ADC," "Manual Incoming SCF/Primary," and "Manual Incoming Secondary, MODS Sites," are all given to be 0.870. Please indicate what specific activities you consider to be non-variability factors accounting for the 0.130 (1-0.870). Furthermore, explain why all these operations have the same values.

Response:

The listed operation groups have a common variability because they belong to the same cost pool (MANL) for variability estimation purposes. Please also see the response to ABA&NAPM/USPS-T21-2.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
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ABA&NAPM/USPS-T21-17.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Manual Outgoing Primary", "Manual Outgoing Secondary," "Manual ADC," "Manual Incoming SCF/Primary," and "Manual Incoming Secondary, MODS Sites," are all given to be 0.870, whereas the same they were only 580 in R200-1 (sic). Please indicate what specific factors resulted in such an increase in the variability factor for these operations.

Response:

The increase in the estimated variability for MANL is primarily due to the implementation of a limited information maximum likelihood (LIML) estimator for the MANL cost pool. Please see USPS-T-12 at 26-27, 36-38, and 57-59.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
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ABA&NAPM/USPS-T21-18.

Please refer to the Library reference USPS-LR-K-48, file LR-K-48FCLTRS.xls, the sheet "PRODUCTIVITY," column [2]. For the MODS operational group "Manual Incoming Secondary Non MODS Sites," the variability factor is given to be 1.000. Please explain why the variability factor for this operation is 100%. Furthermore, explain why for this manual operation the variability factor is greatly larger than for the ones stated in question ABA&NAPM/USPS-T21-17.

Response:

It is my understanding that the special study for the "Manual Incoming Secondary Non-MODS Sites" productivity was designed to produce directly a letter casing marginal productivity. Thus, no further variability adjustment is warranted within witness Abdirahman's spreadsheet—i.e., using a variability factor of 1.000 leaves the productivity from the special study unmodified.

Response of United States Postal Service Witness Bozzo
To Interrogatories of American Bankers Association and National Association of Presort Mailers
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ABA&NAPM/USPS-T21-60. In your answer to ABA&NAPM/USPS-T21-23, you simply restate the question in your answer. WHAT FACTOR(S) explain the notable decline in MODS productivity for the operations noted in the interrogatory?

Response.

My understanding is that the Postal Service is unaware of operational factors that explain the productivity variation for the 3-pass DPS operation category. Because of the small number of MODS observations underlying this category, the associated productivity is sensitive to outlying data points. The 2000 data, in particular, appear to contain several high-productivity outliers.

Response of United States Postal Service Witness A. Thomas Bozzo
To Interrogatories of the Major Mailers Association

MMA/USPS-T12-1

Page 50 of Library Reference LR-USPS-K-48 lists LR-USPS-K-56 as the source for productivities on that page. Please refer to the productivity provided for Remote Encoding Centers (REC), shown to be 765 pieces per hour (PPH).

A. Please confirm that the productivity for the REC operation was 698 PPH in R2001-1 and 670 PPH in R2000-1. If you cannot confirm, please explain.
B. Please explain why the productivity for this operation has increased by 14% since R2001-1, after falling [sic] about 4% between R2000-1 and R2001-1.
C. Please describe exactly how the productivity for the REC operation was calculated in each of the following cases: R2000-1, R2001-1, and R2005-1.
D. Please provide the productivity for Remote Encoding Centers (REC) for each of the last 10 fiscal years or since inception of the REC operation, whichever is shorter.

Response.

A. Partly confirmed. The FY 1998 productivity from LR-I-107 was 673 pieces (i.e., images) per hour; the FY 1999 productivity was 678 pieces per hour.

B. The history of REC productivities is shown in the response to part D, below. The changes between FY 1998 and FY 2001 appear to be within the range of normal variation for the REC productivity, though I am told that the adjustment of REC operations in this period is believed to have depressed productivities to a modest extent. Keying of flats images from the AFSM 100 was moved to the RECs in FY 2002, incurring start-up costs that included training time and initial lower productivity for new employees. It is my understanding that there has been little operational turbulence recently, allowing productivities to rebound in FY 2003 and FY 2004, but the introduction of PARS is expected to result in lower productivity for FY 2005.

C. Please see LR-K-56, Section III; Docket No. R2001-1, LR-J-56, Section III; Docket No. R2000-1, LR-K-107, Section III. Note, the REC productivity is derived from data for MODS operation 775.

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D. Please see the table below.

Fiscal Year	REC Productivity (Images/Hour)
1995	670
1996	662
1997	713
1998	673
1999	679
2000	698
2001	690
2002	661
2003	706
2004	765

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OCA/USPS-T12-1. Please refer to LR-K-56, Word file lr_k_56.doc, page 32. This is a list of "52 operational groups."
a. Please provide TPF, TPH, and FHP by facility, by quarter for each "operational group."
b. Please provide a list mapping the "52 operational groups" to operations for which you estimate an output elasticity. *See* USPS-T-12, page 54, table 12.

Response.

a. Please see the file mods-add-grp9904.xls, in USPS-LR-K-137, for the requested data.

b. As described in USPS-LR-K-137, the naming convention for the MODS variables indicates correspondences between the 52 operation groups listed at page 32 of lr_k_56.doc and the 12 groups for which output elasticities were estimated for USPS-T-12.

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OCA/USPS-T12-2. Please provide the following data.
a. Microsoft Excel file containing mail processing equipment data by LR-K-56 Site ID obtained from the Personal Property Asset Master (PPAM). Each sheet should contain the mail processing equipment for a specific quarter and year. The individual records should correspond to pieces of equipment. Please use the following column labels:
Site ID - Facility identifier, corresponding to site ID number in the LR-K-56 volume variability data set.
PCN - Property Code Number identifying the type of equipment.
Year - Year of Acquisition
Cost - Acquisition cost for each piece of equipment
b. Microsoft Excel file containing mail processing equipment data for Bulk Mail Centers from the Personal Property Asset Master (PPAM). Each sheet should contain the mail processing equipment for a specific quarter and year. The individual records should correspond to pieces of equipment. Please use the following column labels:
BMC - Facility identifier for Bulk Mail Centers
PCN - Property Code Number identifying the type of equipment.
Year - Year of Acquisition
Cost - Acquisition cost for each piece of equipment
c. Microsoft Excel file containing a list of mail processing equipment Property Code Numbers (PCNs) and PCN descriptions.
d. Microsoft Excel file containing quarterly values for capital variables provided in LR-K-56. Please use the following column labels:
Value of Capital - Quarterly values of the facility capital index (QICAP),
Value of AHE - Quarterly values of the automated handling equipment index (QIAHE),
Value of MHE - Quarterly values of the mechanized handling equipment index (QIMHE)
Value of Owned PSE - Quarterly values of the owned part of postal support equipment index (QIPSE)
Value of Rented Equipment - Quarterly values of the rented part of postal support equipment (QIPSE)
Value of Owned P&D Buildings - Quarterly values of the ownedpart of processing and distribution (P&D) building index (QIPDBLD)
Value of Rented P&D Buildings - Quarterly values of the rented part of processing and distribution (P&D) building index (QIPDBLD)
Value of AFCS - Quarterly values of the AFCS index (QIAFCS)
Value of Cancellation Equipment - Quarterly values of the cancellation index (QICANC)
Value of FSM 881 - Quarterly values of the FSM 881 index (QIFSM881)
Value of AFSM 100 - Quarterly values of the AFSM 100 index (QIAFSM100)
Value of FSM 1000 - Quarterly values of the FSM 1000 index (QIFSM1000)
Value of MPBCS - Quarterly values of the MPBCS index (QIMPBCS)
Value of OCR Equipment - Quarterly values of the OCR index (QIOCR)

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Value of OCR Installation - Quarterly values of the installation part of the OCR index (QIOCR)
Value of DBCS Equipment - Quarterly values of the DBCS index (QIDBCS)
Value of DBCS Installation - Quarterly values of the installation part of the DBCS index (QIDBCS)
e. Microsoft Excel file containing the national aggregate price and quantity indexes used to develop the capital indexes provided in LR-K-56.
f. Microsoft Excel file containing a crosswalk between the 2004 IOCS and LR-K-56 Site IDs.

Response.

a. Please see the files "Equipment <year>.xls," in USPS-LR-K-137, for the requested data, where <year> is the Postal Service fiscal year. Note that equipment data from the end of year Y-1 is used to identify the equipment in place at the start of year Y in USPS-LR-K-56.

b. Please see the files "Equipment <year>-BMC.xls," in USPS-LR-K-137, for the requested data, where <year> is the Postal Service fiscal year.

c. Please see the file "PCN-MPE.xls," in USPS-LR-K-137, for the requested mapping.

d.-e. Please see the file "Capital Index.xls," in USPS-LR-K-137, for the requested data.

f. Please see the file "IOCS to Site ID.xls," in USPS-LR-K-137, for the requested crosswalk.

Response of United States Postal Service Witness A. Thomas Bozzo
To Interrogatories of the Office of the Consumer Advocate

OCA/USPS-T12-3. Please provide the marginal time implicit in the "R2004" variability for each cost pool in Table 12 of your testimony (page 54). Please show the calculations you use.

Response.

I assume "marginal time" refers to marginal time per piece handling. That may be calculated as the inverse of the marginal productivity, as detailed in the following table.

Response to OCA/USPS-T12-3
Calculation of Marginal Time Per Piece Handling

	Operation Group	(1) Total Hours	(2) Total TPH or TPF (000)	(3) Average productivity (piece handlings per hour, Col. 3/Col. 2)	(4) Variability Factor (USPS-T-12, p. 3)	(5) Marginal Productivity (Col. 3/Col. 4)	(6) Marginal Time Per Handling (1/Col. 5, in seconds)
01	BCS/	4,005,504	27,527,800	6,872	0.90	7,636	0.5
02	BCS/DBCS	32,684,200	271,380,000	8,303	0.85	9,768	0.4
04	OCR	5,592,925	31,102,900	5,561	0.78	7,130	0.5
05	FSM/	105,342	71,865	682	1.01	675	5.3
06	FSM/1000	5,034,770	2,840,715	564	0.73	773	4.7
11	Manual Flats	6,671,383	2,608,542	391	0.90	434	8.3
12	Manual Letters	28,365,200	15,450,500	545	0.87	626	5.7
13	Manual Parcels	1,656,571	472,550	285	0.78	366	9.8
14	Manual Priority	4,791,927	1,539,138	321	0.76	423	8.5
18	Cancellation	8,681,584	30,190,700	3,478	0.46	7,560	0.5
34	SPBS	12,752,600	3,634,885	285	0.77	370	9.7
39	AFSM 100	12,331,200	26,180,200	2,123	1.03	2,061	1.7

Total Hours and TPH or TPF are calculated for the FY 2004 regression sample observations in USPS-LR-K-56

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OCA/USPS-T12-4. Please explain the assumptions you make about the implicit form of the production function for mail processing plants. Please specify the assumptions you make about the stages of production, the separability of different stages of production, and the inputs and output at each stage.

Response.

I take the production process at the plants to be described by a product transformation implicit function:

$$g(T, L, K; T^*, L^*, K^*; X, X^*)=0$$

where T, L, K, and X are, respectively, vectors of outputs (or "cost drivers"), variable (labor) inputs, quasi-fixed inputs, and other factors affecting the production process (e.g., site-specific factors) for the modeled cost pools. Asterisks denote the corresponding variables for cost pools outside the scope of my modeling work.

As my analysis is part of an application of the "volume-variability/distribution key" method for computing marginal cost-equivalent volume-variable costs, the vector of mail processing outputs (T, T*) may be considered to be a translation of the vector of volumes (by product) V through the Postal Service's operating plan. Note that Postal Service processing operations implement far fewer distinct mail streams than there are rate categories of mail.

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I assume for the modeled operations that the production process is nonjoint such that it is possible to write a production function for cost pool i:

$$T_i = f_i(L_i, K_i, X_i)$$

Please see also Docket No. R2000-1, USPS-T-15 at 42-43.

In specifying TPF (or TPH) for the outputs T_i, I am taking the output of a cost pool to be an index of the aggregate sorting improvements performed within the cost pool—in effect, a "value added" for the cost pool. This implies that labor resources directed to sorting mail in one cost pool do not also improve mail in another cost pool, for instance an employee loading mail at a DBCS does not (indeed cannot) simultaneously sort mail at a manual case.

The outputs T_i are aggregates of handlings in "upstream" operations (e.g., outgoing and incoming primary) and "downstream" operations (secondary and DPS sorts). In actual operations, sorting improvements in the upstream operations certainly must be performed prior to those in the downstream. The cost pool-level production nonjointness described above may extend, by similar logic, to more finely disaggregated operations, such as those underlying the data provided in response to OCA/USPS-T12-3. I have not examined whether imposing additional structure on the technology provides a net improvement of the modeling results.

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Given the scope of my analysis, I have not otherwise considered what the appropriate joint production assumptions might be for the non-modeled cost pools.

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OCA/USPS-T12-5. Please explain the assumptions you make about the cost minimization decision in mail processing plants and how this generates the form of the 14 [sic] labor demand equations that you estimate for the processing operations.

Response.

Given the implicit production functions specified in OCA/USPS-T12-4, cost minimization by the Postal Service would yield labor demands of the general form $L_i=l_i(w_i,T_i,K_i,X_i)$, where w_i is an applicable (relative) wage. However, I do not believe it is necessary, given engineering and other considerations, for the Postal Service to literally be a cost minimizer for the variables implied by cost minimization also to be appropriate explanatory variables in a non-minimizing case. Please see, e.g., USPS-T-12 at 12-16, and Docket No. R2000-1, USPS-T-15 at 32-33 and 44-53.

Response of United States Postal Service Witness Bozzo
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OCA/USPS-T12-6. Please refer to the response to PB/USPS-T29-8. Witness McCrery states that "certain zones are only processed up to the 5-digit level in the plant and then dispatched to the delivery unit."

a. Please provide a list of plants (by Plant ID) where this occurs.
b. For plants listed in part a, please provide by quarter the proportion of ZIP Codes that are only sorted to five digits (excluding ZIP Codes that received volume that missed DPS deadlines).
c. For plants listed in part a, please provide by quarter the proportion of letter-shaped volume that is only sorted to five digits (excluding volume that missed DPS deadlines).
d. For plants listed in part a, please provide by quarter the proportion of flat-shaped volume that is only sorted to five digits.
e. Please provide a list of plants (by Plant ID) where certain zones are only processed up to carrier route and then dispatched to the delivery unit.
f. For plants listed in part e, please provide by quarter the proportion of ZIP Codes that are only sorted to carrier route.
g. For plants listed in part e, please provide by quarter the proportion of letter-shaped volume that is only sorted to carrier route.

Response.

a. The table provided as Attachment A to this response provides a list of site IDs that dispatch letter mail at either the 5-digit or carrier route level of sortation, that dispatch flat mail at the 5-digit level of sortation, the number of zones in each case, and the total number of zones served by the site, according to the data currently available from the Postal Service.

b. The table provided as Attachment A to this response provides the proportions of zones receiving letter- and flat-shaped mail sorted to the 5-digit level, according to the data currently available from the Postal Service. It is my understanding that historical data are not available.

c. I am not aware of any source for the requested data.

d. I am not aware of any source for the requested data.

e. Please see the response to part a.

f. The table provided as Attachment A to this response provides the proportions of zones receiving letter-shape mail sorted to the carrier route level, according to the data currently available from the Postal Service. It is my understanding that historical data are not available.

g. I am not aware of any source for the requested data.

Attachment A, Response to OCA/USPS-T12-6
5-Digit Zones By Plant Site ID and Dispatch Finalization Levels

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
1	88	12	181	281	64%	4%	75	206	281	73%
2	73	7	18	98	18%	7%	80	18	98	18%
3	100	23	106	229	46%	10%	103	126	229	55%
4	98	19	51	168	30%	11%	104	64	168	38%
5	99	14	29	142	20%	10%	107	35	142	25%
6	63	56	128	247	52%	23%	94	153	247	62%
7	116	13	6	135	4%	10%	74	61	135	45%
8	71	7	90	168	54%	4%	78	90	168	54%
9	76	0	87	163	53%	0%	61	102	163	63%
10	83	0	61	144	42%	0%	75	69	144	48%
11	106	0	41	147	28%	0%	106	41	147	28%
12	10	2	2	14	14%	14%	12	2	14	14%
13	61	0	2	63	3%	0%	61	2	63	3%
14	41	1	0	42	0%	2%	42	0	42	0%
15	68	3	18	89	20%	3%	70	19	89	21%
16	41	1	14	56	25%	2%	42	14	56	25%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
20	46	2	19	67	28%	3%	46	21	67	31%
21	116	1	17	134	13%	1%	111	23	134	17%
22	25	0	0	25	0%	0%	25	0	25	0%
23	49	0	6	55	11%	0%	49	6	55	11%
24	75	3	15	93	16%	3%	78	15	93	16%
25	95	13	34	142	24%	9%	108	34	142	24%
26	111	5	44	160	28%	3%	109	51	160	32%
28	41	30	195	266	73%	11%	63	203	266	76%
29	34	24	40	98	41%	24%	54	44	98	45%
30	59	9	15	83	18%	11%	39	44	83	53%
31	21	0	81	102	79%	0%	21	81	102	79%
32	25	24	21	70	30%	34%	49	21	70	30%
35	38	8	45	91	49%	9%	46	45	91	49%
38	41	39	70	150	47%	26%	75	75	150	50%
39	51	11	18	80	23%	14%	52	28	80	35%
42	18	1	56	75	75%	1%	19	56	75	75%
43	36	45	8	89	9%	51%	81	8	89	9%
45	134	56	4	194	2%	29%	112	82	194	42%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
46	36	5	24	65	37%	8%	41	24	65	37%
47	13	1	0	14	0%	7%	14	0	14	0%
48	61	2	29	92	32%	2%	53	39	92	42%
49	35	14	85	134	63%	10%	49	85	134	63%
50	26	5	18	49	37%	10%	30	19	49	39%
51	53	3	33	89	37%	3%	56	33	89	37%
52	19	13	234	266	88%	5%	25	241	266	91%
53	59	41	33	133	25%	31%	87	46	133	35%
55	38	22	172	232	74%	9%	58	174	232	75%
58	124	33	114	271	42%	12%	136	135	271	50%
59	104	4	23	131	18%	3%	77	54	131	41%
60	69	4	104	177	59%	2%	53	124	177	70%
61	51	22	63	136	46%	16%	62	74	136	54%
62	114	8	59	181	33%	4%	101	80	181	44%
63	57	14	13	84	15%	17%	51	33	84	39%
64	127	12	50	189	26%	6%	138	51	189	27%
65	54	12	75	141	53%	9%	60	81	141	57%
66	119	67	147	333	44%	20%	142	191	333	57%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
67	69	66	100	235	43%	28%	94	141	235	60%
68	66	34	36	136	26%	25%	95	41	136	30%
69	92	18	77	187	41%	10%	92	95	187	51%
70	105	35	124	264	47%	13%	133	131	264	50%
71	76	26	63	165	38%	16%	90	75	165	45%
72	163	1	151	315	48%	0%	164	151	315	48%
73	125	5	31	161	19%	3%	121	40	161	25%
74	63	22	265	350	76%	6%	53	297	350	85%
75	126	41	48	215	22%	19%	120	95	215	44%
76	25	3	231	259	89%	1%	28	231	259	89%
77	42	11	45	98	46%	11%	51	47	98	48%
78	116	0	32	148	22%	0%	116	32	148	22%
79	76	22	177	275	64%	8%	93	182	275	66%
80	64	1	12	77	16%	1%	65	12	77	16%
81	85	13	41	139	29%	9%	80	59	139	42%
82	119	0	33	152	22%	0%	116	36	152	24%
83	75	1	38	114	33%	1%	69	45	114	39%
84	17	23	94	134	70%	17%	39	95	134	71%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
85	77	2	25	104	24%	2%	54	50	104	48%
86	15	7	124	146	85%	5%	22	124	146	85%
87	8	8	124	140	89%	6%	16	124	140	89%
88	57	25	44	126	35%	20%	69	57	126	45%
89	18	2	31	51	61%	4%	20	31	51	61%
90	44	9	47	100	47%	9%	32	68	100	68%
91	37	24	11	72	15%	33%	57	15	72	21%
92	17	28	86	131	66%	21%	42	89	131	68%
93	54	32	188	274	69%	12%	69	205	274	75%
94	16	28	16	60	27%	47%	44	16	60	27%
95	41	40	40	121	33%	33%	46	75	121	62%
96	40	20	77	137	56%	15%	54	83	137	61%
97	45	36	19	100	19%	36%	80	20	100	20%
98	60	29	62	151	41%	19%	71	80	151	53%
99	40	10	18	68	26%	15%	42	26	68	38%
100	42	1	26	69	38%	1%	43	26	69	38%
101	18	24	36	78	46%	31%	42	36	78	46%
102	74	6	65	145	45%	4%	61	84	145	58%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
103	30	9	51	90	57%	10%	33	57	90	63%
104	26	27	104	157	66%	17%	52	105	157	67%
105	21	9	120	150	80%	6%	23	127	150	85%
106	28	15	28	71	39%	21%	37	34	71	48%
107	105	1	26	132	20%	1%	106	26	132	20%
108	110	3	6	119	5%	3%	111	8	119	7%
109	30	21	145	196	74%	11%	33	163	196	83%
110	22	13	36	71	51%	18%	32	39	71	55%
111	54	0	19	73	26%	0%	52	21	73	29%
112	23	26	84	133	63%	20%	40	93	133	70%
113	10	31	13	54	24%	57%	40	14	54	26%
114	65	0	44	109	40%	0%	65	44	109	40%
115	88	32	56	176	32%	18%	85	91	176	52%
116	39	52	65	156	42%	33%	83	73	156	47%
118	33	22	59	114	52%	19%	55	59	114	52%
119	95	4	80	179	45%	2%	77	102	179	57%
120	5	15	43	63	68%	24%	20	43	63	68%
121	10	14	0	24	0%	58%	24	0	24	0%

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	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
122	64	0	38	102	37%	0%	43	59	102	58%
123	47	3	33	83	40%	4%	37	46	83	55%
125	30	33	11	74	15%	45%	61	13	74	18%
126	13	20	46	79	58%	25%	26	53	79	67%
127	20	29	36	85	42%	34%	48	37	85	44%
129	99	20	63	182	35%	11%	114	68	182	37%
130	31	26	56	113	50%	23%	57	56	113	50%
131	127	77	68	272	25%	28%	134	138	272	51%
132	76	70	32	178	18%	39%	142	36	178	20%
133	89	38	40	167	24%	23%	102	65	167	39%
134	99	47	83	229	36%	21%	120	109	229	48%
135	96	78	7	181	4%	43%	144	37	181	20%
136	122	8	130	260	50%	3%	111	149	260	57%
137	134	43	89	266	33%	16%	135	131	266	49%
138	75	71	68	214	32%	33%	146	68	214	32%
139	147	3	15	165	9%	2%	102	63	165	38%
140	110	67	235	412	57%	16%	157	255	412	62%
141	115	44	71	230	31%	19%	155	75	230	33%

Response of United State[illegible]stal Service Witness Bozzo
To Interrogatories of the O[illegible]e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
142	88	6	10	104	10%	6%	94	10	104	10%
143	102	46	163	311	52%	15%	133	178	311	57%
144	141	0	17	158	11%	0%	121	37	158	23%
145	51	59	147	257	57%	23%	88	169	257	66%
146	30	16	2	48	4%	33%	46	2	48	4%
147	141	0	17	158	11%	0%	123	35	158	22%
148	54	0	7	61	11%	0%	54	7	61	11%
149	79	26	49	154	32%	17%	100	54	154	35%
150	103	6	4	113	4%	5%	102	11	113	10%
151	65	0	1	66	2%	0%	65	1	66	2%
152	74	0	1	75	1%	0%	65	10	75	13%
153	121	11	87	219	40%	5%	80	139	219	63%
154	76	41	46	163	28%	25%	101	62	163	38%
155	163	23	51	237	22%	10%	118	119	237	50%
156	70	2	0	72	0%	3%	72	0	72	0%
157	38	14	62	114	54%	12%	52	62	114	54%
158	81	6	77	164	47%	4%	40	124	164	76%
159	30	10	71	111	64%	9%	38	73	111	66%

Response of United Stat stal Service Witness Bozzo
To Interrogatories of the C...e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
160	11	15	27	53	51%	28%	26	27	53	51%
161	36	12	36	84	43%	14%	45	39	84	46%
162	23	8	19	50	38%	16%	31	19	50	38%
163	97	0	48	145	33%	0%	68	77	145	53%
164	35	5	3	43	7%	12%	40	3	43	7%
165	35	16	36	87	41%	18%	48	39	87	45%
166	48	18	2	68	3%	26%	61	7	68	10%
167	80	0	9	89	10%	0%	80	9	89	10%
168	18	40	24	82	29%	49%	51	31	82	38%
169	62	20	20	102	20%	20%	65	37	102	36%
170	33	4	4	41	10%	10%	37	4	41	10%
171	84	3	15	102	15%	3%	83	19	102	19%
172	176	2	44	222	20%	1%	147	75	222	34%
173	74	0	30	104	29%	0%	59	45	104	43%
174	31	9	1	41	2%	22%	28	13	41	32%
175	34	4	37	75	49%	5%	38	37	75	49%
176	67	0	1	68	1%	0%	67	1	68	1%
177	45	45	46	136	34%	33%	71	65	136	48%

Response of United Stat stal Service Witness Bozzo
To Interrogatories of the C...e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
178	23	15	38	76	50%	20%	27	49	76	64%
179	58	12	44	114	39%	11%	57	57	114	50%
180	21	14	32	67	48%	21%	33	34	67	51%
181	59	13	37	109	34%	12%	72	37	109	34%
182	129	33	102	264	39%	13%	112	152	264	58%
183	46	0	8	54	15%	0%	46	8	54	15%
184	49	0	24	73	33%	0%	31	42	73	58%
185	100	6	30	136	22%	4%	32	104	136	76%
186	66	11	85	162	52%	7%	77	85	162	52%
187	43	2	12	57	21%	4%	45	12	57	21%
188	11	42	15	68	22%	62%	53	15	68	22%
190	44	25	66	135	49%	19%	55	80	135	59%
191	17	14	4	35	11%	40%	31	4	35	11%
192	20	11	21	52	40%	21%	31	21	52	40%
193	67	0	25	92	27%	0%	65	27	92	29%
194	50	1	11	62	18%	2%	48	14	62	23%
195	72	5	13	90	14%	6%	70	20	90	22%
196	4	0	1	5	20%	0%	4	1	5	20%

Response of United Stat ›stal Service Witness Bozzo
To Interrogatories of the ‿ ‿e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
198	113	1	26	140	19%	1%	113	27	140	19%
199	162	0	44	206	21%	0%	118	88	206	43%
200	120	0	15	135	11%	0%	111	24	135	18%
201	165	0	51	216	24%	0%	105	111	216	51%
202	185	49	110	344	32%	14%	216	128	344	37%
203	110	39	63	212	30%	18%	127	85	212	40%
204	67	59	26	152	17%	39%	107	45	152	30%
205	106	7	34	147	23%	5%	92	55	147	37%
206	65	8	23	96	24%	8%	59	37	96	39%
207	78	0	0	78	0%	0%	56	22	78	28%
208	49	10	21	80	26%	13%	59	21	80	26%
209	126	1	31	158	20%	1%	127	31	158	20%
210	142	1	4	147	3%	1%	122	25	147	17%
211	99	1	61	161	38%	1%	94	67	161	42%
212	97	0	13	110	12%	0%	97	13	110	12%
213	264	0	54	318	17%	0%	260	58	318	18%
214	138	31	160	329	49%	9%	140	189	329	57%
215	62	109	22	193	11%	56%	164	29	193	15%

Response of United Stat stal Service Witness Bozzo
To Interrogatories of the C e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
216	64	0	76	140	54%	0%	36	104	140	74%
217	221	9	117	347	34%	3%	165	182	347	52%
218	48	3	33	84	39%	4%	51	33	84	39%
219	97	0	26	123	21%	0%	97	26	123	21%
220	35	0	14	49	29%	0%	35	14	49	29%
221	27	25	116	168	69%	15%	39	129	168	77%
222	13	11	12	36	33%	31%	24	12	36	33%
223	144	0	26	170	15%	0%	126	44	170	26%
224	91	12	47	150	31%	8%	75	75	150	50%
225	10	2	15	27	56%	7%	12	15	27	56%
226	60	9	88	157	56%	6%	69	88	157	56%
227	56	10	41	107	38%	9%	66	41	107	38%
228	49	0	7	56	13%	0%	49	7	56	13%
229	104	10	42	156	27%	6%	78	78	156	50%
230	64	0	0	64	0%	0%	55	9	64	14%
231	40	4	21	65	32%	6%	44	21	65	32%
232	113	0	17	130	13%	0%	113	17	130	13%
233	26	13	0	39	0%	33%	39	0	39	0%

Response of United State stal Service Witness Bozzo
To Interrogatories of the C. . of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
234	77	4	20	101	20%	4%	66	35	101	35%
235	23	0	38	61	62%	0%	23	38	61	62%
236	32	0	87	119	73%	0%	32	87	119	73%
237	109	1	3	113	3%	1%	97	16	113	14%
238	109	4	10	123	8%	3%	94	29	123	24%
239	28	13	32	73	44%	18%	39	34	73	47%
240	26	26	7	59	12%	44%	48	11	59	19%
241	71	0	7	78	9%	0%	71	7	78	9%
242	160	2	20	182	11%	1%	154	28	182	15%
243	150	0	7	157	4%	0%	150	7	157	4%
244	132	10	7	149	5%	7%	142	7	149	5%
245	100	27	27	154	18%	18%	102	52	154	34%
246	36	2	46	84	55%	2%	36	48	84	57%
247	49	0	14	63	22%	0%	46	17	63	27%
248	108	0	15	123	12%	0%	108	15	123	12%
249	64	0	4	68	6%	0%	62	6	68	9%
250	58	30	42	130	32%	23%	88	42	130	32%
251	25	0	43	68	63%	0%	23	45	68	66%

Response of United Stat[illegible]stal Service Witness Bozzo
To Interrogatories of the C[illegible]e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
252	69	0	6	75	8%	0%	68	7	75	9%
253	82	2	18	102	18%	2%	77	25	102	25%
254	75	0	12	87	14%	0%	75	12	87	14%
255	108	0	7	115	6%	0%	108	7	115	6%
256	130	2	75	207	36%	1%	94	113	207	55%
257	99	0	14	113	12%	0%	99	14	113	12%
258	81	0	16	97	16%	0%	80	17	97	18%
259	62	0	10	72	14%	0%	62	10	72	14%
260	61	46	166	273	61%	17%	88	185	273	68%
261	60	10	49	119	41%	8%	70	49	119	41%
262	84	2	74	160	46%	1%	72	88	160	55%
263	114	0	22	136	16%	0%	111	25	136	18%
264	129	0	10	139	7%	0%	106	33	139	24%
265	62	1	8	71	11%	1%	63	8	71	11%
266	53	27	45	125	36%	22%	79	46	125	37%
267	45	13	20	78	26%	17%	54	24	78	31%
268	71	4	18	93	19%	4%	75	18	93	19%
269	88	0	10	98	10%	0%	88	10	98	10%

Response of United Stat[illegible]stal Service Witness Bozzo
To Interrogatories of the C[illegible]e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
270	117	3	27	147	18%	2%	120	27	147	18%
271	221	23	111	355	31%	6%	217	138	355	39%
272	137	33	60	230	26%	14%	162	68	230	30%
273	119	4	100	223	45%	2%	88	135	223	61%
274	95	10	97	202	48%	5%	105	97	202	48%
276	82	7	31	120	26%	6%	89	31	120	26%
277	99	0	18	117	15%	0%	87	30	117	26%
278	120	0	14	134	10%	0%	118	16	134	12%
279	53	19	153	225	68%	8%	72	153	225	68%
280	60	5	6	71	8%	7%	65	6	71	8%
281	131	20	59	210	28%	10%	113	97	210	46%
282	83	0	3	86	3%	0%	80	6	86	7%
283	101	6	20	127	16%	5%	107	20	127	16%
284	67	9	10	86	12%	10%	76	10	86	12%
285	53	0	20	73	27%	0%	53	20	73	27%
286	55	13	53	121	44%	11%	65	56	121	46%
287	98	4	122	224	54%	2%	63	161	224	72%
288	57	0	2	59	3%	0%	57	2	59	3%

Response of United Stat stal Service Witness Bozzo
To Interrogatories of the C. e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
289	42	0	116	158	73%	0%	42	116	158	73%
290	56	16	25	97	26%	16%	61	36	97	37%
291	23	0	60	83	72%	0%	23	60	83	72%
292	39	7	64	110	58%	6%	46	64	110	58%
293	135	13	14	162	9%	8%	148	14	162	9%
294	17	9	61	87	70%	10%	24	63	87	72%
295	38	4	35	77	45%	5%	38	39	77	51%
296	45	35	41	121	34%	29%	63	58	121	48%
297	41	41	62	144	43%	28%	58	86	144	60%
298	113	0	42	155	27%	0%	96	59	155	38%
299	40	1	47	88	53%	1%	30	58	88	66%
300	48	6	78	132	59%	5%	54	78	132	59%
301	21	4	52	77	68%	5%	25	52	77	68%
302	35	1	7	43	16%	2%	36	7	43	16%
303	15	21	0	36	0%	58%	36	0	36	0%
304	53	19	59	131	45%	15%	62	69	131	53%
305	36	8	30	74	41%	11%	44	30	74	41%
306	22	3	5	30	17%	10%	21	9	30	30%

Response of United Stat ıstal Service Witness Bozzo
To Interrogatories of the C...e of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
307	56	3	15	74	20%	4%	59	15	74	20%
308	59	16	58	133	44%	12%	59	74	133	56%
309	52	4	46	102	45%	4%	43	59	102	58%
310	27	0	27	54	50%	0%	27	27	54	50%
311	24	0	25	49	51%	0%	24	25	49	51%
312	24	1	41	66	62%	2%	24	42	66	64%
313	21	6	51	78	65%	8%	26	52	78	67%
314	8	18	0	26	0%	69%	26	0	26	0%
315	17	5	82	104	79%	5%	22	82	104	79%
316	29	14	105	148	71%	9%	43	105	148	71%
317	12	7	61	80	76%	9%	19	61	80	76%
318	8	12	26	46	57%	26%	20	26	46	57%
319	23	0	11	34	32%	0%	23	11	34	32%
322	35	0	1	36	3%	0%	35	1	36	3%
323	51	15	12	78	15%	19%	55	23	78	29%
324	9	12	45	66	68%	18%	21	45	66	68%
325	11	15	28	54	52%	28%	26	28	54	52%
326	29	13	82	124	66%	10%	42	82	124	66%

Response of United Stat ıstal Service Witness Bozzo
To Interrogatories of the C...ce of the Consumer Advocate

	PLANT LETTER PROCESSING						PLANT FLAT PROCESSING			
Site ID	DPS & Sector Segment Zones	CR Zones	5-Digit Zones	TOTAL ZONES	% 5-Digit Zones	% CR Zones	CR ZONES	5 DIGIT ZONES	TOTAL ZONES	% 5 DIGIT ZONES
327	31	0	17	48	35%	0%	31	17	48	35%
348	143	19	25	187	13%	10%	162	25	187	13%

Response of United States Postal Service Witness Bozzo
To Interrogatories of Pitney Bowes Inc.

PBI/USPS-T12-2. Please confirm that the productivities in USPS-LR-K-48 and USPS-LR-K-110 do not include any hours in platform and dispatch activities. If you do not confirm, please explain.

Response.

Confirmed that the productivities do not include any hours from MODS platform and dispatching operations. For a list of the specific MODS operations underlying the productivities, please see the response to ABA&NAPM/USPS-T21-1.

REVISED: June 13, 2005

Response of United State Postal Service Witness Bozzo
To Interrogatory of Time Warner Inc.
Redirected from Witness Van-Ty-Smith

TW/USPS-T11-11 Please refer to Table I-2B in Excel spreadsheet R2005 lr-k-55_pt1.xls in LR-K-55. It includes BY04 workhours for various Function 1 MODS numbers. For all such MODS numbers where volumes are also recorded, please provide the corresponding measures of BY04 first handling pieces (FHP), total piece handlings (TPH) and total pieces fed (TPF). Please provide the information in an Excel spreadsheet.

Response.

Please see the table below.

Response of United State . .tal Service Witness Bozzo
To Interrogatory of Time Warner Inc.
Redirected from Witness Van-Ty-Smith

Response to TW/USPS-T11-11
BY 2004 MODS Hours and Workloads by Operation
Exclude BMC, ISC & PMPC
Source : MODS file, BY 04

MOD #	NAME	MODHRS	TPH	TPF	FHP
----------	**ldc=11 pool=BCS/ ---**				
047	OSS - RETURN TO SENDER	83689.85	826732456	1055496382	-2275689
861	BCS ON OCR-OUTGOING PRIMARY	1969.78	2179194	3190660	100539
862	BCS ON OCR-OUTGOING SECONDARY	3070.79	37022669	41229297	-4268
863	BCS ON OCR-MANAGED MAIL	11699.22	46907979	49759724	11277342
864	BCS ON OCR-INCOMING SCF	38929.75	231129188	251122793	95894613
865	BCS ON OCR-INCOMING PRIMARY	35398.17	350556764	375077089	117203775
866	BCS ON OCR-INCOMING SECONDARY	73879.1	669274392	702133287	29337986
867	BCS ON OCR-BOX SECTION	1107.8	17162649	18328685	-1846
868	BCS ON OCR-SECTOR/SEGMENT 1ST PASS	7.29	679464	708698	0
869	BCS ON OCR-SECTOR/SEGMENT 2ND PASS	339.73	532742	537509	-19985
871	MPBCS-OUTGOING PRIMARY	58126.44	250803467	265465227	283643490
872	MPBCS-OUTGOING SECONDARY	172175.12	1345713255	1380091453	374406692
873	MPBCS-MANAGED MAIL	701896.95	4032531254	4197660802	3784193447
874	MPBCS-INCOMING SCF	1383493.75	8791870943	9132842869	9113742026
875	MPBCS-INCOMING PRIMARY	385340.56	2631575703	2730994806	2257231779
876	MPBCS-INCOMING SECONDARY	844577.31	4672669531	4838496352	1558777827
877	MPBCS-BOX SECTION	61554.4	549109905	561591655	33723234
878	MPBCS-SECTOR/SEGMENT 1ST PASS	53689.95	487645375	497787361	205083617
879	MPBCS-SECTOR/SEGMENT 2ND PASS	24249.84	373105654	376972716	747431
914	MPBCS-DELIV POINT SEQ 1ST PASS	41694.44	380130903	393545957	38474973
915	MPBCS-DELIV POINT SEQ 2ND PASS	17038.18	283573720	288605294	200560
916	BCS-OSS-DELIV POINT SEQ 1ST PASS	2403.65	39096827	39800328	7849606
917	BCS-OSS DELIV POINT SEQ 2ND PASS	1472.17	34768940	35329412	1350450
971	BCS-OSS-OUTGOING PRIMARY	303305.81	2253186490	2628345650	1204573557

Response of United State . ..stal Service Witness Bozzo
To Interrogatory of Time Warner Inc
Redirected from Witness Van-Ty-Smith

MOD #	NAME	MODHRS	TPH	TPF	FHP
972	BCS-OSS-OUTGOING SECONDARY	37742.32	103941916	115218817	27825022
973	BCS-OSS-MANAGED MAIL	88252.18	382243840	449854968	164277848
974	BCS-OSS-INCOMING SCF	54465.66	365720393	416885873	223614303
975	BCS-OSS-INCOMING PRIMARY	24062.28	229080962	245048340	211765388
976	BCS-OSS-INCOMING SECONDARY	28964.56	182978968	190775955	59850124
977	BCS-OSS-BOX SECTION	44.13	4264733	4500843	594202
978	BCS-OSS SECTOR/SEGMENT 1ST PASS	754.54	290610	295317	632138
979	BCS-OSS SECTOR/SEGMENT 2ND PASS	62.58	330072	333765	-264
----------	**Idc=11 pool=BCS/DBCS -**				
091	CIOSS TRS IMAGE LIFT MODE	4947.5	20280125	21683592	26643182
092	CIOSS TERNATIONAL OUTBOUND	2332.59	13684039	14109408	7085
093	CIOSS FORWARD IMAGE LIFT MODE	8287.02	55091518	58560051	48340490
094	CIOSS REVERSE SIDE SCAN	734.16	2356150	2537201	0
095	CIOSS RESCAN	140.43	517031	536920	0
096	CIOSS OTHER MODE	730.41	2738936	3092755	0
097	CIOSS INTRCEPT IMAGE LIFT MODE	2744.16	9573247	10015638	5559278
098	CIOSS FWDS LABEL MODE	7950.36	44388895	46916915	0
099	CIOSS RTS LABEL MODE	4645.52	25631686	28876846	0
261	DBCS/DIOSS OCR O/G PRIMARY	83623.8	315162554	321360802	205886038
262	DBCS/DIOSS OCR O/G SECONDARY	205.34	16676213	16724116	19033
263	DBCS/DIOSS OCR MANAGED MAIL	5355.85	33974531	35367061	12348399
264	DBCS/DIOSS OCR INCOMING SCF PRIMARY	5087.16	41271892	41809907	3757419
265	DBCS/DIOSS OCR INCOMING PRIMARY	521.17	5208183	5223187	2613496
266	DBCS/DIOSS OCR INCOMING SECONDARY	5461.6	60915871	61471728	1324469
267	DBCS/DIOSS OCR BOX SECTION	670.14	8634806	8647913	4532
271	DBCS/DIOSS OSS OUTGOING PRIMARY	2012449.78	17308828807	19716170077	11953408892
272	DBCS/DIOSS OSS OUTGOING SECONDARY	47766.85	534421281	597827396	44997787
273	DBCS/DIOSS OSS MANAGED MAIL	103231.1	365896339	445801394	-24830
274	DBCS/DIOSS OSS INCOMING SCF PRIMARY	8521.36	103568074	117260297	5902782
275	DBCS/DIOSS OSS INCOMING PRIMARY	15969.48	81949076	93096712	-169139
276	DBCS/DIOSS OSS INCOMING SECONDARY	3670.39	28915716	29456397	26285396

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277	DBCS/DIOSS OSS BOX SECTION	9.66	1005520	1049498	-1704
278	DBCS/DIOSS OSS SEC/SEGMENT 1ST PASS	30.69	975205	1013330	-142
281	DBCS/DIOSS ISS OUTGOING PRIMARY	414361.98	3206818827	3638035635	2287766361
282	DBCS/DIOSS ISS OUTGOING SECONDARY	104.67	3908578	4127716	151538
283	DBCS/DIOSS ISS MANAGED MAIL	24143.83	110204979	133107665	27197127
284	DBCS/DIOSS ISS INCOMING SCF PRIMARY	16659.46	156000595	168314233	85884564
285	DBCS/DIOSS ISS INCOMING PRIMARY	2370.28	12105696	13508310	3228071
286	DBCS/DIOSS ISS INCOMING SECONDARY	659.78	5249524	5444083	46308
287	DBCS/DIOSS ISS BOX SECTION	214.58	736676	985691	-856
313	DBCS/DIOSS-OSS INTL EXPORT PRIMARY	13.92	32022	34281	0
314	DBCS/DIOSS-BCS INTL EXPORT PRIMARY	1757.56	13620599	13963479	15049399
317	DBCS/DIOSS OSS INTL IMPORT PRIMARY	1846.59	8243653	8567460	0
318	DBCS/DIOSS BCS INTL IMPORT PRIMARY	28.82	0	0	78537
319	DBCS/DIOSS OCR INTL IMPORT PRIMARY	12.76	264292	361806	0
356	DBCS/DIOSS ISS INTL EXPORT PRIMARY	1997.76	13296	53919	0
357	DBCS/DIOSS ISS INTL IMPORT PRIMARY	3645.79	13576341	19923530	15817489
481	DBCS-EC EC MODE-OUTGOING PRIMARY	24050.22	111724200	130540237	6508342
482	DBCS-EC EC MODE-OUTGOING SECONDARY	631.35	2660531	3285499	23433
483	DBCS-EC EC MODE-MANAGED MAIL	5546.08	26484876	30521367	22340802
484	DBCS-EC EC MODE-INCOMING SCF PRIMAR	10069.97	20464993	23501183	11286728
485	DBCS-EC EC MODE-INCOMING PRIMARY	3483.83	7965342	8803291	379687
486	DBCS-EC EC MODE-INCOMING SECONDARY	526.72	20965249	23622076	0
891	DBCS/DIOSS BCS OUTGOING PRIMARY	1731517.12	13492380083	13912982951	12722471232
892	DBCS/DIOSS BCS OUTGOING SECONDARY	1034920.34	8997658320	9159741182	2432584006
893	DBCS/DIOSS BCS MANAGED MAIL	4356898.77	27026346714	27468627738	27154399407
894	DBCS/DIOSS BCS INCOMING SCF PRIM	3676763.17	23704435497	24060787159	22864534601
895	DBCS/DIOSS BCS INCOMING PRIMARY	1612193.44	11202124587	11375902714	10874623707
896	DBCS/DIOSS BCS I/C SECONDARY	2021273.36	13995758589	14213121760	6432661232
897	DBCS/DIOSS BCS BOX SECTION	256350.12	3370222199	3404241918	628040013
898	DBCS/DIOSS BCS SECT/SEGM 1ST PASS	166681.45	1643822033	1655607046	852727429
899	DBCS/DIOSS BCS SECT/SEGM 2ND PASS	58179.96	927932010	931469802	189849

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909	CSBCS-INCOMING SECONDARY	9.85	10053356	10303935	2197348
910	CSBCS-BOX MAIL	48.04	0	0	78905
911	CSBCS-DELIVERY POINT SEQUENCE (DPS)	7492.06	248865446	249157428	240829
918	DBCS/DIOSS BCS DPS, 1ST PASS	14611886.42	90296541134	91000671402	33883283865
919	DBCS/DIOSS BCS DPS, 2ND PASS	4305456.31	81440051294	82039349150	-1036681
925	DBCS/DIOSS-OSS-DELIV P SEQ 1ST PASS	24190	24295106	24583849	5240
926	DBCS/DIOSS-OSS-DELIV P SEQ 2ND PASS	1472.3	23330715	23491624	0
----------	**Idc=11 pool=OCR/ ---**				
046	ISS - RETURN TO SENDER	267573.01	548330755	1703753203	1036791168
301	MLOCR-ISS-INTERNATIONAL EXPORT	3398.39	0	0	25008
303	MLOCR-ISS-INTERNATIONAL IMPORT	2633.14	21635034	32199224	35685995
831	MLOCR OUTGOING PRIMARY	59859.5	300712549	375355373	63552430
832	MLOCR-OUTGOING SECONDARY	9624.25	126991017	151310991	679065
833	MLOCR-MANAGED MAIL	60535.68	203664750	237074824	59864376
834	MLOCR-INCOMING SCF	276017.56	1534960557	1689684842	609243141
835	MLOCR-INCOMING PRIMARY	163827.64	710864400	793280370	165123769
836	MLOCR-INCOMING SECONDARY	239546.72	1419389563	1533948558	11473394
837	MLOCR-BOX SECTION	3730.03	68599178	73783830	3088240
841	MLOCR CHUNKY MOD - OUTGOING PRIMARY	221208.2	1057499674	1329873171	447044438
842	MLOCR CHUNKY MOD-OUTGOING SECONDARY	37107.57	226381165	261510117	18334089
843	MLOCR CHUNKY MOD - MANAGED MAIL	132957.44	411565891	509164493	192324141
844	MLOCR CHUNKY MOD - INC.SCF PRIMARY	200533.5	939360328	1090476412	398191218
845	MLOCR CHUNKY MOD - INCOMING PRIMARY	86149.92	260132952	312162124	65976198
846	MLOCR CHUNKY MOD - INC. SECONDARY	80388.92	378785991	420945791	20224090
847	MLOCR CHUNKY MOD - BOX SECTION	1672.91	7602844	9942170	693081
851	MPBCS CHUNKY MOD-OUTGOING PRIMARY	8113.8	16476913	19780415	396322
852	MPBCS CHUNKY MOD-OUTGOING SECONDARY	64	641190	747461	-17120
853	MPBCS CHUNKY MOD-MANAGED MAIL	10.93	0	0	-770
854	MPBCS CHUNKY MOD-INCOMING SCF PRIM	2367.22	16869490	21700739	49779
855	MPBCS CHUNKY MOD-INCOMING PRIMARY	10.62	0	0	1973
856	MPBCS CHUNKY MOD-INCOMING SECONDARY	11.38	0	0	22999

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881	MLOCR-ISS-OUTGOING PRIMARY	2740589.6	15679888149	17585158968	17435908738
882	MLOCR-ISS-OUTGOING SECONDARY	6525.87	40097715	48442934	27335689
883	MLOCR-ISS-MANAGED MAIL	775970.45	2008248374	2413331340	1614645100
884	MLOCR-ISS-INCOMING SCF	478614.01	2321557401	2529153728	1193279501
885	MLOCR-ISS-INCOMING PRIMARY	210561.7	774946442	866877429	444754602
886	MLOCR-ISS-INCOMING SECONDARY	7192.93	28638990	31424781	2584139
887	MLOCR-ISS-BOX SECTION	10911.49	-16105	0	323152
----------	**Idc=12 pool=AFSM100 --**				
195	AFSM100-INTERNATIONAL IMPORT	1672.42	4407927	4890513	6527547
331	AFSM100 OUTGOING PRIMARY	1898122	3765492738	3998588188	3323989577
332	AFSM100 OUTGOING SECONDARY	195448.73	462179402	493735059	95079769
333	AFSM100 MANAGED MAIL	1877926.56	3909857723	4138097650	3394900315
334	AFSM100 INCOMING SCF	2054726.67	3933774589	4140365997	3883312294
335	AFSM100 INCOMING PRIMARY	514190.32	1049075206	1106861529	1080005526
336	AFSM100 INCOMING SECONDARY	7093522.68	14454849166	15330648581	10450912305
337	AFSM100 - BOX SECTION	34273.38	69610869	76529732	10046932
338	AFSM100 - INCOMING NON-SCHEME	7604.17	8220	9400	20029
----------	**Idc=12 pool=FSM/ ---**				
141	MPFSM-OUTGOING PRIMARY	8839.75	5008389	5057810	5432965
142	MPFSM-OUTGOING SECONDARY	414.06	417320	426131	5283
143	MPFSM-MANAGED MAIL	393.57	0	0	4995
144	MPFSM-SCF	13102.58	8179989	8282268	6745944
145	MPFSM-INCOMING PRIMARY	263.9	128328	129477	176609
146	MPFSM-INCOMING SECONDARY	2974.09	1361852	1377635	603270
147	MPFSM-BOX SECTION	486.28	401157	403306	32251
192	FSM-INTERNATIONAL EXPORT	32.54	0	0	580
193	FSM-INTERNATIONAL IMPORT	81.69	0	0	6775
421	FSMOCR OUTGOING PRIMARY	4827.17	1722580	2140616	3155158
422	FSMOCR OUTGOING SECONDARY	46.64	22178	49463	3571
423	FSMOCR MANAGED MAIL	5105.83	2862550	3711603	4799921
424	FSMOCR INCOMING SCF	26535.77	9840198	12677115	24045693

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425	FSMOCR INCOMING PRIMARY	1400.67	40948	49532	48638
426	FSMOCR INCOMING SECONDARY	29775.78	21908437	25498203	32443057
427	FSMOCR BOX SECTION	374.82	254528	280365	88
961	FMBCR-OUTGOING PRIMARY	13.11	0	0	20575
963	FMBCR-MANAGED MAIL	43.16	0	0	10830
964	FMBCR-INCOMING SCF	439.97	0	0	33099
965	FMBCR-INCOMING PRIMARY	227.63	0	0	19018
966	FMBCR-INCOMING SECONDARY	49.59	0	0	8151
----------	**ldc=12 pool=FSM/1000 -**				
197	USFM 1000 OCR-IMPORT	2826.28	0	0	4747
305	FSM 1000-INTERNATIONAL EXPORT PRIM.	1579	877721	889690	1191644
306	FSM 1000-INTERNATIONAL IMPORT PRIM.	602.72	247980	256062	2641165
441	FSM 1000, OUTGOING PRIMARY	1419465.67	604540916	617703862	317652772
442	FSM 1000, OUTGOING SECONDARY	223863.99	128335483	132767122	16223470
443	FSM 1000, MANAGED MAIL	1330937.87	509183921	520825006	323873620
444	FSM 1000, SCF	1425400.47	665011380	682914336	334199891
445	FSM 1000, INCOMING PRIMARY	407119	183076756	187318246	94807506
446	FSM 1000, INCOMING SECONDARY	164643.26	68831483	70534248	63494390
447	FSM 1000, BOX SECTION	16029.95	15293151	15804463	4257484
448	FSM 1000, INCOMING NON-SCHEME	13282.15	1417485	1834325	1107012
450	FSM 1000, PRIORITY OUTGOING	20389.45	9457877	9758696	9897103
451	FSM 1000, PRIORITY INCOMING	32389.3	13456193	13600240	14060077
461	FSM1000BCR-OUTGOING PRIMARY	1160.86	749928	845972	-135956
462	FSM1000BCR-OUTGOING SECONDARY	304.67	3061	3072	0
463	FSM1000BCR-MANAGED MAIL	79.1	231939	283612	636
464	FSM1000BCR-INCOMING SCF	1189.51	2784719	3007438	265409
465	FSM1000BCR-INCOMING PRIMARY	315.76	467388	581893	28059
466	FSM1000BCR-INCOMING SECONDARY	3477.37	1819164	1987131	866447
811	UFSM 1000 OCR - OUTGOING PRIMARY	130168.02	153807916	190095029	128924672
812	UFSM 1000 OCR - OUTGOING SECONDARY	28939.53	40637357	50208678	26879992
813	UFSM 1000 OCR - MANAGED MAIL	117167.34	147601283	173380087	88142666

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814	UFSM 1000 OCR INCOMING SCF	380975.87	469856596	524681137	500835223
815	UFSM 1000 OCR INCOMING PRIMARY	44467.6	45134588	53598950	52968112
816	UFSM 1000 OCR INCOMING SECONDARY	486222.94	736190245	798113766	536582780
817	UFSM 1000 OCR BOX SECTION	1467.1	4589788	5138651	2049610
818	UFSM 1000 OCR - PRIORITY,OUTGOING	119.03	51193	62230	56869
819	UFSM 1000 OCR - PRIORITY,INCOMING	224.06	746	925	136203
----------	**ldc=13 pool=MECPARC --**				
105	MECHANIZED PARCEL SORTER	202967.61	28379613	29127738	26899311
108	PARCELSORTER-INTERNATIONAL IMPORT	294.72	21970	22090	0
----------	**ldc=13 pool=SPBS OTH -**				
134	SPBS OUTGOING PREF	1789115.78	661125666	669915374	0
135	SPBS OUTGOING STANDARD	513918.45	108511885	111107737	0
136	SPBS INCOMING PREF	4081658.15	1083393952	1096287265	0
137	SPBS INCOMING STD	5122035.74	1267501347	1284858605	0
157	APPS SINGLE INDUCTION - I/C STD	7992.15	407360	407360	0
246	APPS DUAL INCOMING PREF	581.12	214273	230864	0
247	MAIL DUAL INCOMING STD	8843.39	5014523	5615102	0
254	LIPS OUTGOING PREF	39306.05	14593344	14593510	0
255	LIPS OUTGOING STANDARD	45645.05	11634850	11634852	0
256	LIPS INCOMING PREF	215929.54	72011852	72415763	0
257	LIPS INCOMING STANDARD	372380.49	113573065	113895089	0
346	SPBS INTERNATIONAL EXPORT	847.76	53316	55153	0
434	SPBS-BCR OUTGOING PREF	25182.79	10410990	10579553	0
437	SPBS-BCR INCOMING BBM	445.19	3677850	4456717	0
----------	**ldc=13 pool=SPBSPRIO -**				
104	GLOBAL PRIORITY MAIL-EXPORT	2251.83	273016	295630	1
138	SPBS-PRIORITY, OUTGOING	1180534.64	306197543	309883056	286889294
139	SPBS-PRIORITY, INGOMING	1364571.88	428288570	432519521	409979080
158	APPS SINGLE INDUCTION-PRIORITY O/G	6207.54	311353	311353	613361
159	APPS SINGLE INDUCTION-PRIORITY I/C	368	0	0	0
248	MAIL DUAL PRIORITY - OUTGOING	4930.75	2400466	2520082	2138126

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249	MAIL DUAL PRIORITY - INCOMING	721.13	600830	651470	235805
258	LIPS/RAPISTAN - PRIORITY, OUTGOING	58132.54	14620295	14686730	12304483
259	LIPS/RAPISTAN - PRIORITY, INGOMING	101356.46	25210997	25281443	22084519
438	SPBS-BCR-PRIORITY, OUTGOING	2374.29	1131392	1219144	1194581
439	SPBS-BCR-PRIORITY, INCOMING	8.27	0	0	2997
----------	**ldc=13 pool=1SACKS_M -**				
238	MECHANIZED SORT-SACK/OUTSIDES	558627.66	112704347	112704347	0
239	MECHANIZED SORT-SACK/OUTSIDES	310683.77	38415173	38417210	0
----------	**ldc=13 pool=1TRAYSRT -**				
618	LOW COST TRAY SORTER - OUTGOING	1321878.36	136666416	136669472	0
619	LOW COST TRAY SORTER - INCOMING	2131624.18	194211977	194220599	0
627	ROBOTICS - PEDESTAL	29413.28	6063791	6069065	0
628	ROBOTICS - GANTRY OUTGOING	194161.12	24086237	24087572	0
629	ROBOTICS - GANTRY INCOMING	322271.77	37262202	37272741	0
----------	**ldc=14 pool=MANF ---**				
060	MANUAL FLT-OUTGOING PRIMARY	564039.84	255011636	0	207734837
062	MANUAL FLT-INTERNATIONAL EXPORT	50891.23	3670424	0	2881334
063	MANUAL FLT-INTERNATIONAL IMPORT	2116.82	505	0	505
069	RIFFLE FLAT MAIL	36089.5	11660220	0	9631992
070	MANUAL FLT-OUTGOING SECONDARY	177659.16	64338051	0	21165031
073	MANUAL FLT-STATE DISTRIBUTION	305297.62	118416393	0	92751186
074	MANUAL FLT-SCF DISTRIBUTION	1525431.59	708436845	0	566049238
075	MANUAL FLT-BULK BUSINESS	54872.34	23086491	0	19833598
170	MANUAL FLT-INCOMING PRIMARY	764489.85	285455220	0	206654135
175	MANUAL FLT-INCOMING SECONDARY	3152322.21	1347456606	0	539050281
178	MANUAL FLT-PRIMARY BOX	371563.37	161992120	0	77433096
179	MANUAL FLT-SECONDARY BOX	119270.76	71975413	0	16370232
----------	**ldc=14 pool=MANL ---**				
029	RIFFLE LETTER MAIL	199311.86	143265205	0	85019968
030	MANUAL LTR-OUTGOING PRIMARY	9288267.79	3923950073	0	2500673985
032	MANUAL LTR-INTERNATIONAL EXPORT	9810.69	19331569	0	16014734

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033	MANUAL LTR-INTERNATIONAL IMPORT	9767.27	6858992	0	3711120
040	MANUAL LTR-OUTGOING SECONDARY	1565688.72	985847790	0	131085527
043	MANUAL LTR-STATE DISTRIBUTION	2644926.43	1396765341	0	894730505
044	MANUAL LTR-SCF DISTRIBUTION	3996572.98	2711549183	0	1572593435
045	MANUAL LTR-BULK BUSINESS	476578.88	340330355	0	301143239
150	MANUAL LTR-INCOMING PRIMARY	2762846.94	1338961854	0	688464306
160	MANUAL LTR-INCOMING SECONDARY	4170022.89	2690292211	0	572028920
168	MANUAL LTR-PRIMARY BOX	1731756.57	550219429	0	126077404
169	MANUAL LTR-SECONDARY BOX	926643.22	507068711	0	95683106
----------	**ldc=14 pool=MANP ---**				
100	MANUAL PARCELS-OUTGOING	371876.43	172072010	0	164803867
102	MANUAL PARCELS-INTERNATIONAL EXPORT	8022.37	557540	0	344312
103	MANUAL PARCELS-INTERNATIONAL IMPORT	4878.77	536913	0	536913
130	MANUAL PARCELS-SCF DISTRIBUTION	431255.03	123986809	0	119387458
200	MANUAL PARCELS-INCOMING	1149782.97	402202877	0	370695883
320	O/G PRIMARY PARCEL - OUTSIDES	107294.16	21339456	0	20923549
325	I/C PRIMARY PARCELS - OUTSIDES	171605.76	27177539	0	24298359
----------	**ldc=14 pool=PRIORITY -**				
050	PRIORITY-MANUAL OUTGOING	1605195.47	486953217	0	407767607
051	O/G PRIMARY FLATS - PRIORITY	222238.38	115106034	0	102484945
052	O/G SECONDARY FLATS - PRIORITY	40221.17	17112839	0	10478069
053	IC/PRIMARY FLATS - PRIORITY	163192.44	90817074	0	85514237
054	I/C SECONDARY FLATS - PRIORITY	13041.82	9538526	0	2996215
055	PRIORITY MANUAL INCOMING	981766.37	430890299	0	398130343
321	O/G PRIMARY PARCEL - PRIORITY	1777815.38	453468896	0	423876871
322	O/G SECONDARY PARCELS - PRIORITY	315456.57	112242577	0	46898094
324	I/C PRIMARY PARCELS - PRIORITY	1387053.91	444356799	0	419826453
326	I/C SECONDARY PARCELS - PRIORITY	212927.13	61728814	0	19088948
----------	**ldc=15 pool=AFSM100 --**				
381	VCS FLATS KEYING - CAREER	217454.87	577961123	22867264	0
389	REC FLAT VCS KEYING	1841582.27	1841411909	1841411909	0

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MOD #	NAME	MODHRS	TPH	TPF	FHP
---------- ldc=15 pool=LD15 ---					
081	COA FORMS KEYING	24889.51	1818944	1818944	0
082	PARS IMAGE KEYING	105892.45	36759022	36759022	0
384	RBCS LETTER KEYING - TRANSITIONAL	60547.89	76485	76485	0
387	REC APPS VCS KEYING	19265.76	5616880	5616880	0
775	RBCS KEYING	6209999.5	5170815665	5170815665	0
776	LETTER MAIL LABELING MACHINE	582476.7	1846521208	1846521208	0
---------- ldc=17 pool=1CANCEL --					
010	HAND CANCELLATIONS	1627384.09	2305807282	0	0
011	MICRO MARK	183285.44	828106947	0	0
012	M - 36	15737.7	22525562	0	0
013	MARK II/HALF MARK	118732.61	441168076	0	0
014	FLYER	209221.43	673128541	0	0
015	ADVANCED FACER CANCELLER SYSTEM	1653763.99	27324046187	27324046187	0
016	FLAT CANCELLATIONS	333955.69	216515020	0	0
017	CANCELLING OPERATIONS MISC	2866109.6	412	0	0
019	TABBER	192290.4	217663991	0	0
066	AFCS VIDEO FACING MODE	41664.69	512367628	562230528	0
067	AFCS CANCELLED MODE	18129.83	312287267	312287267	0
---------- ldc=17 pool=1DSPATCH -					
124	DISPATCH UNIT -OUTGOING	2479767.56	216765715	0	0
125	DISPATCH UNIT -OUTGOING	810866.98	144475579	0	0
126	DISPATCH UNIT -INCOMING	1604715.49	114275483	0	0
127	DISPATCH UNIT -INCOMING	640862.83	54870040	0	0
128	OPENING UNIT/DISPATCH UNIT - ADC	784192.05	66541176	0	0
129	OPENING UNIT/DISPATCH UNIT - ADC	414761.05	4336694	0	0
---------- ldc=17 pool=1FLATPRP -					
035	FLAT MAIL PREPARATION	8722445.84	15416135525	0	0
---------- ldc=17 pool=1MTRPREP -					
020	METERED MIXED PREPARATION	830552.66	12703802650	0	0
021	METERED LETTER PREPARATION	154230.76	18409827614	0	0

Response of United State . ..tal Service Witness Bozzo
To Interrogatory of Time Warner Inc.
Redirected from Witness Van-Ty-Smith

MOD #	NAME	MODHRS	TPH	TPF	FHP
022	METERED FLAT PREPARATION	10527.37	2566310868	0	0
----------	**ldc=17 pool=1OPBULK --**				
115	OPENING UNIT-OUTGOING,STANDARD	710996.64	6471882763	0	0
116	OPENING UNIT-OUTGOING,STANDARD	183907.88	878197699	0	0
117	MANUAL TRAY SEPARATION-STANDARD	1522403.28	5788002973	0	0
185	OPENING UNIT-INCOMING,STANDARD	3639119.97	17432701699	0	0
186	OPENING UNIT-INCOMING,STANDARD	984959.86	4447409010	0	0
----------	**ldc=17 pool=1OPPREF --**				
110	OPENING UNIT-OUTGOING,PREF	4311226.69	15485610786	0	0
111	OPENING UNIT-OUTGOING,PREF	783262.01	4302794060	0	0
112	MANUAL TRAY SEPARATION-PREF	3309860.13	14057381963	0	0
180	OPENING UNIT-INCOMING,PREF	6558813.25	47715235509	0	0
181	OPENING UNIT-INCOMING,PREF	2145840.25	8371217057	0	0
328	PRIORITY MAIL SHAPE SEP - ORIGIN	118651.98	399342	5284	-1014
329	PRIORITY MAIL SHAPE SEP-DESTINATION	87784	130310	0	0
343	OPENING UNIT-INTERNATL EXPORT	7211.14	15414631	0	0
344	OPENING UNIT-INTERNATL IMPORT	37634.24	2517824	0	0
----------	**ldc=17 pool=1OPTRANS -**				
114	MANUAL TRANSPORT/WEIGH (IN-HOUSE)	4035665.67	3732157246	0	0
----------	**ldc=17 pool=1PLATFRM -**				
210	PLATFORM INBOUND	9854051.13	34132464	0	0
211	PLATFORM INBOUND	2968138.65	1522147	0	0
212	PLATFORM OUTBOUND	4123773.65	4653376	0	0
213	PLATFORM OUTBOUND	964675.33	478196	0	0
214	MANUAL TRANSPORT/WEIGH	962942.14	4416	0	0
229	EQUIPMENT OPERATOR-TOW	10031399.76	5004	0	0
230	EQUIPMENT OPERATOR-FORKLIFT	3762936.75	52629	0	0
231	EXPEDITER	7710846.62	469161	0	0
351	PLATFORM INTERNATIONAL	14795.13	305860	0	0
454	CODE/BILL/DISPATCH-INTERNATIONAL	4750.92	70077	0	0

Response of United State , ostal Service Witness Bozzo
To Interrogatory of Time Warner Inc.
Redirected from Witness Van-Ty-Smith

MOD #	NAME	MODHRS	TPH	TPF	FHP
----------	**Idc=17 pool=1POUCHNG -**				
120	POUCHING OUTGOING	2129405.31	47688881	0	0
121	POUCHING OUTGOING	780516.5	37797310	0	0
122	POUCHING INCOMING	809572.68	52471974	0	0
123	POUCHING INCOMING	513085.24	21132005	0	0
345	POUCHING INTERNATIONAL	32988.66	1556419	0	0
----------	**Idc=17 pool=1PRESORT -**				
002	PRESORT FCM/PER	299404.8	2288808448	0	0
003	PRESORT STANDARD	91444.79	1355853479	0	0
----------	**Idc=17 pool=1SACKS_H -**				
235	MANUAL SORT-SACK/OUTSIDES	3960242.87	481127066	0	0
----------	**Idc=17 pool=1SCAN ---**				
118	ACDCS/SAMS	535220.7	16071114	0	0
208	SWYB/SASWYB	1564863.35	87702154	0	0
209	AAA/ATS	468591.16	29079528	0	0
----------	**Idc=18 pool=BUSREPLY -**				
930	BUSINESS REPLY/POSTAGE DUE	1028839.46	130451491	0	0
----------	**Idc=18 pool=EXPRESS --**				
131	EXPRESS MAIL DISTRIBUTION	1462576.37	90135076	0	0
669	EXPRESS MAIL DISTRIBUTION	1311174.01	84084688	0	0
793	EXPRESS MAIL DISTRIBUTION	325842.99	8153035	0	0
----------	**Idc=18 pool=REGISTRY -**				
585	REGISTRY SECTION	3910932.79	130729216	0	0
586	REGISTRY SECTION	356437.16	75498341	0	0
587	REGISTRY SECTION	62960.63	220880	0	0
588	REGISTRY SECTION	128617.75	2151793	0	0
589	REGISTRY SECTION	95152	7934340	0	0
590	REGISTRY SECTION	101443.91	363551	0	0
----------	**Idc=18 pool=REWRAP --**				
109	DAMAGED PARCEL REWRAP	677141.05	286405	0	0

Response of United State ...tal Service Witness Bozzo
To Interrogatory of Time Warner Inc.
Redirected from Witness Van-Ty-Smith

MOD #	NAME	MODHRS	TPH	TPF	FHP
----------	**ldc=18 pool=1SUPPORT -**				
798	MISCODED/UNCODED MAIL	289735.15	2360531	0	0

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-1.

Please assume that a certain postal cost is a function of the volume of two identifiable types of mail, A and B. This can be expressed in mathematical terms as follows:

$$C = F(V_A, V_B, \lambda)$$

where C is the cost, V_A is the volume of mail type A, V_B is the volume of mail type B, and λ is all other factors affecting costs, such as factor prices.

a. Would you agree that the marginal cost of A is defined by the partial derivative of C with respect to V_A? That is,

Marginal cost of a change in volume A = $\partial C/\partial V_A$?

If you do not agree, please define the marginal cost of A in the above equation.

b Would you agree that the marginal cost of B is defined by the partial derivative of C with respect to V_B? That is,

Marginal cost of a change in volume B = $\partial C/\partial V_B$?

If you do not agree, please define the marginal cost of B in the above equation.

Response.

a -b Agreed. See USPS-T-12 at 18-22 (especially equation 3, p. 18), and also LR-K-1, Appendix H, for additional discussion of how the Postal Service's cost methodology equates unit volume-variable cost with marginal cost.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-2.

Please refer to your testimony (USPS-T-12) at page 3, Table 1. There you indicate that the volume variability for the mail processing cost of manual flats is 0.90.

a. For the 10 percent of the mail processing cost that is not volume variable under your treatment, please explain the nature of the activities engaged in by those persons manually sorting flat-shaped mail that accounts for this non-volume variable cost. That is, please describe the characteristics that result in this variability of less than 1.00, focusing on reasons why the cost of manually sorting flats does not increase proportionately with volume. If certain activities in the Management Operating Data System ("MODS") cost pool for manual flat sortation (with associated costs) tend not to grow when volume increases, or tend to grow more slowly than volume, please identify these activities and explain why they (and their costs) do not change proportionately with volume.

b. Please explain how economic theory would classify this non-volume variable cost in the MODS cost pool for manual flat sortation; *e.g.*, as fixed, semi-fixed, avoidable, non-avoidable, common, joint, etc. Please use as many descriptive terms as you believe are appropriate.

c. Would you agree that it would be appropriate to classify the non-volume variable costs in the MODS cost pool for manual flat sortation as costs that are incremental to the sorting of flats? If you do not agree, please explain fully, and if you consider these costs incremental to some function other than flats sortation, please indicate what that function is.

d Instead of a small change in volume, please suppose the system experienced a large increase in the volume of flats, so that, say, the volume to be sorted doubled, and additional capacity (*e.g.*, buildings, equipment, and people) were needed to handle it. Do you agree that the unit additional cost would be larger than the unit volume variable cost you find in your analysis, and that it might well be as large as the unit volume variable cost associated with a finding of 100 percent volume variability in your analysis? If you do not agree, please explain all reasons why you do not agree.

Response.

a. Please see the response to ABA&NAPM/USPS-T21-2.

b. Insofar as volume-variable costs are costs causally related to mail volumes in the sense of economic marginal cost, non-volume-variable costs are those costs not causally related to mail volumes in the marginal cost sense.

c. If the Postal Service completely eliminated its flat sorting operations, then presumably the total costs of flat sorting operations would be avoidable.

d. No. In economic theory, relaxing the constraint "quasi-fixed" factors (which is not necessarily a unique feature of "large" versus "small" variations in volume) would offer a firm the ability to realize lower costs than it could otherwise achieve, assuming its adjustments were cost-minimizing (or at least cost reducing).

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-3.

Please refer to your testimony at page 3, Table 1. There you indicate that the volume variability for the mail processing cost of manual letters is 0.87.

a. For the 13 percent of the mail processing cost that is not volume variable under your treatment, please explain the nature of the activities engaged in by those persons manually sorting letter-shaped mail that accounts for this non-volume variable cost. That is, please describe the characteristics that result in this variability of less than 1.00, focusing on reasons why the cost of manually sorting letters does not increase proportionately with volume. If certain activities in the MODS cost pool for manual letter sortation (with associated costs) tend not to grow when volume increases, or tend to grow more slowly than volume, please identify these activities and explain why they (and their costs) do not change proportionately with volume.

b. Please explain how economic theory would classify this non-volume variable cost in the MODS cost pool for manual letter sortation; *e.g.*, fixed, semi-fixed, avoidable, non-avoidable, common, joint, etc. Please use as many descriptive terms as you believe are appropriate.

c. Would you agree that it would be appropriate to classify the non-volume variable costs in the MODS cost pool for manual letter sortation as costs that are incremental to the sorting of letters? If you do not agree, please explain fully, and if you consider these costs incremental to some function other than letter sortation, please indicate what that function is.

d Please explain what functions, activities, or other factors cause the non-volume variable cost in the MODS cost pool for manual letters to be 30 percent higher than the non-volume variable cost in the MODS cost pool for manual flats.

Response.

a Please see the response to ABA&NAPM/USPS-T21-2.

b. Please see the response to VP/USPS-T12-2(b).

c. Please see the response to VP/USPS-T12-2(c).

d. Given the standard errors of the variabilities for manual letters and manual flats, the three percentage point difference is not statistically significant.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-4.

Please refer to your testimony at page 3, Table 1. There you indicate that the volume variability for the mail processing cost of manual parcels is 0.78.

a. For the 22 percent of the mail processing cost that is not volume variable under your treatment, please explain the nature of the activities engaged in by those persons manually sorting parcels that accounts for this non-volume variable cost.

b. Please explain how economic theory would classify this non-volume variable cost in the MODS cost pool for manual parcels; *e.g.*, fixed, semi-fixed, avoidable, non-avoidable, common, joint, etc. Please use as many descriptive terms as you believe are appropriate.

c. Would you agree that it would be appropriate to classify the non-volume variable costs in the MODS cost pool for manual parcels as costs that are incremental to the sorting of parcels? If you do not agree, please explain fully, and if you consider these costs incremental to some function other than parcel sortation, please indicate what that function is.

d. Please explain what functions, activities, or other factors cause the non-volume variable cost in the MODS cost pool for manual parcels to be 120 percent higher than the non-volume variable cost in the MODS cost pool for manual flats.

Response.

a. Please see the response to ABA&NAPM/USPS-T21-2.

b Please see the response to VP/USPS-T12-2(b).

c Please see the response to VP/USPS-T12-2(c).

d Please see Docket No. R2000-1, USPS-T-16 at 43-44 and 52-53 for a discussion of the differences between the manual flats and manual parcels cost pools.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-5.

Please refer to your testimony at page 3, Table 1. There you indicate that the volume variability for the mail processing cost of manual Priority Mail is 0.76.

a. For the 24 percent of the mail processing cost that is not volume variable under your treatment, please explain the nature of the activities engaged in by those persons manually sorting Priority Mail that accounts for this non-volume variable cost. That is, please describe the characteristics that result in this variability of less than 1.00, focusing on reasons why the cost of manually sorting Priority Mail does not increase proportionately with volume. If certain activities in the MODS cost pool for manual Priority Mail sortation (with associated costs) tend not to grow when volume increases, or tend to grow more slowly than volume, please identify these activities and explain why they (and their costs) do not change proportionately with volume.

b. Please explain how economic theory would classify this non-volume variable cost in the MODS cost pool for manual Priority Mail; *e.g.*, fixed, semi-fixed, avoidable, non-avoidable, common, joint, etc. Please use as many descriptive terms as you believe are appropriate.

c. Would you agree that it would be appropriate to classify the non-volume variable costs in the MODS cost pool for manual Priority Mail as costs that are incremental to the sorting of Priority Mail? If you do not agree, please explain fully, and if you consider these costs incremental to some function other than sortation of Priority Mail, please indicate what that function is.

d. What percentage of the pieces sorted in the MODS cost pool for manual Priority Mail are flat-shaped, and what percentage are parcel-shaped?

e. Please explain what functions, activities, or other factors cause the non-volume variable cost in the MODS cost pool for manual Priority Mail to be 140 percent higher than the non-volume variable cost in the MODS cost pool for manual flats.

Response.

a. Please see the response to ABA&NAPM/USPS-T21-2.

b. Insofar as volume-variable costs are costs causally related to mail volumes in the sense of economic marginal cost, non-volume-variable costs are those costs not causally related to mail volumes in the marginal cost sense.

c. Yes. According to witness Kay's testimony, these costs are treated as product-specific costs of Priority Mail in the Postal Service's incremental

cost model. See USPS-T-18 at 18 and the "ProdSpec" sheet of file IC3-1.xls, USPS-LR-K-72.

d. The MODS piece handlings for the manual Priority Mail sorting operations are not recorded by shape. However, my understanding is that the Priority Mail element of the distribution key for the manual Priority Mail cost pool, by shape, is 1% letters, 28% flats, and 71% parcels. Note, this indicates the proportions of sorting time by shape.

e. Please see the response to VP/USPS-T12-4(d). I believe a more appropriate comparison is with manual parcels, for which the 2 percentage point difference in variabilities is not statistically significant.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-6.
Please refer to your response to VP/USPS-T12-4.
a. What is the variability for manual parcels?
b. What is the variability for manual flats?
c. In view of the variabilities for manual flats and manual parcels provided in response to preceding parts a and b, is the 12 percentage point difference between the two statistically significant?
d. What is the variability for manual letters?
e. In view of the variability for manual letters (provided in response to preceding part d) and manual parcels (provided in response to preceding part a) is the 9 percentage point difference between the two statistically significant?

Response.

a. The manual parcels variability is 0.78. See USPS-T-12 at 3.

b. The manual flats variability is 0.9. See USPS-T-12 at 3.

c. Given the standard errors of the estimated variabilities, the difference between the manual parcels and manual flats variabilities is not statistically significant at commonly used significance levels (i.e., 0.1 or less).

d. The manual letters variability is 0.87. See USPS-T-12 at 3.

e. Given the standard errors of the estimated variabilities, the difference between the manual parcels and manual letters variabilities is not statistically significant at commonly used significance levels (i.e., 0.1 or less).

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-7.
Please refer to your response to VP/USPS-T12-5. In your response to part e of that interrogatory, you state that a more appropriate comparison for manual Priority Mail is with manual parcels, and "the 2 percentage point difference in variabilities is not statistically significant." At the same time, your response to part d of that interrogatory indicates that 29 percent of the time spent on sorting of Priority Mail is spent on non-parcels. Moreover, since parcels require more time to sort than letters or flats, it would seem reasonable to presume that (i) more than 29 percent of volume going through the manual Priority Mail MODS cost pool is letters and flats, and (ii) the volume variability for manual sorting of Priority Mail should be some kind of weighted average of the variabilities for letters, flats, and parcels. Although the 2 percentage point difference in variabilities for parcels and Priority Mail may not be statistically significant, aside from the fact that the MODS data with which you worked are what they are, can you provide any explanation — in terms of mail characteristics, layout of the manual Priority Mail sorting centers, or other operational factors — that would explain why manual sorting of Priority Mail should be less volume variable than the manual sorting of parcels? If so, please provide such explanation(s).

Response.

I do not agree that it is reasonable to assume that manual Priority Mail variability should be a weighted average of letter, flat, and parcel variabilities. Manual letter and flat distribution is performed at cases and involves mailstreams that are much more uniform, by shape, than manual Priority Mail operations. Manual Priority Mail operations, in contrast, tend to involve sorting mixed shapes of mail directly to wheeled containers or sacks. As such, the physical setup of manual Priority Mail operations more closely resembles manual parcel operations. As a result, manual Priority Mail operations (like parcel operations) will tend to involve more set-up and take-down time, which I would expect to be low volume-variability activities, than case distribution operations.

Some operational factors, notably Priority Mail's dispatch and handling priority, may tend to lower the degree of variability for manual Priority Mail operations through effects on waiting time, interruptions of work flow for interim dispatches, or the like. However, I would caution against over-interpreting the small difference in the measured manual parcels and manual Priority Mail variabilities.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-8.

Please refer to your response to VP/USPS-T12-5.

a. In your response to part c of that interrogatory, you note that, according to witness Kay's testimony (USPS-T-18), the non-volume variable costs in the manual Priority Mail cost pool are treated as product-specific costs of Priority Mail. Do you agree with witness Kay's treatment of these non-volume variable product-specific costs as incremental to Priority Mail? If you have any reservations concerning the treatment of these product-specific costs as incremental to Priority Mail, please explain fully.

b. Would you agree that product-specific costs are causally related to the product to which they are specific? If you do not agree, please indicate any reservations that you may have concerning the treatment of product-specific costs as (i) causally related to the product in question, and (ii) incremental to the individual product in question, such as a class of mail.

c. In your opinion, are product-specific costs as causally related to a class of mail as are volume variable costs, or are volume variable costs somehow more causally related to a class of mail than product-specific costs? Please explain the basis for your answer.

d Aside from the manual Priority Mail MODS cost pool, in what other MODS cost pools does witness Kay treat non-volume variable costs as incremental, and for what reason(s) does she classify such non-volume variable costs as incremental?

Response.

a. Yes.

b. Redirected to witness Kay.

c. Redirected to witness Kay.

d. Redirected to witness Kay.

Response of United States Postal Service Witness Bozzo
To Interrogatories of Valpak Direct Marketing Systems, Inc. and
Valpak Dealers' Association, Inc.

VP/USPS-T12-9.
Please refer to your response to VP/USPS-T12-2, part c.
a. Does your response mean that you agree that the non-volume variable costs of sorting manual flats is incremental to flats? Please explain fully any response that is not an unqualified affirmative.
b. Please assume that the Postal Service were to de-commission one facility and consolidate it with another, larger facility, and, in the process, consolidate two manual flats processing units into a single manual flats processing unit with a combined, larger volume of flats. Under these circumstances, would the non-volume variable costs of the de-commissioned manual flats processing unit become avoidable costs?
c. Please assume that a manual flats processing unit sorted only, say, periodicals. Under such a circumstance, would it be appropriate to treat the non-volume variable costs of that manual flats processing unit as incremental to periodicals? That is, would it be appropriate to treat the non-volume variable costs of that unit in a manner similar to the treatment of the non-volume variable costs of manual Priority Mail processing by witness Kay? Please explain fully any response that is not an unqualified affirmative.

Response.

a. Yes, though note that the response to VP/USPS-T12-2(c) does not imply that the non-volume-variable cost of flat operations would be incremental to any Postal Service product as defined by a CRA class or subclass.

b. Not necessarily.

c. Redirected to witness Kay.

RESPONSE OF POSTAL SERVICE WITNESS A. THOMAS BOZZO
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
AND VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS SHAW

VP/USPS-T2-12.

The following is a hypothetical. **First**, assume that in Year T (i) the Postal Service has a moderately acute shortage of automated flat sorting capacity, so that it is unable to sort a significant portion of total flat-shaped pieces on automation equipment, and (ii) pieces not sorted on automation equipment are sorted manually. **Second**, assume that the Postal Service decides that on every occasion when the quantity of flats requiring sortation exceeds the available capacity of automation equipment, the flat-shaped pieces to be sorted manually will be periodicals. As a result of this decision, during Year T, (i) Standard catalogs are sorted most of the time (but not always) on automation equipment, and (ii) periodicals are sorted manually most of the time, with the result that only a small percentage of all periodicals are sorted on automation equipment. **Third**, assume that when Cost and Revenue Analysis ("CRA") costs are developed from the IOCS, the unit mail processing cost of sorting catalogs (almost entirely on automation equipment) is 2.0 cents, and the unit cost of sorting periodicals (mostly manually) is 6.0 cents, and the CVs of these estimates are quite small (less than 5 percent). **Fourth**, assume that mail processing models for flats indicate that the cost of sorting flat-shaped pieces on automation equipment should be approximately 1.8 cents, and the cost of sorting flat-shaped pieces manually should be approximately 8.0 cents; *i.e.*, mail processing models for flats generally support the results for catalogs and periodicals, as developed by the IOCS

a. If the IOCS [sic] produces an estimated unit cost of 6.0 cents for periodicals, as is assumed in this hypothetical, would you infer that the Postal Service's marginal cost of processing periodicals is 6.0 cents? Please explain fully any answer that is not affirmative.

b. If the IOCS [sic] produces an estimated unit cost of 2.0 cents for catalogs, as is assumed in this hypothetical, would you infer such datum that the Postal Service's marginal cost of processing catalogs is 2.0 cents? Please explain fully any answer that is not affirmative.

c. Under the circumstances described here, would it be reasonable to deduce that if catalogs had not been given first priority on the available automation equipment, and periodicals instead had received first priority for automated sorting, the unit mail processing cost for periodicals might have been approximately 2.0 cents? If you do not agree, please explain fully why not.

d. If periodicals had been given priority for automated sorting, and a significant portion of (but not all) catalogs consequently had been sorted manually, would you expect that the unit mail processing cost for catalogs likely would have exceeded the 2.0 cents recorded by the IOCS? If your answer is negative, please explain fully why not.

e. Since the unit mail processing costs for catalogs and periodicals are derived from cost estimates with relatively small CVs, could you infer that the IOCS supports (or enables) the conclusion that the Postal Service's mail

processing cost for periodicals is substantially greater, by about 4.0 cents, than the Postal Service's mail processing cost for catalogs? If you do not agree that such an inference or conclusion would be warranted, please explain fully why not.

f. If mail processing unit costs estimates derived from the IOCS do not provide a valid comparison of the relative unit cost of processing periodicals (6.0 cents in this hypothetical) versus the unit cost of processing catalogs (2.0 cents in this hypothetical), then:
(i) Please indicate how, under the circumstances of this hypothetical, the IOCS might be altered or improved so as to provide a more valid comparison of the relative mail processing costs of catalogs and periodicals (*e.g.*, bigger sample, different sampling procedure, or something else); and
(ii) Please state whether in your opinion any other cost estimation procedure or technique known to you would be likely to provide a more valid comparison of relative mail processing unit costs for catalogs and periodicals than those based on the IOCS sample.

g When a low-cost sorting option has limited capacity, as in this hypothetical, does development of direct cost estimates from IOCS tallies assume that all mail (*i.e.*, all flats, including both catalogs and periodicals) which could be processed using the automation option has an equal chance of appearing in the sample? Unless your answer is an unqualified affirmative, please explain fully what underlying assumptions are made with respect to (i) the probability of pieces appearing in the IOCS sample, and (ii) cost estimates derived from the IOCS sample.

h. As mailers have no control as to whether their mail receives low-cost or high-cost processing, would you agree that under this hypothetical the unit costs for catalogs and periodicals developed by the IOCS depend critically on internal allocation to low-cost (automation) and high-cost (manual) operating modes made solely by the Postal Service?
(i) That is, would you be willing to opine that the 6.0 cent unit cost for periodicals developed by the IOCS might have been as low as 2.0 cents if the Postal Service had allocated first priority on its automated flat sorting capacity to periodicals?
(ii) Under the circumstances of this hypothetical, do you consider the 6.0 cent unit mail processing cost for periodicals as developed by the IOCS to be an unbiased estimate? Please explain any negative response.

i. If your answer to part (ii) of preceding part h is affirmative, please explain all assumptions or conditions that must be satisfied in order to conclude that the cost estimate for periodicals is unbiased.

j. Please explain what you think is fair about the kind of costs that IOCS provides under the circumstances of this hypothetical, including fairness from the point of view of periodical mailers and catalog mailers.

RESPONSE OF POSTAL SERVICE WITNESS A. THOMAS BOZZO
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
AND VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS SHAW

RESPONSE.

Note that if the model costs from the fourth part of the hypothetical scenario are the "true" marginal costs of processing pieces through the automated and manual mailstreams, two cents is the true (expected) marginal cost for a piece with a 96.8% probability of automated processing; six cents implies 32.3% automated handling under the same assumption.

a-b. Assuming the hypothetical costs are obtained in a manner consistent with the response to VP/USPS-T2-3(a), then the unit costs would be interpreted as marginal costs, per the response to VP/USPS-T2-3(b)-(c).

c. In the hypothetical scenario, shifting a portion of Periodicals processing from manual to automated sorting operations should reduce the measured Periodicals mail processing costs. Whether the two cent unit cost could be attained depends on whether the unspecified physical characteristics of the hypothetical Periodicals volume would permit a sufficiently large fraction of the pieces to be processed on automation.

d. In the hypothetical scenario, since manual processing is more costly than automated processing, shifting a portion of catalog processing from automated to manual operations should increase measured catalog mail processing unit costs above two cents.

e. In the hypothetical scenario, four cents is the point estimate of the difference in the measured marginal costs for Periodicals and catalogs.

f. Not applicable.

RESPONSE OF POSTAL SERVICE WITNESS A. THOMAS BOZZO
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
AND VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS SHAW

g. No. IOCS sampling provides estimates of the proportions of clerk and mail handler time spent in various activities, including handling mail of various classes, subclasses, and other characteristics. Accordingly, the probability with which a piece is sampled depends on the amount of time spent handling it; within a cost pool for a particular mail sorting technology. For the development of mail processing distribution keys, the central feature of IOCS sampling is that it provides a random sample of the actual mail handlings in each mail processing cost pool. In the absence of within-operation productivity variations, this implies for the hypothetical scenario that pieces actually processed on automated sorting equipment (or, similarly, in manual operations) have an equal chance of appearing in the sample data for the automated sorting operation.

h It is not necessarily true that mailers have "no" control over how their mail actually is handled. Nevertheless, the hypothetical scenario suggests that both the actual and measured costs for catalogs and Periodicals depend on the relative extents to which the volumes are processed in the lower cost automated sorting operation.

(i) See the response to part (c).

(ii) As noted above, the 6.0 cent unit cost is consistent with a particular allocation of pieces to (or probability of handling in) the automated and manual operations. If the marginal piece is handled according to that

allocation, then the 6.0 cent measured cost is accurate. See also the response to VP/USPS-T2-2(c)-(e).

i. See the response to part g(ii).

j. In the hypothetical, the assumed IOCS-based CRA mail processing unit costs appear to accurately reflect a pattern of high- and low-cost handlings consistent with the description of the scenario. Since the scenario does not state a reason for the allocation of catalog and periodical handlings, whether the results are "fair" cannot be determined from the hypothetical.

RESPONSE OF POSTAL SERVICE WITNESS A. THOMAS BOZZO
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
AND VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS SHAW

VP/USPS-T2-13.

Please refer to VP/USPS-T2-12, as this interrogatory is intended as a follow-on to that hypothetical. Assume that in the subsequent year, Year T+1, (i) the Postal Service's automation flat processing capacity is unchanged from Year T, (ii) the volume of periodicals is unchanged from Year T, and (iii) the volume of catalogs increases by 5 percent over the volume in Year T. Further assume that most of the increase in catalog volume is processed on automation flat processing equipment, which is made possible by assigning an even larger share of periodicals to manual processing. In Year T+1, the unit mail processing costs for catalogs and periodicals, as developed by the IOCS, are 2.0 cents and 7.0 cents, respectively. The CVs again are less than 5 percent.

a. Since the unit cost of catalogs was not observed to increase from the previous year, while the volume did increase by 5 percent:
   (i) Would the best estimate of the Postal Service's marginal processing cost for the additional catalogs be 2.0 cents each?
   (ii) Would the Postal Service's incremental processing cost arising from the additional volume of catalogs, X, be equal to $0.02 multiplied by X?
   Unless your responses to (i) and (ii) are affirmative, in each instance, please explain fully why not, and indicate what inferences can be drawn from the IOCS cost estimates concerning the marginal and incremental processing cost for the additional catalog volume.

b. Although the volume of periodicals did not increase in Year T+1, the unit mail processing cost, as estimated by the IOCS, did increase, from 6.0 to 7.0 cents. On the basis of these IOCS-generated data, should the estimated marginal processing cost of periodicals be adjusted upwards by 1.0 cents? Unless your response is an unqualified affirmative, please explain fully why not, and indicate what inferences can be drawn from the IOCS cost estimates concerning the marginal cost of processing periodicals in year T+1.

RESPONSE.

a

i. According to the hypothetical scenario, the measured marginal cost for catalogs is 2.0 cents. The salient detail is that the CRA unit volume-variable cost is economically interpreted as marginal cost; see also the response to VP/USPS-T2-12(a)-(b).

ii. Technically, $0.02X is the volume-variable cost of the catalog volume increment X. If, hypothetically, the marginal catalog processing cost is constant for the entire catalog volume increment, then the volume-variable cost and the incremental cost of the additional X pieces would be equal.

b The hypothetical scenario implies that the measured marginal cost for periodicals increases by one cent between year T and year T+1.

RESPONSE OF POSTAL SERVICE WITNESS A. THOMAS BOZZO
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC.,
AND VALPAK DEALERS' ASSOCIATION, INC.
REDIRECTED FROM WITNESS SHAW

VP/USPS-T2-14.

Please refer to the hypothetical in VP/USPS-T2-12 and assume, as there, that (i) the clerk and mailhandler time required to process manually a given quantity of periodicals (*e.g.*, 1 billion) is approximately threefold the amount of time required to sort the same quantity (1 billion) of catalogs on automation equipment, and (ii) these time differentials are reflected in both the "direct" IOCS tallies, as well as mail processing costs generated from those IOCS tallies.

a. Is the cost of moving empty equipment distributed in proportion to the number of direct tallies when processing the mail (and in proportion to the cost of those direct tallies)?
   (i) If so, does the IOCS cost allocation procedure make an assumption (explicit, implicit or otherwise) that the cost of moving empty equipment associated with 1 billion periodicals is approximately three times the cost of moving empty equipment associated with 1 billion catalogs?
   (ii) If not, please describe how the cost of moving empty equipment is distributed under the circumstances of the hypothetical and explain the assumptions and rationale that underlie and justify the procedure used.

b. Is the cost associated with tallies other than direct handling tallies (*e.g.*, "indirect" tallies such as moving mixed mail, on break, etc.) distributed in proportion to the number of direct tallies when processing the mail (and in proportion to the cost of those direct tallies)?
   (i) If so, does the IOCS cost allocation procedure make an assumption (explicit, implicit, or otherwise) that when processing 1 billion periodicals such indirect costs are approximately three times the costs associated with processing of catalogs?
   (ii) If not, please describe how the cost associated with such indirect tallies is distributed under the circumstances of the hypothetical and explain the assumptions and rationale that underlie and justify the procedure used.

c. When the final cost estimates for Segments 3.1 and 6.1 include the costs of all "not-handling" tallies that are distributed on the basis of "handling-mail" tallies, what assumptions and conditions are necessary in order to preclude bias in the resulting cost estimates such as those shown in your Tables 1 and 2?

RESPONSE.

a. Please see witness Van-Ty-Smith's response to VP/USPS-T2-9.

   i. No such assumption is made.

   ii. As witness Van-Ty-Smith notes in Section B.2.3 of USPS-T-11, the cost of handling empty equipment is distributed to subclasses by item and container type and generally within a cost pool. Since automated cost pools

are separate from manual cost pools, the cost of handling empty equipment in a manual cost pool is distributed in proportion to item and container "handling" tallies observed in the manual operation, primarily to periodicals in the hypothetical. Similarly, the cost of handling empty equipment in the automated cost pool would hypothetically be distributed primarily to catalogs.

Assuming further that the "true" empty equipment costs related to handling the hypothetical one billion pieces depend on the number of pieces and not the processing method, then stratifying the empty equipment distributions by cost pool has the desirable result that the empty equipment costs distributed to catalogs and periodicals would be approximately the same. In contrast, a method that pooled the empty equipment tallies and handling tallies across item types and cost pools would tend to over-distribute empty equipment costs to the mail handled in the manual operation under the hypothetical circumstances. The basic rationale is one of distributing costs according to the mail handlings that drive the costs. See Docket No. R97-1, USPS-T-12 at 6-10, Tr. 26/14163 (UPS witness Sellick); PRC Op., Docket No. R97-1, at 134-136.

b. See the response to VP/USPS-T2-9.

i. No such assumption is made.

ii. The relative amounts of mixed-mail and not-handling costs distributed to various mail categories in the Postal Service's mail processing cost methodology depend on the underlying patterns of causation between handling activities (which include distributed mixed-mail tallies for not-handling distributions) and mixed-mail and not-handling activities. If in the hypothetical break costs are assumed to be incurred in direct proportion to processing time, then IOCS sampling will result (neglecting sampling

variation) in manual break tallies in proportion to manual processing time, and automated break tallies in proportion to automated processing time. The break costs in each operation are then distributed in proportion to the handlings by subclass in the operation, which "cause" the working time. (Note, assuming the model costs from the VP/USPS-T2-12 hypothetical represent the "true" costs of manual and automated processing, then the cost of processing one billion handlings in the manual operation would actually be 4.44 times [8 cents/1.8 cents] greater than the cost of one billion handlings in the automated operation; however, as is noted in the response to VP/USPS-T2-12, the hypothetical costs appear to imply some automated handling for periodicals and a small fraction of manual handling for catalogs.)

In the case of a not-handling or mixed-mail activity that did not vary in direct proportion to other work time, IOCS sampling would produce a different proportion of tallies for those activities, and the proportions of distributed costs would vary accordingly. There is no predetermined "assumed" proportion of distributed costs. Costs incurred largely in proportion to the number of pieces, rather than processing time—e.g., bringing containers of mail to be processed (typically recorded as mixed-mail in IOCS) from staging areas to the operation—will tend to be distributed as described in the response to part a(ii). The rationale for this method is as described in the response to part a(ii).

c. With respect to the Postal Service's methodology, see PRC Op., Docket No. R97-1, at 130-132 and 136-140. This directly addresses mail processing. However, the segment 6.1 costs are also an example of the "distribution key" method, and so the general rationale for the distribution

key method applies. See also LR-K-1 at 6-2 to 6-3, and the responses to VP/USPS-T2-2(c)-(e) and VP/USPS-T2-11(b).

To the extent the question encompasses mail processing cost methodologies other than that employed by the Postal Service, I am not aware of general assumptions needed to eliminate bias under alternative mail processing cost methods. However, as the Commission noted in Docket No. R97-1 (PRC Op., Docket No. R97-1, ¶ 3161), "[t]here is general agreement that direct IOCS tallies remain a biased key for distributing mixed mail and not handling costs under the established method [for mail processing prior to Docket No. R97-1]."

CHAIRMAN OMAS: At this point, I'm going to add an answer. Witness Bozzo provided to me a presiding officer's information request. It is POIR6, Question 8. The answer to this question identifies Library Reference USPS-LR-K135 as containing requesting material.

Witness Bozzo, would your answers to these questions be the same as you have previously provided in writing?

THE WITNESS: They would.

CHAIRMAN OMAS: Do you sponsor Library Reference K135?

THE WITNESS: I do.

CHAIRMAN OMAS: I am now handing two copies to the reporter of the answers you provided and direct that it be admitted into evidence and transcribed.

(The document referred to was marked for identification as Exhibit No. POIR6, Question 8 and was received in evidence.)

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RESPONSE OF POSTAL SERVICE WITNESS BOZZO
TO POIR NO. 6, QUESTION 8

8. As noted on page 10 of USPS-LR-K-56, "The Postal Service provides the data on IBM 3480-compatible cartridge tapes. The [Installation Master File] IMF data were provided by AP for PFY 1999-2003, and on a monthly basis starting in PFY 2004." For the MODS Operation Groups, variables, and time period (FY 1999-2004) used in USPS-T-12:

(a) Please provide MODS data disaggregated by postal accounting period (AP) for PFY 1999-2003.

(b) Please provide MODS data disaggregated by month for the same MODS Operation Groups and variables used in USPS-T-12 for PFY 2004.

RESPONSE:

Please note that while the LR-K-56 datasets use source data of various frequencies, the MODS data frequency for the entire period employs postal quarters based on the "old" Postal Service fiscal calendar. See USPS-T-12 at 38-39. I was able to obtain monthly MODS data for FY 2004 (October 2003-September 2004) to fulfill the information request, but please note that the LR-K-56 MODS data for FY 2004 are consistent with the AP-frequency data provided in response to part (a) rather than the monthly data provided in response to part (b).

(a) Please see the spreadsheet file mods-ap9904.xls, to be filed with USPS-LR-K-135, for the requested data. The mods-ap9904.xls file provides AP frequency data through what would have been AP 13, FY 2004 by the "old" Postal Service fiscal calendar.

(b) Please see the spreadsheet file mods-mth04.xls, to be filed with USPS-LR-K-135, for the requested data.

CHAIRMAN OMAS: Is there any additional written cross-examination for witness Bozzo?

(No response.)

CHAIRMAN OMAS: There being none, this brings us to oral cross-examination. Four parties have requested oral cross-examination: American Bankers Association and the National Association of Presort Mailers, Major Mailers Association, Office of the Consumer Advocate, and Valpak Direct Marketing Systems, Inc. and Valpak Dealers Association, Inc.

Mr. Hart, would you begin, please?

MR. HART: Thank you. Henry Hart, representing the American Bankers Association and the National Association of Presort Mailers.

CROSS-EXAMINATION

BY MR. HART:

Q Good afternoon, Dr. Bozzo.

A Good afternoon, Mr. Hart.

Q Could you please turn to your response to ABA&NAPM/USPS-T13, No. 5, redirected from Mr. Smith, the response that you just corrected a minute ago.

A I have it.

Q Thank you. In subparagraph (a) of that response you note that 28 cost pools which were in both base year 2000 and base year 2004 have lower

volume variability in 2004 than in 2000, then you state that the cost pools are the finest level of operations for which variability factors are estimated.

Am I correct that by that statement cost pools are the finest level of operations for which variability factors are estimated? That means that you did not calculate volume variability at the disaggregated operation code levels, but rather at the cost pool level?

A Correct. That's the meaning of the statement.

Q Do you agree that had you calculated volume variability at the disaggregated operation code level instead of at the aggregate cost pool level that the resulting volume variabilities for a cost pool might be higher or lower?

A It's possible that it could be higher or lower under those circumstances.

(The document referred to was marked for identification as ABA&NAPM/USPS-T12-Cross-Exam Exhibit No. 1.)

BY MR. HART:

Q I'd like to show you a document that I've

marked ABA&NAPM/USPS-T12-Cross-Exam Exhibit No. 1. Mr. Warden is going to give copies to the Commissioners. I did show your counsel a copy of this cross-examination exhibit two days ago. Have you had an opportunity to look at it?

A I have.

Q I'd like to ask you just a few questions on that if I might. Let me let the Commissioners get a chance to get it in front of them. In this hypothetical which you have in front of you we've assumed that a cost pool has four operation codes and the total hours for all operations codes total 1,000. Could you please look at Example 1 in that hypothetical?

If you use the volume variability that we've assumed in that example for each operation code -- that is 100 percent volume variability for Operation Code 1, 100 percent for Operation Code 2, 100 percent for Operation Code 3 and 20 percent for operation Code 4 -- if you assume those volume variabilities for each of those operation codes can you confirm the following for me?

First, that if you calculate volume variability at the aggregate cost pool level in that Example 1 you get a volume variability of 80 percent?

A I would not confirm that.

Q Could you explain why you wouldn't?

A The 80 percent figure which is in my opinion incorrectly labeled USPS average volume variability appears to be calculated by taking the unweighted arithmetic mean of the cost pool level variability which is not how the Postal Service method works.

Q How do you do it?

A Well, the Postal Service methodology is based on a regression analysis and a simple example might serve to illustrate how the Postal Service method works in this case. Presumably in your Example 1 there is a certain volume that's associated with the 1,000 total work hours for the cost pool.

It's also the case that if we take the variabilities that you list as being the true variabilities in Example 1 that for instance the 100 percent variability for Operation 1, 2 and 3 implies that for any one percent increase in volume there would be a corresponding one percent increase in cost, whereas for Operation 4 which is assumed to have a 20 percent variability a one percent increase in volume would have a two-tenths of a percent increase in cost.

That's the product of the variability and the changing volume. So if we hypothetically

introduce the second data point, and just for the sake of simplifying the math -- it's something I can do in my head -- let's say that you had a second data point with 10 percent more volume than goes under the 1,000 hours in Example 1.

Q When you say *data point* could you help me on that? I don't want to interrupt you, but just --

A Sure. Regression uses multiple observations of a dependent variable which in this case is work hours and a number of independent variables which include cost drivers and other factors that explain volumes, so these observations are used to sit a line whose slope in the volume direction provides the estimate of the volume variability factor.

So if you'll consider a case where you had 10 percent more volume than is associated with the 1,000 hours with the Example 1 variabilities, then that increase of 10 percent in volume would add 30 hours to Operation 1 which is 10 percent of 300, 20 hours to Operation 2, 10 hours to Operation 3 and then eight hours to Operation 4 which is two percent of 400.

So there's a 10 percent increase in volume which turns into a two percent increase in hours and two percent of the 400 hours is eight hours.

Q Twenty percent of 40?

A Well, there's a 10 percent increase in volume, so there's a two percent increase in hours which is 20 percent of the increase in volume, so then the two percent increase relative to the 400 hours is eight hours.

So if you add up the increase in hours associated with that 10 percent increase in volume you've got 30 plus 20 plus 10 plus 8, 68 hours, which is 6.8 percent of the 1,000 hours in the first observation. Now, if you have two data points the regression analysis is very simple.

A regression in that case simply sits a line through the two data points. In this case, the variability which is the percentage change in the rise over the percentage change in the run is 6.8 percent divided by 10 percent or exactly the 68 percent that is given as the true weighted average volume variability on the line below the 80 percent.

So what I would represent is given is that the Postal Service's method estimates the true weighted average volume variability under the simplifying assumptions of this hypothetical.

Q In fact, do you use that second data point in your process?

A Well, in this case because the reality of mail processing operations is more complex in this hypothetical there are several thousand data points underlying the analyses in general and there are a number of explanatory variables in addition to volume, but the basic principle is the same.

Q So you do measure your volume variability at the cost pool level? That's what your sentence in the response interrogatory says?

A Yes. So in measuring at its cost pool level I'm measuring what you described as the weighted average volume variability.

Q Even though you measured at the cost pool level you think you're reflecting a weighted average effect at the operation code level?

A Yes. For exactly the reasons I just described and the example I gave.

Q What would happen if you just did the analysis at the operation code level?

A If I did the analysis at the operation code level in this example I would expect, barring any other complications that if this were the true pattern of volume variabilities I would get estimates that were approximately 100 percent for Operations 1 through 3 and 20 percent for Operation 4.

Q In general in this case for all these volume variabilities that you calculated for all the cost pools, had you done it at the operation code level and taken your typical cost pool and had you then added up the result of those four volume variabilities that you got -- assuming that there were four operation codes -- would the volume variability be higher or lower than what you did in this case which is to measure the volume variability at the cost pool level?

A I don't know any reason to expect that the difference between the econometric estimate at the cost pool level and the weighted average of the results at the operation level would systematically differ in any way. No.

Q I think you told me before we started the hypothetical that --

CHAIRMAN OMAS: Excuse me, Mr. Hart. Would you speak directly into the mic. We're losing you on our transmission.

MR. HART: Thank you.

BY MR. HART:

Q You did say did you not before we started the discussion, the hypothetical, that you thought it was possible that you might have gotten either higher or lower volume variabilities had you measured them on

the operation code level instead of at the cost pool level?

A It's technically possible. Yes. Again, there's just no direction of bias that you could identify and moreover generally you would expect that -- or specifically you expect that on average you would estimate the same quantities by averaging up the operation level analyses appropriately and carrying out the cost pool level analysis.

Q If you were going to do this in the next case would you do it at the operation code level or at the cost pool level?

A I would expect to continue to use some aggregation of cost pool. For one, I don't think that the range of volume variabilities by operation number suggested in this hypothetical are very likely to represent the range of variabilities by operation.

As I've explained in my testimony and also in fact in this case, Docket No. R2000-1 and R2001-1 the Postal Service, and the Postal Service's operation experts and I believe that there are good reasons to aggregate the MODS data up to cost pools.

Among other things it gives somewhat more parsimonious analysis that there are fewer -- you know, we want to basically get the most statistically

reliable set of elasticities by estimating the smallest number that we can reasonably obtain from the data.

I think that we've also held for a long time that aggregating the MODS data up to cost pools avoids some known issues with the MODS data when you break them down to the finest levels, that it's possible to extract them from the system.

Q That's all I have. Thank you, Dr. Bozzo.

A You're welcome.

CHAIRMAN OMAS: Thank you, Mr. Hart.

Mr. Hall?

MR. HALL: Again, the Major Mailers and Mike Hall have no questions.

CHAIRMAN OMAS: Thank you, Mr. Hall.

Mr. Costich?

MR. COSTICH: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. COSTICH:

Q I'm Rand Costich for the OCA. Good afternoon, Dr. Bozzo.

A Good afternoon, Mr. Costich.

Q Could you look at page 42 of your testimony?

A I have it.

Q Could you look at footnote 43, the last line

on the page?

A Yes. I have it.

Q Is it possible for you to tell me real quickly how the variables are computed?

A Possibly very quickly. The details of how the variables are computed are spelled out in the material that we provided in response to OCA Interrogatory No. 2 I believe, but to give a brief summary of the method for computing those indexes -- and the footnote 43 refers to measures of Postal Service sorting equipment capital that are employed in the regression models -- the method involves computing a depreciated stock of equipment for the equipment categories that are given, the cases of variable QIAHE that involve letter sorting equipment and as the footnote suggests it's flat sorting equipment and small parcel and bundle sorting equipment for QIMHE.

What the method does is it creates a series of capital input by creating a value of depreciated equipment at the beginning of the year and using that to split out Postal Service depreciation.

From that, depreciation is inputted using asset lives derived from the Postal Service's total factor productivity analysis and those are reported as dollar amounts or as amounts in current dollars in the

volume variability data set.

A That is not true.

Q Is the same true for the tech set of dummies that's described on page 44?

A That is not true. The tech set of dummies are calculated, if I recall correctly, as an indicator that is equal to one if there is total piece-handling volume reported in the operation in the current period and zero otherwise, which, I believe, is a similar treatment to how Professor Roberts defined a similar variable for the paper that he sponsored a couple of years ago.

Q So there is a dummy for every operation.

A There are specific sets of dummies that vary by operation, and the LRK-56 econometric estimation code would specify the particular dummy variables for any given operation, but typically, in the case of a letter-sorting operation, for instance, the set of tech dummies would indicate the presence of other letter-sorting technologies in the plant alongside the annual processing operations, and the manual flat operation is treated similarly.

Q Could you look at your response to OCA Interrogatory T-12-1?

A I have it.

Q Would it be accurate to say that this interrogatory asked you to disaggregate your cost pools?

A Yes, it would.

Q And when you were being questioned by counsel for ABA and NAPM, you indicated that there are some difficulties in disaggregating these cost pools. Is that correct?

A There may be, yes.

Q Is there any way to determine at what level of aggregation those difficulties might be ameliorated?

A I can't speak to a general rule. I think the types of MODS data issues that are potentially significant issues of the full, three-digit disaggregation are generally much less severe at the level of analysis for which we provide the productivities to the other witnesses who use them in the cost models, and generally I would expect that they are lower still at the full-cost-pool level of aggregation.

In short, I would consider the three-digit level to be the most problematic.

Q If one were to take the 52 operational groups and aggregate them in a way different from you,

would that by itself create an inconsistency with the volume variability distribution key methodology?

A By itself, I don't believe it would. However, you would introduce the issue on the distribution key side of matching the more finely disaggregated MODS volume drivers with appropriate sources of distribution key data out of IOCS, or if you were to try to identify one in some other system.

Q So if one had a different aggregation in mind, it might be wise to ask another witness to provide the distribution key for that.

A Well, I think that you would have to identify what the distribution key would be to match an alternative cost driver either at a different level of aggregation or possibly if you -- depending on how a hypothetical alternative model were to come out, conceivably choosing a different variable to represent volume could also affect your choice of distribution key.

So, in short, you would have to decide what the appropriate distribution key was first and then ask for it.

Q Would you look at your response to OCA Interrogatory No. 3?

A I have it.

Q This interrogatory asked you to compute marginal times that go with the variabilities for the cost pools that you estimated. Is that right?

A The question requests the marginal time implicit in the R-2004 variability for each cost pool, yes.

Q And you attached a table that did that.

A I did. I interpreted the request as asking for a marginal time for piece handling, and the table provides the calculations.

Q If I could just walk through that real quickly, these numbers are only four Fiscal Year 2004. Is that correct?

A They are applicable to Fiscal Year 2004, in the sense that they use the 2004 variabilities as well as 2004 average productivity data in the computation, yes.

Q In column 1, the total hours column, are those hours only from the year 2004?

A Yes. And that is the meaning of the note at the bottom of the table, that specifically I used the 2004 observations that went into the regression data sets for the given operations.

Q Could you look over at column 6, --

A I have it.

Q -- at the marginal times? Is there a reason why these vary from one operation to another?

A Yes.

Q Could you explain that?

A The primary reason why the marginal times for handling vary from one operation to another is because, in particular, automated operations have much higher average and marginal productivities than manual operations, and within manual operations, manual letter operations generally have higher productivities, both on average and on the margin than flat and parcel operations.

Q If we could just look at the first two rows in column 6, is there a reason why those two differ?

A I believe so. If I recall the description of the DBCS and MPBCS equipment from the operations testimony, the throughput for DBCS equipment is slightly higher than that for MPBCS overall, and, consequently, you might expect that the marginal time for handling for DBCS would be slightly lower.

Q Would I be correct to interpret this to mean that a letter that was sorted on a DBCS had a lower marginal cost than a letter that was sorted on a MPBCS?

A There would be a lower marginal cost per

piece handling. Whether the overall marginal cost for the piece would be lower would depend on how many handlings the piece required.

Q If a letter received all of its piece handlings on a DBCS, would it have a lower marginal cost than a letter that received all of its piece handlings on an MPBCS?

A The data here imply that that would be true, other things equal. The differences would not be particularly large. It rounds to, again, a tenth of a second per handling.

Q If one wanted to estimate the added cost of one more letter to be sorted in a plant that had both DBCSs and MPBCSs, how would one do that?

A There are a couple of ways that it can be done. If you are looking at level of aggregation of mail similar to the CRA rate categories, an implication of the volume variability distribution key method is that the unit cost for that category is an estimate of the marginal cost of the piece. Obviously, depending on how many cost pools you calculated the unit cost for, you could derive the costs for specific operations or for the entire piece end to end.

Alternatively, you could conceivably

hypothesize a set of piece handlings that would be required to finalize a given piece and add up the marginal costs plus some estimate of the marginal costs and the distribution operations using estimates such as a conversion of this marginal time per handling into costs and then, furthermore, add in the marginal costs for the allied labor and other nondistribution handling of the piece. Those would be your options.

Q Could you look at your response to OCA Interrogatory No. 4?

A I have it.

Q This question asked you to describe the assumptions you make and somehow give us a form for the production function that underlies your analysis. Is that correct?

A That is what the question requests, yes.

Q On the first page of your response, you give what looks to me to be a fairly general, functional form. Would that be fair?

A Yes.

Q When you do your analysis, do you impose any restrictions on the functional form of the production function?

A I do, as described on the second page of the

response. I assume that at the cost pool level, the production function can be treated as a function relating the work hours in a given operation to the volumes, the level of capital, and other explanatory factors, again, with these variables being operation specific, so going from the general function on the first page, go to the more specific operational level relationship on the second page. So basically, the restriction is that the individual operations are separable and that they use distinct labor inputs and have a distinct sorting output as well.

Q When you say "separable," do you mean separable by shape?

A In this case, I mean "separable" as a technical term of microeconomics that basically means that I can take this very general function on the first page and write a series of more specific functions by operation on the second.

Q And then you would just add them all up to get a total production function for the plant.

A They are not added up, as such. In effect, what I could do is write a different version of this product transformation function on the first page in terms of the various cost-pool-specific variables and, in a production analysis, when I took my derivatives

to obtain marginal costs and marginal products, I would implicitly be dealing with a production function like you described on the second page.

Q Does that mean there's no interaction effects between volumes or cost pools?

A I assume that there are no interaction effects between hours in a particular cost pool and volumes in another cost pool or vice versa, as I described in the second paragraph on the second page of the response.

So the separability in this case means that when an employee is assigned to, say, a DBCS operation that they can't simultaneously be casing letters at a manual operation at the same time. Similarly, it's not, strictly speaking, necessary for the DBCS operation to have fully run its course before some manual operations can take place, for instance.

Q Does it also mean that when a DBCS receives some extra stackers, that there is no effect on the labor hours in manual operations?

A Not necessarily. That could be captured as one of these variables that are labeled "XI" in the production function on the second page; that is, in effect, the change in the number of stackers could be interpreted as a change in the technology that may or

may not affect the marginal cost per handling, but it would be something that potentially would have to be controlled for in the analysis.

Q After you have run your regressions, can the results be used to infer anything more about the form of the production function?

A Technically, if you assume that the Postal Service, for instance, is a cost minimizer, then you can make a variety of inferences about the form of the cost function and the related production function from the labor demands, yes.

Q Well, let's go ahead and make that cost-minimizing assumption. Can you tell us what more you can infer about the production function?

A Well, you can infer, in a nutshell, the marginal costs, marginal products from the factor demands. It's a relationship that we, in fact, use in implementing the variability distribution key methodology. There are also some technical details of the production function related to how the different explanatory variables relate that could be recovered as well.

Q I would like to get back to the volume variability distribution key subject for a minute. Are you familiar with an article that was authored by

Bradley, Colvin, and Smith on that subject?

CHAIRMAN OMAS: Mr. Costich, excuse me. Would you please speak up, please?

MR. COSTICH: Certainly. Very sorry.

THE WITNESS: If the article you're referring to is entitled, I believe, "Measuring Product Costs for a Ratemaking Case of the United States Postal Service," something to that effect, yes, I am familiar with the paper.

BY MR. COSTICH:

Q Would you say that's the font of the volume variability distribution key methodology?

A Yes.

Q Could I summarize the results of that paper as a proof that if certain conditions hold, then one can obtain marginal costs by using the volume variability distribution key methodology?

A That is among the results that are demonstrated in the paper.

Q Is the converse also true, that if one wants to estimate marginal costs, one must use the volume variability distribution key methodology?

A No, it is not. The paper describes one or two alternative methods for calculating marginal costs. The one that springs to mind is what I believe

is termed the "constructed marginal cost method," in which elasticity is a cost with respect to product volumes or estimated directly. If you have the data to estimate those elasticities directly, then the constructed marginal cost method, as its name goes, by construction, provides you with product marginal costs. The practical issue is that the actual product volumes are not measured at a frequency or level of geographical disaggregation to make them useful for an econometric analysis of Postal Service costs.

Q Does that article provide an exhaustive list of ways of estimating marginal costs?

A I couldn't say.

Q Is it likely?

A It probably does not. If you came up with a method that was not described in the Bradley, Colvin, and Smith paper, you would simply need to go through their proof steps to show the equivalence of a hypothetical alternative methodology and marginal costs.

Q Could you look at your response to OCA Interrogatory No. 6?

A I have it.

Q This interrogatory quoted a response from Witness McCrery about how some plants do not sort

completely to delivery sequence but may send out mail only at the five-digit level to the zone that will deliver it. And then the question asked for a list of plants where this occurs and the percentage of zones that are DPS carrier route or five digit. Is that correct?

A That summarizes the request, yes.

Q And you provided a table that did that. Is that correct?

A I provided a table that basically provides a current snapshot of the zones where that occurs and certain other conditions that were asked about in other parts of the interrogatory.

Q But you weren't able to provide the volumes in each of these categories. Correct?

A That's correct.

Q And why was that?

A As I said in my response, I'm simply not familiar with the source that produces those volumes.

Q Did you ask around at headquarters?

A Yes.

Q If you could look at the very first row on the first page of that table, Site ID No. 1, and look under the percentage of five-digit zones, that says "64 percent." Correct?

A Correct.

Q So well over half of the delivery zones for that plant are doing their own incoming secondary and sorting into carrier sequence.

A That's not a completely safe assumption. My understanding is that the five-digit zones include so-called "five-digit unique zips" which correspond to mail that is to be delivered to large-volume recipients, and so some of the mail that is dispatched at five digit is likely going to those customers and has thus been finalized by the Postal Service at that point.

Q The percentages in that column of percent five-digit zones vary a good deal from plant to plant, don't they?

A They do.

Q Is there any reason why one plant would have a lot of unique five digits relative to another?

A In this case, I would assume it would depend on the distribution of postal customers by site. It's certainly the case that I can imagine reasons why certain plants might have, because of factors external to the Postal Service, for instance, might have a concentration of remittance addresses for credit card companies, for instance.

Q But as far as you know, the Postal Service doesn't have volumes for those particular zones or zip codes.

A None that I could lay my hands on.

MR. COSTICH: Mr. Chairman, the OCA is extremely interested in obtaining volumes that are delivered to customers such as credit card companies, other remittances, and so far, we've been unable to. I would ask that the Postal Service be directed to make a more diligent search for the volumes that were requested in this interrogatory response.

CHAIRMAN OMAS: Mr. Hollies or Mr. Koetting? Sorry.

MR. KOETTING: I would have to submit, Mr. Chairman, there hasn't been any demonstration of a lack of diligence. Mr. Costich merely asked the witness if he has made inquiries, and the witness said he made the inquiries, and the data don't exist. I don't understand the basis for a request for a more diligent search. There has been no showing that the search wasn't diligent.

MR. COSTICH: Well, there has been no showing that there was a search, Mr. Chairman. The witness --

CHAIRMAN OMAS: Mr. Bozzo, was there a

search?

THE WITNESS: There was.

CHAIRMAN OMAS: I'll accept that. Would you continue, Mr. Costich?

BY MR. COSTICH:

Q Could you describe the search, Mr. Bozzo?

A I considered the MODS data elements that are available, none of which produce estimates of volumes by delivery zone. I additionally considered alternate volume sources that do not represent processing volumes, as such, and thus would not be responsive to a question on processing volumes.

MR. COSTICH: I have no further questions, Mr. Chairman.

CHAIRMAN OMAS: Thank you, Mr. Costich.

Mr. Olson, would you please, and identify yourself for the record?

MR. OLSON: Yes, Mr. Chairman. William Olson representing Val-Pak Direct Marketing Systems, Inc., and Val-Pak Dealers Association.

CROSS-EXAMINATION

BY MR. OLSON:

Q Hello again, Dr. Bozzo.

A Good afternoon, Mr. Olson.

Q I want to ask you to begin with your

response to Val-Pak T12-2(b).

A I have it.

Q That interrogatory dealt with manual flats, and your testimony said the volume variability for the mail processing costs of those manual flats was 0.90. Correct?

A That's correct.

Q Now, looking at Section B of your response, your response first discusses volume variable costs, describing them as causally related to mail volumes in the sense of economic marginal costs, and then the second half of your answer says, "Nonvolume variable costs are those costs not causally related to mail volumes in the marginal cost sense," and that deals with the 10 percent for manual flats. Correct?

A That's what I said.

Q Now, if they are not causally related to mail volumes in a marginal cost sense, I want to ask you a couple of questions as to what they are related to. Let me ask you if you would agree that these 10 percent of costs of manually processed flats are related to mail processing.

A In this case, the manual flats cost pool is a cost pool that encompasses manual flat mail processing, specifically sortation activities.

Q So it would be fair to say that these nonvolume variable costs of manually processing flats are related to mail processing. Correct?

A They are related to mail processing, yes.

Q And if those nonvolume variable costs of processing manual flats are in some sense mail processing costs, would you agree they are incremental to the activity of manually sorting those flats?

A I believe that's essentially what you asked me in Interrogatory 9(a), and I said, in my response, yes, though I noted that that does not imply that the costs are incremental to any specific subclass.

Q To a particular product or service, your response dealt with. Right?

A Correct. In the sense they could be considered related to all volumes that are processed through manual flat operations collectively.

Q I understand that we normally talk about costs that are incremental to a specific product or service, but here I'm asking about costs that are incremental to an entire activity like mail processing. Do you have that in mind?

A I have that in mind.

Q Okay. If the Postal Service were someday, as it plans, I guess, to automate its flat operations

to the point where it no longer needed to sort flats manually, and that operation were to cease to exist, and those costs could then be avoided, would they be -- strike that. Let me come at it a different way.

Let's do this by talking about your response to T12-3, which dealt with manual letters, and there again, you had a component that was volume variable and another component that was nonvolume variable, so I'll ask you the same basic question. Would you agree that the nonvolume variable costs of the MODS pulled for manual letters discussed in T12-3 would be properly regarded as costs that are incremental to the activity of sorting letters manually?

A Let me see if I understand the question. You're asking me if the nonvolume variable costs are part of the manual letter mail processing activity.

Q Well, the operative word is "incremental" in the question, so the question I'm saying is, would you agree that those nonvolume variable costs of manual letters in the MODS pool for manual letters would properly be regarded as costs that are incremental to the activity of sorting letters manually?

A I think that's a slightly unconventional use of the word "incremental" in this context. I think that the same logic that applies to flats from the

response of Val-Pak to 12-9(a) applies to letters similarly.

Q A slightly nontraditional use or something of the term, meaning that we're not talking about costs that are incremental to a product or a service but the costs that are incremental to an activity.

A Yes. If you mean "incremental" in the sense that if the activity went away, the associated costs would go away, then, in that sense, they could be considered incremental, and that is what the Val-Pak 9(a) response implies for manual letters and manual flats.

Q Right. Well, let's go to page 3 of your testimony for a second.

A I have it.

Q And in Table 1 at the top of the page, you have a variability factor for DBCS on the second line of 0.85. Correct?

A That is correct.

Q So I assume, the nonvariable costs in that pool are equal to the residual or .15.

A Correct. The nonvariable costs for the DBCS cost pool would be 15 percent of total costs.

Q So would you agree there that the nonvolume variable costs in that cost pool, the 15 percent, are

incremental to the activities which occur in that pool? Same caveat as before.

A Same caveat as before.

Q And with that caveat, the answer is yes?

A Yes.

Q Okay.

A You could replace the specific cost pool from Val-Pak, the Val-Pak 9(a) response for manual flats, with any other cost pool.

Q Okay. Take a look at Val-Pak 12-1(a), please, and there we asked about --

A Just a moment. I don't have it yet.

Q I'm sorry.

A I have it.

Q We identified two types of mail, A and B, and I believe you, in your answer, agreed that the marginal cost of Mail Type A is equal to the change in the Postal Service's costs when the volume of A changes by one unit, for example, ceteris paribus.

A That's correct. Your question presented the definition of "marginal cost," and I agree that the definition is the definition.

Q Let's take that principle and apply it to this hypothetical we asked you. Do you have Val-Pak T2-12 and 13, originally given to Mr. Shaw and

redirected to you?

A I have it.

Q These were something of a long hypothetical. Twelve was the discussion of what would happen in Year 1, and then 13, we said Year T plus 1, and basically we were dealing with two different products, catalogs and periodicals, and just to try to summarize this, we postulated a situation where there was limited automated flat sorting capacity and that both catalogs and periodicals were being handled, both being flat types of mail, -- that the catalogs were basically being handled by automation and the periodicals manually. Do you recall those elements?

A I believe those are all elements of the hypothetical.

Q Okay. And then we asked you to make some assumptions about what would happen in the second year if we changed just one thing, and the only thing we're changing between these two products of periodicals and catalogs is the number of catalogs. We're saying that the volume of catalogs increases by 5 percent, and I came up with some numbers that should be very simple that, if you don't mind, I'll give you and then ask you to base your answer on these.

Let's assume that the volume of catalogs in

the first year is 2 million. Nothing else changes. However, the next year, the volume of catalogs goes up by 5 percent, just like in our hypothetical, and that would be 100,000 pieces, 5 percent of 2 million. Correct?

A Correct.

Q Now, in that second year, T plus 1, we're changing the volume of catalogs, but we're not changing the volume of periodicals. Whatever that level is, it stays the same. Okay?

A That seems to be your hypothetical.

Q It is. I just want to make sure you're with me on each of these points.

The next element is that we've got these extra 100,000 catalogs in the system that weren't there in the prior year, that the Postal Service has a policy to process catalogs on automation whenever it has catalogs to process, that catalogs get preference to be processed on automation. And so what the Postal Service does is, for simplicity's sake, we'll say it ships off 100,000 periodicals in a manual sortation to handle this new volume of 100,000 catalogs. Do you have that in mind?

A I have that in mind.

Q Okay. And the last number I'll give you, I

think, is that the cost of sorting catalogs on automation that we derive from OCS is 2 cents a piece so that when you put those additional 100,000 catalogs onto automation, you have increased Postal Service costs by $200,000. Okay?

A I have the scenario.

Q Just 100,000 catalogs times 2 cents equals $2,000. But what's interesting is what happens to the periodicals. In this scenario, they have been displaced from automated processing, they have been pushed over to manual sortation, and the Postal Service, we're positing, has a cost of 8 cents each for manual sortation. So the result is that the average cost of all of those periodicals has increased somewhat, 6 to 7 cents, something like that, --

A Six to 7 was your hypothetical.

Q It's not going to be in my question. So the 100,000 displaced periodicals have also caused the Postal Service to incur an additional cost of 6 cents each. Do you see why? It used to be 2 cents for automated processing. Now it's 8 cents manual, so the difference, the increase, is 6 cents for each periodical.

A Well, in the scenario, shifting a piece from -- that's what your scenario presupposes. Actually, I

think you said 1.8 cents was the assumed true cost for automation handling. So, yes, moving from a lower cost to a higher cost operation increases the cost per piece.

Q It increases the cost per piece of periodicals from 2 cents to 8 cents for a difference of 6 cents each. Correct?

A Under the hypothetical for those pieces that are moved, that is what you're assuming.

Q And then if you apply that cost to all of the pieces of 100,000 extra periodicals that have shifted over, we've got an extra $6,000 of Postal Service costs. Correct?

A I don't think you told me what the volume of periodicals was, but I guess if you're assuming the capacity constraint leads you to shift 100,000 periods, yeah, I agree.

Q I said, for simplicity, we'll assume that if you add 100,000 catalogs, then you shift over 100,000 periodicals.

A Yes. I'm sorry. I hear your assumption.

Q And then what we have at the end of this hypothetical is a situation where 100,000 extra catalogs have come into the system and have caused the Postal Service's costs to increase by $8,000. Would

you agree with that, a $2,000 increase for catalogs; a $6,000 increase for periodicals?

A That is the total increase in the Postal Service's costs, according to the hypothetical.

Q Now, let's go back to your answer to this question, T-12-1, and that which you have described as a tautology, I guess, on the definition of "marginal cost." There, you said the marginal cost of Product A, and I'm analogizing that to catalogs in our hypothetical, you said the marginal cost of Product A would be the change in the Postal Service's costs divided by the change in volume. Correct?

A In the 1(a) response?

Q Yes.

A It would be the partial derivative of the costs with respect to volume.

Q Which would be the same as the increase in costs from an extra unit of volume. Correct?

A That's correct, holding all other factors equal.

Q So, in the hypothetical, the only substantive things that we changed from your T to T-1 was the volume of catalogs. That was the only change we made, and the Postal Service's total costs were driven up. So my question is, at the end of that

hypothetical, doesn't the marginal cost of those additional catalogs have to be equal to 8 cents?

A It depends on how you interpret the "all other things equal" part of the definition of "marginal cost." You've posited a scenario in which there is an increase in catalog volume and a change in processing for periodicals volume, and if you've constructed the scenario such that it appears that the one is followed from the other, strictly speaking, you have basically not held all other things equal, I think. You've constructed a scenario such that all other things are not equal; in particular, the processing method for periodicals changes as a result of the presupposed capacity constraint.

Q Well, the volumes stay the same, and the costs stay the same. The fact that the volumes shift into manual processing is necessitated by a capacity constraint. Is a capacity constraint something that's not considered when one says "all other things being held equal"?

A Well, the capacity may be held equal, but in a year-to-year comparison, it may or may not be.

Q Well, what we're trying to get at is what marginal costs are in this scenario, and I'm not sure if I know what your answer is. Is it 8 cents? Is the

marginal cost of Product A $8,000 for this additional 100,000 pieces?

A What I would say is that the increment of cost, factoring in the increase in catalog volume plus the presupposed shift in periodicals volume from automated to manual processing leads to a cost increment of $8,000.

Q Okay. And why is that cost increment of $8,000 not a measure of marginal cost?

A Well, because part of that $8,000 would be avoidable if the volume of periods were to vary.

Q Well, we're holding that constant.

A You're holding it constant in the scenario, but the concept of marginal cost is one of a hypothetical variation with volume so that if periodicals are processed in a pattern that leads to a manual and automated operation mix for an average volume variable cost per piece of 7 cents, then because that 7 cents is avoidable if you take away a piece of periodicals, 7 cents is the marginal cost of periodicals.

Q So we cannot hold constant the volume of periodicals and simply change the volume of catalogs and develop the marginal cost of that increase in volume of catalogs. That's not a measure of marginal

cost?

A Well, I think my previous answer, specifying what I thought that your increase in costs was measuring, is my answer.

CHAIRMAN OMAS: Mr. Olson, would you please speak directly into the mike?

MR. OLSON: I'm sorry.

CHAIRMAN OMAS: Thank you.

BY MR. OLSON:

Q Let me ask you, with respect to the hypothetical, then, when --

A If I may add to my answer, the further implication of that is that if you took away a piece of catalogs, held everything else equal in the scenario, you would take away 2 cents from the Postal Service's costs. You could conceivably take away more by then shifting a piece of periodicals into an automated operation, assuming you had a machineable piece available. But, again, that simply goes to my previous response, which is that you have two changes going on, and so, again, your total change in cost is really an increment related to the change in periodicals handling and the change in catalog volume.

Q So are you saying that you believe the marginal cost of the additional 100,000 catalogs is

the 2 cents extra cost in automation?

A If you took away the catalog in this hypothetical, --

Q We're not taking away catalogs, though; we're adding catalogs.

A Right.

Q If you want to respond that way, that would be fine, but that's not my question. Let me just ask you -- I'll give you all the time you want to finish with that, but if you had to advise the Postal Service on what the marginal cost of these additional 100,000 catalogs are, would you say it was the 2 cents, which is the IOCS-based cost of the additional automated sorting since the catalogs are going on automation, or would it be the 8 cent total increase to the Postal Service?

A Holding other things equal, I think the marginal cost of the catalog sortation is 2 cents.

Q So you would say that if the total costs of the Postal Service are $8,000, and you've identified the $2,000 as the marginal cost of the additional 100,000 catalogs, what's the $6,000?

A Well, again, I just have to go back and say that I've answered the question, that the $6,000 is part of the increment of costs related to the change

in processing patterns that your hypothetical asked me to assume.

Q And not marginal cost?

A It is not, strictly speaking, cost that is avoidable just with varying a piece of catalog mail on the margin.

MR. OLSON: Thank you, Mr. Chairman. Thank you, Dr. Bozzo.

THE WITNESS: You're welcome.

CHAIRMAN OMAS: Thank you.

Mr. Olson, is there any follow-up? Mr. Hart? Would you put the mike on, please?

MR. HART: It is not follow-up. When I cross-examined Dr. Bozzo, I gave the chairman and the commissioners and the reporter a cross-examination exhibit. I neglected to ask that it be transcribed. I'm not asking that it be entered into the record, but I think, for the convenience of the parties reading the transcript, it would be helpful if it were transcribed. So I would ask that if there is not objection to that.

CHAIRMAN OMAS: Without objection, so ordered.

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(The document referred to, previously identified as Exhibit No. ABA & NAPM/USPS-T12, Cross Examination Exhibit # 1 was received in evidence.)

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R2005-1
ABA&NAPM / USPS-T12
Cross Examination Exhibit # 1
USPS witness Bozzo

ABA&NAPM/USPS T12 CROSS EXAMINATION EXHIBIT 1

HYPOTHETICAL MODS
LDC 11 / BCS/DBCS

Operation Code	MODHRS	Example 1 Volume Variability	Example 2 Volume Variability
001	300	100%	100%
002	200	100%	20%
003	100	100%	20%
004	400	20%	100%
Total	1,000 *		
USPS Average Volume Variability		80%	60%
True Weighted Average Volume Variability		68%	76%

* Where the econometric volume variability based on the aggregate 1,000 MODHRS is 80% in Example 1 and 60% in Example 2.

MR. HART: Thank you.

CHAIRMAN OMAS: Mr. Costich?

MR. COSTICH: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. COSTICH:

Q Dr. Bozzo, I would just like to follow up on what counsel for Val-Pak was questioning you about.

If we could alter the hypothetical so that we're just adding one more flat, and we're not distinguishing between catalogs or periodicals, --

CHAIRMAN OMAS: Could I ask you to speak up, please?

BY MR. COSTICH:

Q One more flat. It's just a flat. We're not going to care about whether it's a periodical or a catalog, but because of capacity constraints, it has to be sorted manually at a cost of 8 cents. Is 8 cents the marginal cost of every single flat?

A If the piece must be processed, and the manual operation costs 8 cents per price, then, yes, 8 cents per piece would be the marginal cost under those assumptions.

Q And that marginal cost would apply to every other flat piece. Correct?

A Assuming that you never relieve the capacity

constraint, for some reason, that would be yes.

MR. COSTICH: Thank you.

CHAIRMAN OMAS: Thank you, Mr. Costich.

Are there any additional questions, cross-examination?

(No response.)

CHAIRMAN OMAS: Are there any questions from the bench? Mr. Tisdale?

COMMISSIONER TISDALE: Yes. Dr. Bozzo, the piece-handling productivity data that you recorded in response to POIR-6, Question 8; is that the accounting period level? It contains some various improbable data combinations. Some have productivities that exceed the capacity of the machine. Some have negative values, various things. Did you screen the quarterly data for such anomalies?

THE WITNESS: I did screen the quarterly data for high and low productivity anomalies.

COMMISSIONER TISDALE: Is it possible that some of the data that can be identified at the accounting period level would no longer appear to be anomalous when aggregated into the quarterly data that you analyze?

THE WITNESS: It's conceivably possible.

COMMISSIONER TISDALE: Similarly, wouldn't

some data that can be identified as anomalous at the weekly level pass similar screens if they were applied at a more aggregated level?

THE WITNESS: Again, yes, it's possible that the finer you make a search for anomalies, the less likely it is that the anomaly will be detectable in the quarterly data. However, it's also the case that the weekly data is less likely to contribute as a fraction of the quarterly observation, so you would tend to observe smaller and less problematic errors in the data.

COMMISSIONER TISDALE: Did you screen any data?

THE WITNESS: I did not for my current testimony. It would be possible to do so.

COMMISSIONER TISDALE: It would?

THE WITNESS: That is, if you identified anomalies at a finer level, such as the AP level, you could identify the quarterly observation containing that anomaly and exclude those quarterly observations as well as those that show the anomaly at the quarterly frequency, and you would have a data set that was free of the accounting period level anomalies. The risk would be that you might be eliminating some relatively smaller errors, but,

again, it would not be inappropriate to do so, for instance.

COMMISSIONER TISDALE: Some of your worksheets show MODS piece-handling productivities by accounting period disaggregated into 52 distinct operations. Could you provide the Commission with accounting period data for Fiscal Year 2004 disaggregated into as many distinct operations as you have data for?

THE WITNESS: If I might understand the request, would you be seeking disaggregated data such as I provided the OCA at the quarterly frequency, at the AP frequency, or do you want the absolute finest level of disaggregation that can be produced?

COMMISSIONER TISDALE: The finest level that you would have available.

THE WITNESS: The data that I have is maybe disaggregated down to the three-digit MODS operation level, so that could be produced.

COMMISSIONER TISDALE: I realize that won't be quickly, but --

THE WITNESS: It could be produced, yes, sir.

COMMISSIONER TISDALE: Could you also provide the weekly piece-handling productivity data

for Fiscal 2004 in the same form?

THE WITNESS: Yes. I believe it would be most expedient to provide a set of weekly data similar to the data disaggregated by operation and week, in effect, similar to the material I provided in response to POIR No. 6, Question 8, which would allow you to calculate all of the productivities that you could calculate.

COMMISSIONER TISDALE: You can provide that?

THE WITNESS: It can be provided, yes.

COMMISSIONER TISDALE: Okay. Thank you.

THE WITNESS: You're welcome.

CHAIRMAN OMAS: Commissioner Goldway?

COMMISSIONER GOLDWAY: I know you're not an operations expert, but when you talk about marginal prices, measuring them, and we say that we have to look at capacity issues and that the marginal cost is related to whatever is needed to do manual processing over capacity, there are some people who question whether the manual processing is a result of capacity limitations or whether it's just perhaps poor management that's shifting more mail into manual.

Is there any way in which the costing formulas look at real capacity versus management discretion in that regard so that we know what is kind

of an obligated marginal cost versus somewhat more discretionary marginal cost? Am I making myself clear?

THE WITNESS: I believe so. Commissioner Goldway, there are operational aspects to your question that I'm not capable of responding to --

COMMISSIONER GOLDWAY: Well, I'm not asking you to do it specifically about the Postal Service --

THE WITNESS: From a cost-measurement standpoint, there are a few things that can be looked at and, in fact, have looked at that may indicate what is actually going on with manual processing. For one, it's my understanding that the size of the manual cost pools has been decreasing certainly since the last rate case. I can't recall exactly how that extends further back in my time.

The Postal Service has, as my understanding goes, been successful in eliminating some of its manual processing, just, again, looking at the magnitude of the manual operations themselves.

Another issue is that there is, from a cost-measurement standpoint, an econometric solution to the problem of the processing volumes being determined discretionarily, and this is the instrumental variables estimation technique that I've applied to

the estimation of the elasticities and thus manual marginal cost in the analysis I present in my testimony.

Now, Postal Service management, if they did, for some reason, deliberately shift pieces into manual operations, and thus the volumes were discretionary in this respect, then the analyses that I present would control for that. I did state in my testimony, and it's based on what I've heard from operations experts, that the primary method of allocating volumes to operations is based on the physical characteristics of the pieces. That's mainly because the volumes involved are so enormous that it would simply be impossible for the Postal Service to shift large fractions of its automated volume to manual and still move the mail.

But in short, the possibility that the volumes are endogenous is something that can be controlled for econometrically, and --

COMMISSIONER GOLDWAY: And you have some factor in your formulas for that.

THE WITNESS: That's correct. And this is a part of the analysis that had been introduced by Professor Roberts when the OCA presented his research after our 2001.

COMMISSIONER GOLDWAY: Thank you.

THE WITNESS: You're welcome.

CHAIRMAN OMAS: Commissioner Covington?

COMMISSIONER COVINGTON: Good afternoon, Dr. Bozzo. I want to follow up the data that Commissioner Tisdale requested that you make available to the Commission. I'm assuming, for clarification purposes, that data is going to deal with TPH, TPF, and FPH. Right?

THE WITNESS: FHP, yes, and work hours so that you can calculate the number of pieces per work hour.

COMMISSIONER COVINGTON: Okay. When was the last time you paid a visit to a P&D center, physically went to a processing and distribution center?

THE WITNESS: I believe I visited the Madison Processing and Distribution Center last in calendar year 2004, and towards several facilities, including the Southern Maryland P&DC, the Washington BMC, and the Harrisburg, Pennsylvania, P&DC in late 2001 and early 2002 as part of tours arranged on behalf of Professor Roberts.

COMMISSIONER COVINGTON: Okay. Let me ask you this. When you're doing your analyses, what role do you have in actually what's examined as far as

labor input? I'm saying, do you decide what you're looking at as far as variables, or does that decision rest with the plant manager? Just exactly how you decide -- when it comes to the processing of letters, flats, and other pieces of mail, how do you go about doing that analysis?

THE WITNESS: Well, the hours themselves result, because they are reported through the MODS system, represent the actual operating data recorded by the facility. The cost pools that I use as the operational unit of analysis are a unit of analysis that I define as a workable aggregation for econometric purposes.

COMMISSIONER COVINGTON: Okay. And I had one other question that I needed some clarification on, Dr. Bozzo. I've been out to DMCs and P&DCs and ALCDCs, and what used to be PMPCs, and I've watched the Postal Service roll out their automation, particularly the new FSM-100's, and in the facilities that I've been in, the throughput basically for a first-class letter on a machine of that caliber is about 17 to 18,000 pieces an hour.

THE WITNESS: That's my understanding of the throughput.

COMMISSIONER COVINGTON: All right. Well,

if you're looking at that, and if that's basically the norm as far as processing is concerned, but data comes back to you saying you've got 25,000 going through a machine at the same period of time or maybe up to 50,000, what do you do with that data?

THE WITNESS: If I observe an observation like that, as I explained to Commissioner Tisdale, I would eliminate a high productivity outlier like that from the data set.

COMMISSIONER COVINGTON: I mean, what could explain that? Would that be the machine? Would it be the person feeding the machine? How could a discrepancy like that actually occur?

THE WITNESS: Like all data systems, while the Postal Service's MOD system is fed by a variety of automated, data-recording processes, the prospect of human and machine error on occasion can't be ruled out, which is why I believe it's necessary to be prepared to screen out data that are obvious errors. From my perspective, it is statistically less important why the error occurs as that it not unduly bias the subsequent analysis of the data.

So, again, as I'm not an expert in the engineering of these systems, I can't describe for you specifically the failures in the volume or work hour

recording processes that would occasionally lead to an error of that magnitude, though it is my understanding that those errors constitute a quite small fraction of the MODS observations.

COMMISSIONER COVINGTON: Okay. If I'm not mistaken, I think you said, when you have been to P&DCs, processing and distribution centers, jointly with Professor Roberts.

THE WITNESS: Yes, I have.

COMMISSIONER COVINGTON: Okay. And normally, what time of the day or what your were you experiencing these run times?

THE WITNESS: I believe, on the tours with Professor Roberts, we were at Harrisburg in the early evening, Southern Maryland during the daytime sometime. I've been to other P&DCs at other times, for instance, through the prime dead-of-night processing times. So I've, at some point or another, observed all three Postal Service tours.

COMMISSIONER COVINGTON: Okay. So it's varied. Okay. Thanks, Dr. Bozzo.

That's all I have, Mr. Chairman.

THE WITNESS: You're welcome.

CHAIRMAN OMAS: Thank you.

Mr. Koetting?

MR. COSTICH: Mr. Chairman? Rand Costich for the OCA.

CHAIRMAN OMAS: Oh, I'm sorry.

MR. COSTICH: Could I follow up?

CHAIRMAN OMAS: Yes.

CROSS-EXAMINATION

BY MR. COSTICH:

Q Dr. Bozzo, Commissioner Goldway was asking you about the discretion of managers to shift volumes from automated to manual operations. Do you recall that?

A I do recall that.

Q In your testimony, you indicated that that was something that would be unusual, did you not, pages 15 and 16?

A Well, I said the allocation of piece sorting is determined, first and foremost, by the characteristics of the mail pieces as they are presented to the Postal Service, particularly physical characteristics such as machinability and the presence or absence of mailer-applied bar codes, and what I say goes on from there.

Q If a piece of mail has a mailer-applied bar code, then in most plants or in all plants there is a planned way of processing that piece.

A I believe that the Postal Service's operating plans do generally prescribe automated handling for pieces that are automation compatible.

Q Are you familiar with an enhancement to the DBCS called "enhanced capability"?

A I've seen the abbreviation in the MODS operation titles, but I could not describe enhanced capability further.

Q If you would accept that the next witness will explain that capability and that that capability is that pieces that have in the past been nonmachinable become machinable on that DBCS, would you agree that that creates added discretion for a manager as to how he allocates pieces between automation and manual?

A Not necessarily.

Q Are you saying again that the pieces that can fit on the enhanced-capability DBCS would be planned for that machine?

A That would be my assumption.

Q If the capacity of that machine were insufficient, would some volume that would ordinarily be handled on that machine be shifted back to manual?

A Possibly.

Q Is there anywhere else for it to go?

A It depends on the piece, and it depends on the nature of the expanded capability.

Q If the enhanced-capability machine, at least the part of it that made it enhanced, broke down, would that volume be put back to manual?

A Hypothetically, if there were a temporary loss of capacity, presumably the Postal Service would find other means of processing the mail for the duration of the outage. That would presumably be part of the Postal Service's operating plan.

MR. COSTICH: Thank you.

CHAIRMAN OMAS: Commissioner Goldway?

COMMISSIONER GOLDWAY: Hi. I've been thinking about your response, and realizing that it would be difficult for me to do the research through all of the library references in your testimony to find the instrumental variables that you used, I wondered if you might provide me with a response that indicated where they were in your processes so that I could look with my staff as to what the implications of their impact are. And have you used instrumental variables throughout so that you include them in the automated processes as well as the manual? How does that work?

THE WITNESS: In the recommended

variabilities, I only used the instrumental variable estimates for the manual operations. I did also present, in USPS-T-12 a set of alternative estimates for the automated operations using an instrumental variables estimator instead of the recommended TRANS log.

COMMISSIONER GOLDWAY: Could you just pull out those sections for me perhaps and send them on? Could you do that for me --

THE WITNESS: I could provide citations --

COMMISSIONER GOLDWAY: -- so that I have more information on the instrumental variables?

THE WITNESS: I can provide citations to the testimony and library reference.

COMMISSIONER GOLDWAY: Okay. I would appreciate that. Thank you.

CHAIRMAN OMAS: Are there any additional questions? Mr. Koetting, would you like some time with your witness?

MR. KOETTING: I would, Mr. Chairman. Ten minutes perhaps?

CHAIRMAN OMAS: Why don't we take an afternoon break and come back at 3 o'clock?

(Whereupon, at 2:48 p.m., a brief recess was taken.)

CHAIRMAN OMAS: Mr. Koetting?

MR. KOETTING: Thank you, Mr. Chairman. The Postal Service does have some brief redirect.

REDIRECT EXAMINATION

BY MR. KOETTING:

Q Dr. Bozzo, you discussed, on several occasions during your cross-examination, both questions from the bench and questions from counsel, regarding situations in which the Postal Service would be faced with a constraint on its ability to handle mail and automation equipment, mail that otherwise would be handled on that automation equipment. Can you shed any further light on how the Postal Service might react in those situations?

A I can briefly shed some light. It's my understanding, from discussions with Postal Service operations experts in the process of developing my testimony, that typically capacity constraints are, in fact, more severe for manual operations than for automated operations, to the extent they are present at all.

So, in effect, I consider the hypotheticals dealing with automated capacity constraints, in some respect, unrealistically describe the actual nature of the Postal Service's operating plans, which, it's my

understanding, involve a variety of contingencies to keep automatible pieces in automation operations wherever it's possible. It's also my understanding that Witness McCrery is willing to discuss those issues at greater length in his appearance.

MR. KOETTING: That's all I have, Mr. Chairman. Thank you very much.

CHAIRMAN OMAS: Thank you.

Dr. Bozzo, that completes your testimony here today. We thank you for your contribution to the record, and you are now dismissed. Thank you.

THE WITNESS: You're welcome.

(The witness was excused.)

CHAIRMAN OMAS: Before we continue with the next witness, this morning, Val-Pak filed a motion for extension of time to file its direct testimony. The motion does not indicate if Val-Pak discussed this request with Postal Service counsel. Mr. Olson, am I correct that you did not discuss this with the Postal Service counsel?

MR. OLSON: I did not, Mr. Chairman.

CHAIRMAN OMAS: The motion also indicates that the Postal Service response to a pending Val-Pak motion to compel is still outstanding. Can the Postal Service confirm that it has not yet responded to a

June 17th motion to compel filed by Val-Pak?

MR. KOETTING: I think I would need more information with respect to the subject matter of that, if you can make an inquiry. I'm certainly not aware of one, but other Postal Service counsel might well be. If Mr. Olson can perhaps share what the subject matter was of the motion to compel?

CHAIRMAN OMAS: Mr. Olson?

MR. OLSON: It was an interrogatory for Witness Taufique. I don't know who is responding. It's referenced in our motion specifically. It was objected to. There were three. They had to do with 2001 costs. The objection said, 2001 costs are not relevant to this docket. We filed a motion to compel, and there has been no opposition, so far as we can tell, to that. I could be wrong, of course, but we didn't see any.

MR. KOETTING: I would have to check in the back, Mr. Chairman. It sounds plausible. I don't know. I'm not familiar with it.

CHAIRMAN OMAS: Well, can you please indicate when we can expect a response, please, by tomorrow morning?

MR. KOETTING: We can check with it and get back to you very shortly, Mr. Chairman.

CHAIRMAN OMAS: Okay. I would prefer if we could get it done before the close of business today, if you could have someone check on it, but no later than the morning.

I would like the Postal Service and any other interested participant to provide, by close of business on July 11th, responses to Val-Pak's motion to file its direct testimony on July 19th. Is that understood? Mr. Koetting?

MR. KOETTING: I'm sorry, Mr. Chairman. I was distracted.

CHAIRMAN OMAS: I said, I would like the Postal Service and any other interested participant to provide, by close of business on July 11th, responses to Val-Pak's motion to file its direct testimony on July 19th.

MR. KOETTING: My response would be due on July 11th.

CHAIRMAN OMAS: Yes.

MR. KOETTING: I'm sure we can accommodate that, Mr. Chairman.

CHAIRMAN OMAS: All right. Thank you.

Now, who is going to be counsel for the next witness?

MR. KOETTING: Ms. Portonovo.

CHAIRMAN OMAS: Ms. Portonovo, would you please take your place at counsel's table? Would you identify your witness, and would the witness remain standing to be sworn in?

MS. PORTONOVO: Thank you, Mr. Chairman. The Postal Service's next witness is Mark D. McCrery.

Whereupon,

MARK D. McCRERY

having been duly sworn, was called as a witness and was examined and testified as follows:

CHAIRMAN OMAS: Please be seated.

(The document referred to was marked for identification as Exhibit No. USPS-T-29.)

DIRECT EXAMINATION

BY MS. PORTONOVO:

Q Mr. McCrery, you have before you two documents entitled "Direct Testimony of Mark D. McCrery" marked as USPS-T-29. Have you had a chance to review these documents?

A Yes, I have.

Q Were the contents of these documents prepared by you or under your direct supervision?

A Yes, they were.

Q And if the contents of these documents were

to be given as oral testimony today, would they be the same?

A Yes, they would.

Q In association with your testimony, do you have any library references?

A Yes, I do.

Q And the name of the library reference and the number?

A It's K-49.

Q And are you sponsoring USPS-K-49?

A Yes, I am.

MS. PORTONOVO: With that, I would like to move the testimony into evidence.

CHAIRMAN OMAS: Is there any objection? Hearing none, I will direct counsel to provide the reporter with two copies of the corrected direct testimony of Mark McCrery. That testimony is received into evidence. However, as is our practice, it will not be transcribed.

(The document referred to, previously identified as Exhibit No. USPS-T-29 was received in evidence.)

CHAIRMAN OMAS: Mr. McCrery, have you had an opportunity to examine the packet of written cross-

examination that was made available to you this morning?

THE WITNESS: Yes, I have.

CHAIRMAN OMAS: If the questions contained in that packet were posed to you orally today, would your answers be the same as those provided in writing?

THE WITNESS: There are a few minor adjustments I would like to point out. Starting with MMA-USPS-T-29-2(e), in addition, DFC USPS-T-29-8 and 25 all reference the same number, OCR encode rate of 51.3. It should be 51.4.

CHAIRMAN OMAS: Are there any additional corrections?

THE WITNESS: Yes, a minor one. On MMA-USPS-T-29-11, the response on lines 5 and 6 indicates that Witness Kingsley's figure of 94.8 percent referred to the percentage of bar coded incoming secondary letters finalized to delivery-point sequence in plant distribution only. That should correctly read: "percentage of bar coded incoming secondary letters finalized on automation in-plant distribution only."

And one final set of corrections. The response to POIR No. 4, Question 6, a revised table was provided, but the written text to response to POIR

No. 4, Question 6, the actual response is not modified to match the actual table. So if you look at, on page 2, roughly line 11, and then further down on line 21 it references a number, .0162. The new number, according to the table, .01660, should be modified to match the new table.

And then, finally, on the last line of the second page of that response, once again to match the table, the number, 661142 should be 626354.

And at the top of the final page of the response, the number, 445802, should be modified to match the table to be 422345. And that's it. The rest would be my responses today.

CHAIRMAN OMAS: Ms. Portonovo, so that the record is perfectly and completely clear, I think Mr. McCrery just revised his response to POIR No. 4, Question 6. The packet should now contain the revised worksheet references in the second revised answer.

MS. PORTONOVO: Yes, they do.

CHAIRMAN OMAS: It does. Counsel, would you please provide two copies of the corrected designated written cross-examination of Witness McCrery to the reporter? That material is received into evidence and is to be transcribed into the record.

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(The document referred to, previously identified as Exhibit No. ABA and NAPM/USPS-T-13-11(c) redirected to T-29 was marked for identification and 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 MARC D MCCRERY
(USPS-T-29)

Party	Interrogatories
American Bankers Association and National Association of Presort Mailers	ABA&NAPM/USPS-T13-11c redirected to T29
	ABA&NAPM/USPS-T21-63c-l, 64 redirected to T29
	MMA/USPS-T29-1-4, 6-12
	MMA/USPS-T16-5 redirected to T29
	MMA/USPS-T21-25c redirected to T29
	PB USPS-T29-11-12
	TW/USPS-T29-1-10
	TW/USPS-T11-5a, c, h-k, 6d-h, 7a, e, g-j, 8d, f-j, 9b-e redirected to T29
American Postal Workers Union, AFL-CIO	APWU/USPS-T29-1-2
Magazine Publishers of America	PRC/USPS-POIR No.3- Q6 - 7, POIR No.4- Q6 redirected to T29
Major Mailers Association	MMA/USPS-T29-1-4, 6-12
	MMA/USPS-T16-5 redirected to T29

Party	Interrogatories
Office of the Consumer Advocate	APWU/USPS-T29-2-3 DFC/USPS-T29-3, 6-9, 14-15, 22, 25-26 MMA/USPS-T29-1-4, 8, 10-11 OCA/USPS-T29-1-2 TW/USPS-T29-10
Pitney Bowes Inc.	ABA&NAPM/USPS-T21-63c-l, 64 redirected to T29 PB/USPS-T29-1-10, 13-16 TW/USPS-T11-5a, c, f, h-k, 7a, e, g-j, 8d, f-j, 9b-e redirected to T29
Time Warner Inc	TW/USPS-T29-1-10 TW/USPS-T11-5a, c, h-k, 6d-h, 7a, e, g-j, 8d, f-j, 9b-e redirected to T29

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS MARC D. MCCRERY (T-29)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
ABA&NAPM/USPS-T13-11c redirected to T29	ABA&NAPM
ABA&NAPM/USPS-T21-63c redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63d redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63e redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63f redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63g redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63h redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63i redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63j redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63k redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-63l redirected to T29	ABA&NAPM, Pitney Bowes
ABA&NAPM USPS-T21-64 redirected to T29	ABA&NAPM, Pitney Bowes
APWU USPS-T29-1	APWU
APWU USPS-T29-2	APWU, OCA
APWU USPS-T29-3	OCA
DFC USPS-T29-5	OCA
DFC USPS-T29-6	OCA
DFC USPS-T29-7	OCA
DFC USPS-T29-8	OCA
DFC USPS-T29-9	OCA
DFC USPS-T29-14	OCA
DFC USPS-T29-15	OCA
DFC USPS-T29-22	OCA
DFC USPS-T29-25	OCA
DFC USPS-T29-26	OCA
MMA USPS-T29-1	ABA&NAPM, MMA, OCA
MMA USPS-T29-2	ABA&NAPM, MMA, OCA
MMA USPS-T29-3	ABA&NAPM, MMA, OCA
MMA USPS-T29-4	ABA&NAPM, MMA, OCA
MMA USPS-T29-6	ABA&NAPM, MMA
MMA USPS-T29-7	ABA&NAPM, MMA
MMA USPS-T29-8	ABA&NAPM, MMA, OCA

Interrogatory	Designating Parties
MMA/USPS-T29-9	ABA&NAPM, MMA
MMA/USPS-T29-10	ABA&NAPM, MMA, OCA
MMA/USPS-T29-11	ABA&NAPM, MMA, OCA
MMA/USPS-T29-12	ABA&NAPM, MMA
MMA/USPS-T16-5 redirected to T29	ABA&NAPM, MMA
MMA/USPS-T21-25c redirected to T29	ABA&NAPM
OCA/USPS-T29-1	OCA
OCA/USPS-T29-2	OCA
PB/USPS-T29-1	Pitney Bowes
PB/USPS-T29-2	Pitney Bowes
PB/USPS-T29-3	Pitney Bowes
PB/USPS-T29-4	Pitney Bowes
PB/USPS-T29-5	Pitney Bowes
PB/USPS-T29-6	Pitney Bowes
PB/USPS-T29-7	Pitney Bowes
PB/USPS-T29-8	Pitney Bowes
PB/USPS-T29-9	Pitney Bowes
PB/USPS-T29-10	Pitney Bowes
PB/USPS-T29-11	ABA&NAPM
PB/USPS-T29-12	ABA&NAPM
PB/USPS-T29-13	Pitney Bowes
PB/USPS-T29-14	Pitney Bowes
PB/USPS-T29-15	Pitney Bowes
PB/USPS-T29-16	Pitney Bowes
PRC/USPS-POIR No.3- Q6 redirected to T29	MPA
PRC/USPS-POIR No.3- Q7 redirected to T29	MPA
PRC/USPS-POIR No.4- Q6 redirected to T29	MPA
TW/USPS-T29-1	ABA&NAPM, TW
TW/USPS-T29-2	ABA&NAPM, TW
TW/USPS-T29-3	ABA&NAPM, TW
TW/USPS-T29-4	ABA&NAPM, TW
TW/USPS-T29-5	ABA&NAPM, TW
TW/USPS-T29-6	ABA&NAPM, TW
TW/USPS-T29-7	ABA&NAPM, TW
TW/USPS-T29-8	ABA&NAPM, TW
TW/USPS-T29-9	ABA&NAPM, TW

Interrogatory	Designating Parties
TW/USPS-T29-10	ABA&NAPM, OCA, TW
TW/USPS-T11-5a redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-5c redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-5f redirected to T29	Pitney Bowes
TW/USPS-T11-5h redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-5i redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-5j redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-5k redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-6d redirected to T29	ABA&NAPM, TW
TW/USPS-T11-6e redirected to T29	ABA&NAPM, TW
TW/USPS-T11-6f redirected to T29	ABA&NAPM, TW
TW/USPS-T11-6g redirected to T29	ABA&NAPM, TW
TW/USPS-T11-6h redirected to T29	ABA&NAPM, TW
TW/USPS-T11-7a redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-7e redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-7g redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-7h redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-7i redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-7j redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-8d redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-8f redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-8g redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-8h redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-8i redirected to T29	ABA&NAPM, Pitney Bowes, TW

Interrogatory	Designating Parties
TW/USPS-T11-8j redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-9b redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-9c redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-9d redirected to T29	ABA&NAPM, Pitney Bowes, TW
TW/USPS-T11-9e redirected to T29	ABA&NAPM, Pitney Bowes, TW

RESPONSE OF POSTAL SERVICE WITNESS McCRERY
TO INTERROGATORY OF ABA & NAPM
REDIRECTED FROM WITNESS SMITH

ABA&NAPM-USPS-T13-11

In your response to ABA&NAPM-USPS-T21-46 c., redirected from USPS witness Abdirahman, you state with reference to MODS 79 LD 79 "The increase in the variability from .299 to .83 is the main factor in the higher unit costs."

a. Can you explain, or direct this question to a witness who can explain what factors are actually at work in the real world of BMC's that would cause this variability to escalate so dramatically?
b. Is this an indication of greater efficiency (greater variability, and consequently managerial ability to control in the absence of estimated volume) or less efficiency (higher unit cost).
c. For mail processing labor that is redundant on a slow night, what cost reducing activities does management engage them in? If your answer is "none", what do they do during their shift?

RESPONSE:

(a - b) Retained by witness Smith

(c) As witness Moden responded to DMA/USPS-T14-1a in R 97-1: "...Casual and Part Time Flexible employees will be clocked-out first. If this is inadequate, Full Time Regular employees will be surveyed to find out who would like Annual Leave or Leave Without Pay. Alternatively, non-preferential volumes that were scheduled for later could be staffed immediately." It is my understanding that witness Moden's response is still entirely accurate.

RESPONSE OF POSTAL SERVICE WITNESS McCRERY
TO INTERROGATORY OF ABA & NAPM
REDIRECTED FROM WITNESS ABDIRAHMAN

ABA&NAPM/USPS-T21-63(c)-(l)

Please confirm that:

c. Both Mixed AADC and AADC mail is presented to the Postal Service in letter trays that are labeled, sleeved and banded.

d. A tray of AADC mail deposited at a USPS facility with a Business Mail Entry Unit, normally a P&DC, is cross-docked and transported to the designated area distribution center ("ADC").

e. A tray of 3-Digit First-Class letter mail deposited at a USPS facility with a Business Mail Entry Unit, normally a P&DC, is cross-docked and transported to the facility designated by first 3 digits of the POSTNET barcode.

f. Upon entry at the originating P&DC or General Mail facility, trays of Mixed AADC letters must be taken into the facility, have the band securing the sleeve over the tray and the sleeve removed, be removed from the tray, sorted, put back in a tray that must be labeled, sleeved, banded, and moved back to the loading dock.

g. A tray of 3-Digit letters, upon arriving at the same facility would only have to be cross-docked onto transportation to the designated 3-Digit facility.

h. A tray of AADC letters, like a tray of 3-Digit letters, normally will not be sorted at the outgoing facility.

i. A tray of AADC letter will, upon arrival at a the designated ADC have to be taken into the ADC facility, have the band securing the sleeve and the sleeve removed, be sorted and put in a 3-Digit or 5-Digit letter tray, which will then have to be labeled, sleeved, banded and move back to the loading dock except for any mail that is addressed for delivery in a location for which further sorting is performed in the same ADC facility in which case the tray would have to be moved to the location in the facility where letter mail for such 3-Digit areas is sorted.

j. A 3-Digit letter tray of mail would not be subjected to a sorting at the ADC unless the ADC also happened to be the location at which mail for the 3-Digit location was sorted in which case it could be moved directly to the staging area for sorting of such mail.

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO INTERROGATORY OF ABA & NAPM
REDIRECTED FROM WITNESS ABDIRAHMAN

k. In some cases, AADC letters, after being sorted at an ADC must be sent on to another facility to which a 3-Digit letter tray would have been sent directly from the originating postal facility.

l. Mail in 3-Digit trays frequently avoids being sent to a intermediate ADC from which it will have to be taken to an other point to which a 3-Digit tray of letters could and would have been sent directly by the originating outgoing facility..

RESPONSE:

(c) Generally confirmed. See DMM 235.3.5 for an exception.

(d) Not confirmed. Assuming the tray is for another processing facility, the trays in the mailing must first be sorted into rolling stock to the various facilities/destinations, then assigned to transportation (e.g. SWYB), if necessary. Finally, the trays are placed on outbound transportation. See response to PB/USPS-T29-8e for a generalized flow of AADC automation letters.

(e) See response to part (d) above and the response to PB/USPS-T29-8f for a generalized flow of 3-digit automation letters.

(f) Confirmed for pieces in the Mixed AADC trays that are for other AADCs.

(g) See responses to parts (d) & (e) above.

(h) Assuming it is an AADC other than the outgoing facility, this is confirmed.

(i) Generally confirmed assuming the processing of the AADC letter tray takes place at the designated ADC and not a downstream AADC from the ADC. Not all AADCs serve as an ADC, therefore certain AADC trays would

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO INTERROGATORY OF ABA & NAPM
REDIRECTED FROM WITNESS ABDIRAHMAN

only flow through an ADC to the approprate AADC. Also, not all letter trays processed at the AADC for further distribution at a downstream processing facility would be sleeved and banded.

(j) Confirmed.

(k) Confirmed.

(l) See response to PB/USPS-T29-8f for a generalized flow of 3-digit automation letters.

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO INTERROGATORY OF ABA & NAPM
REDIRECTED FROM WITNESS ABDIRAHMAN

ABA&NAPM/USPS-T21-64

If the description of the process for processing Mixed AADC letter mail and/or AADC mail outlined in Interrogatory ABA&NAPM/USPS-T21-63 above is incorrect, please provide a correct description of the process the USPS employs in handing Mixed AADC, AADC and/or 3-Digit trays of letter mail.

RESPONSE:

See response to PB/USPS-T29-8 for a generalized flow for these three types of letter trays. All of the flows in the response to PB/USPS-T29-8 assume that the incoming primary (3-digit) and secondary distribution takes place at the same facility as the AADC (MMP) letter tray distribution.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by American Postal Workers Union, AFL-CIO

APWU/USPS-T29-1 In your response to PB/USPS-T29-8(b) you provide a generalized description of the mail processing flow of what you refer to as bulk metered mail. Your description of bulk metered mail is not the same as that used by Mr. Abdirahman in modeling bulk metered mail in LR K-48.
a) Please confirm that, for purposes of Mr. Abdirahman's BMM model, BMM is mail that is entered in large quantities and is already faced and trayed.
b) Please provide us a generalized description of the flow of BMM letters that are entered in large quantities already faced and trayed.

RESPONSE:

a) Confirmed, I am told that witness Abdirahman defines BMM letters as machinable, homogeneous, non barcoded mail pieces with machine printed addresses that are entered, properly faced, in trays. Please see the response to MMA/USPS-T21-7(A).

b) See response to PB/USPS-T29-8b

Step 1a would be changed to "BMM trays are dropped off at Postal Service facilities or picked up by carriers."

Steps 1b-g would be stated verbatim.

Step 2 would be omitted.

Steps 3-20 would be stated verbatim

As stated in the response to PB/USPS-T29-8 a-g, the generalized descriptions do not cover manual processing.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by American Postal Workers Union, AFL-CIO

APWU/USPS-T29-2 Pitney Bowes states in PB/USPS-T29-8 that its generalized description excludes manual letter sorting operations.
a) It is our understanding that the manual letter sorting operations that might be performed within the generalized descriptions of mail flow provided by Pitney Bowes and by you in response to its questions, are within LDC 14; (i) Please state whether that is correct; and (ii) If it is not correct, please identify the manual operations other than LDC 14 operations that could be performed as part of these mail flows.
b) Please identify where in its description, and where in all the generalized descriptions of mail flow you have provided, manual mail sorting or distribution work is intended to take place when mail processing occurs normally.
c) Please identify where in its description, and where in the generalized descriptions of mail flow you have provided, manual mail sorting or distribution operations would take place on an exceptional basis, and state why the exceptions would occur;
d) If any manual work is performed in connection with the mail flows referred to in b and c above that is not within LDC 14, please identify it and state what LDC it is in.
e) Please state, for the Pitney Bowes description and for your descriptions, how much manual mail processing work would be done (i) when mail processing occurs normally and (ii) on an exceptional basis. Please provide this information for each point in the mail flow descriptions where the manual work occurs, stated in terms of both percentage of work hours dedicated to the operation and actual work hours.

RESPONSE:

(a)

(i) The statement is not entirely correct.

(ii) When manual distribution, such as distribution to carrier routes, is performed at a delivery unit, it is recorded under LDC 43.

(b) In general, manual sortation occurs simultaneously with each automated piece distribution operation listed in the flows provided in response to PB/USPS-T29-8. Non-machinable mail removed from the AFCS is routed to outgoing primary manual distribution operation. Manual culls, read, and mechanical rejects from the machines are routed to the appropriate manual operation based on the

automated operation from which it originated. Manual mail can also be received from other facilities as well as from presort customers preparing non machinable letters and be routed to the appropriate operation for sortation.

(c) On an exceptional basis, mail is processed in manual operations due to equipment failures, power failures, missed DPS cutoff times, biohazard alarms, and similarly unpredictable events. The mail could be processed at the appropriate sort level in a manual distribution operation as an exception to each automated piece distribution step listed within the generalized descriptions. For example, incoming secondary (5-digit) letters would be sorted in the manual incoming secondary distribution operation. However, if a facility is shut down, mail volumes are commonly redirected to an alternate plant for automated processing.

(d) See response to part (a) sub-part (ii). However, the manual sorting capacity in a delivery unit is quite limited. Delay or redirection to an alternate plant for automated processing is, of necessity, the normal response.

(e) I'm not aware of any data on basis of which to answer that question and am unable to estimate.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by American Postal Workers Union, AFL-CIO

APWU/USPS-T29-3 On page 10 of your testimony, you state that of the postal applied nine or eleven digit barcodes, 59% are applied by the OCR. Page 37 of the 2004 Comprehensive Statement on Postal Operations states that the letter mail encode rate is more than 90%.
a) Please confirm that 59% is the percentage of letter mail that is encoded successfully on the first pass through the OCR; and
b) Please provide a description of mail flow showing at which step in the mail flow letter mail is successfully encoded, and what percentage of the total letter mail is encoded at each of the steps where additional encoding is accomplished.

RESPONSE:

(a) Not confirmed. Fifty-nine percent represents the percentage of the total postal applied 9- and 11-digit barcodes that were applied by the OCR, not the percentage of letters successfully encoded on the first pass through the OCR. To further clarify, the "more than 90%" refers to mail fed to the DIOSS, the recent upgrade to the DBCS

(b) Of the letters fed to an input processing system in FY 04, the OCR, RCR, and REC was used to successfully encode 51.4%, 30.0%, and 6.3% of the letters respectively. Refer to the flow provided in the interrogatory PB/USPS-T29-8. RCR and REC encoding would occur after step 3e, although the barcode will be applied on an OSS enabled DBCS/MPBCS (step 5c, subpart iv). OCR, RCR, or REC encoding occurs after an image has been lifted on an MLOCR/DIOSS (step 5b, subpart iv) as well as during incoming operations (steps 13a & b, subparts iv), if necessary. The barcode may be applied on the MLOCR/DIOSS if the result is received in-line, otherwise it will be applied on an OSS enabled DBCS.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-3. Please refer to your testimony at page 4, lines 13–15. Please explain how the OCR upgrade will operate and why it will focus on five-digit ZIP Codes. If a document is available summarizing and describing this upgrade, please provide it.

RESPONSE:

The AFCS OCR upgrade will allow the AFCS to identify 5-digit destination ZIP Codes and perform primary OCR tasks (address block location, character isolation & recognition, and interfacing with our national ZIP Code directory). In addition the AFCS equipment will also be networked into a second processor, known as the Remote Computer Reader (RCR), which uses different algorithms to perform the OCR tasks. The results provided by the AFCS OCR and the RCR go through an arbitration to determine which result should be used. The RCR is designed to do a better job at interpreting handwritten addresses and degraded print. The AFCS will continue to separate out mail carrying Facing Identification Marks. However, instead of splitting the remainder of the successfully processed letters by mail type (machine imprinted vs. handwritten), the new split will be by geography (mail for local destinations vs. mail for destinations outside of the local service area) which is a capability provided through the 5-digit ZIP Code identification. This upgrade, in conjunction with sort plan revisions, is expected to permit fewer subsequent handlings. See attached.

2.0 System Overview

The System Overview section of this guide provides United States Postal Service® (USPS®) managers and supervisors with general information about the Advanced Facer Canceller System-Optical Character Reader (AFCS-OCR), detailed information about its major components, and overall system operation.

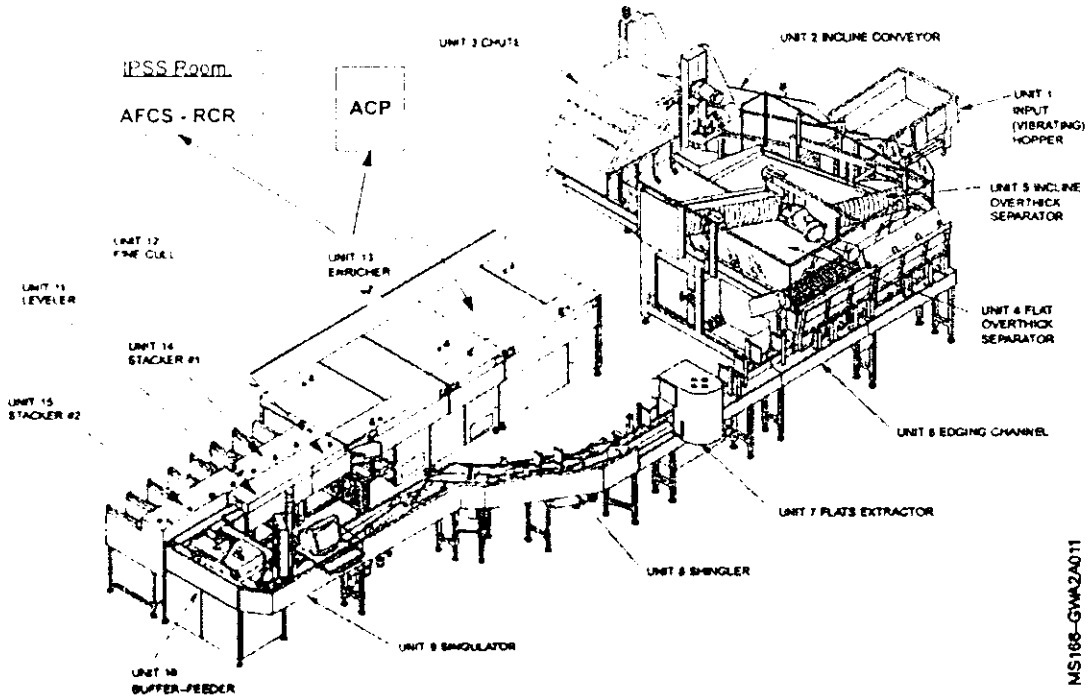
The guide provides general information about the AFCS-OCR, but is ***NOT intended as a replacement for formal training or other standardized operator instruction.*** AFCS-OCR Mail Flow Guide *users include In-Plant Support personnel, mail-processing managers, and supervisors.*

2.1 AFCS-OCR System Description

The AFCS-OCR modifies the current AFCS-ISS with the installation of two additional recognition systems: the Advanced Co-Processor (ACP) and the Remote Computer Reader (RCR). The ACP is a new hardware unit added to the AFCS system, and the RCR is an installation upgrade of current RCR technology. The ACP and RCR receive AFCS images, resolve 5-digit ZIP code destinations, and instruct the AFCS to sort mail-pieces to the stackers according to local and outgoing ZIP code destinations, as determined by the facility. All other functions of the AFCS-ISS remain unchanged in the new AFCS-OCR system.

The AFCS-OCR operation may be broken down into three primary suboperations: (1) culling, facing, and cancelling, (2) OCR processing, and (3) sorting. The system and basic components are shown in Figure 2-1. The culling, facing, and cancelling operation uses units 1 to 12, as shown in Figure 2-1, and is designed to rough cull the mail volume, extract incompatible mail-pieces, face mail, identify indicia, and cancel postage. OCR processing is performed within unit 13, where the system will print and verify ID tags, lift face images, resolve and finalize ZIP code destination, and transfer images to the IPSS. The sorting operation will take processing results from the previous operations and output the mail-pieces to units 14 and 15.

Figure 2–1: AFCS-OCR System Diagram



2.1.1 Culling, Facing, and Cancelling Operation

The following description of the operational mail flow refers to the system components shown in Figure 2-1.

The AFCS-OCR mail flow begins with mail induction into the **Input Hopper** (Unit 1) after processing by the Dual-Pass Rough Cull equipment. The Input Hopper vibrates to separate clustered mail-pieces and to provide a steady flow of mail onto the **Incline Conveyor** (Unit 2). Sensors on the end of the Incline Conveyor belt control the speed of the belt and ensure a regulated flow into the **Chute** (Unit 3).

The Chute incorporates deflectors at the end of the Incline Conveyor that distribute mail evenly across the **Flat Overthick Separator** belt (Unit 4). The Flat Overthick Separator is designed to reject any mail more than 0.25 inches thick and to help ensure that only automation-compatible mail-pieces continue through the equipment. Mail rejected by the Flat Overthick Separator is dropped onto the **Incline Overthick Separator** (Unit 5). This Separator unit provides a second opportunity for incorrectly rejected mail to be accepted as automation compatible and enter further processing in the AFCS-OCR. In addition, the Incline Overthick Separator is configured to reject any mail more than 0.25 inches thick.

Mail-pieces accepted by the Overthick Separators flow into the **Edging Channel** (Unit 6). The Edging Channel passes over an open grille area, called the waterfall, which allows loose, nonmail items to fall into a collection output. Mail-pieces entering the Edging Channel are aligned on their long edge by a series of rollers and barriers. Mail is moved from the Edging Channel into the **Flats Extractor** (Unit 7). Angled rollers in the Extractor reject mail that is more than 8.25 inches long. Rejected mail from this unit is redirected into a chute that extracts mail to either the right or left side of the machine, depending on the specific facility installation.

The **Shingler** (Unit 8) continues the process by moving the mail into an overlapping mail stream using light barriers, proximity switches, and control motors. The mail stream from the Shingler flows into the **Singulator** (Unit 9).

The Singulator breaks apart the overlapping mail flow into a regulated stream of mail, separated by a consistent gap distance between each mail-piece. The separated mail stream flows into the **Buffer Feeder** (Unit 10).

The Buffer Feeder accepts and holds mail from the Singulator until the Face Cancelling operation is ready to begin processing. The Buffer Feeder is the primary control point for the Culling operation. All culler motor power and control signals of Units 1–10, are controlled by signals generated from hardware in the Buffer Feeder.

Mail is moved from the Buffer Feeder into the **Leveler** (Unit 11), where the mail-pieces are transferred by a series of belts to **Fine Cull** (Unit 12). Fine Cull rejects all mail-pieces that do not meet AFCS-compatible specifications, as defined in the previous section in Table 1-1. Sensors within the unit measure and test the mail-piece height, length, skew, stiffness, and gap between mail-pieces. Mail that is rejected by Fine Cull is extracted by the system through a diversion chute. Accepted mail is moved into the **Enricher** (Unit 13) where mail is checked for indicia, postage is cancelled, and ID tags are printed and verified.

2.1.2 OCR Processing Operation

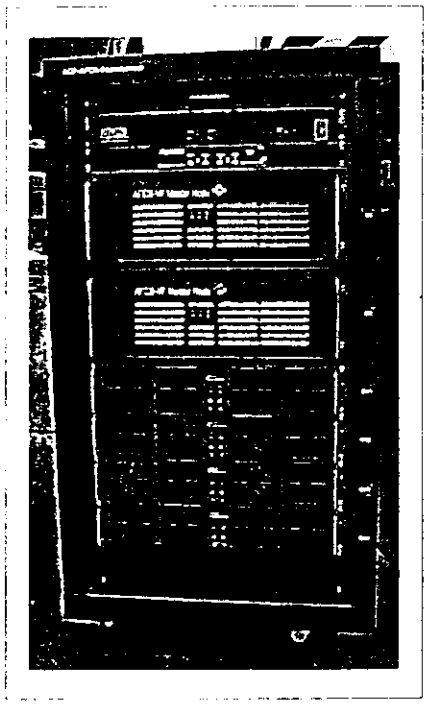
The **Enricher** (Unit 13) includes most of the electronics of the AFCS-OCR and serves as the communication interface with the new image recognition components, the ACP and RCR. All of the new functionality of the AFCS-OCR is used in the Enricher unit. Images are processed by the ACP and RCR to resolve a 5-digit ZIP code result and determine if the destination is local or outgoing. Letter-mail destination type is used for sorting purposes. After a sorting decision has been made, the ACP and RCR will attempt to finalize the letter-mail address.

The following details more about the new components of the system that perform the OCR processing operation.

AFCS Advanced Co-Processor (ACP)

The ACP is a modular rack of computer equipment that is positioned on the workroom floor at the AFCS machine. The ACP provides the additional computational capacity to analyze and resolve address information to potentially determine local or outgoing ZIP code destinations. Destination information is used to instruct the AFCS to sort mail volume to the stackers according to destination category. Figure 2-2 shows the ACP module, which connects the AFCS system to the AFCS-RCR and the IPSS.

Figure 2–2: Advanced Co-Processor (ACP) Module

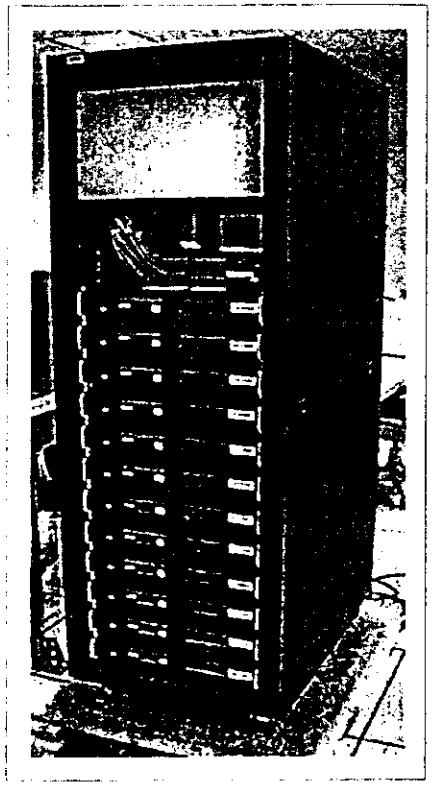


AFCS Remote Computer Reader (RCR)

The current version of the RCR is primarily being used in automation equipment to process letter-mail images and allow online functionality for sending images to the REC sites. The current RCR technology was implemented during the Recognition Improvement Program – II (RIP-II), and was incorporated into the Multiline Optical Character Reader (MLOCR) and Delivery Input/Output Subsystem (DIOSS) automation equipment. The AFCS-RCR is an upgrade from current RCR technology and provides the AFCS equipment with the same recognition and online functionality as the MLOCR and DIOSS machines.

Additionally, as explained in Section 1, Introduction, the new AFCS-RCR will upgrade all mail-processing sites and allow standardization of RCR technology in both enhanced and local RCR sites. Figure 2-3 shows the AFCS-RCR rack that will be installed in the IPSS room.

Figure 2–3: AFCS – Remote Computer Reader (AFCS-RCR) Module



2.1.3 Sorting Operation

After the mail is processed by the ACP and RCR, the final operation of letter-mail processing on the AFCS-OCR is sorting the mail. Sorted mail is output according to a predefined sort program to the **Stackers** (Unit 14 and 15), which are comprised of seven outputs. These outputs separate mail according to four categories, shown in Table 2-1.

Table 2–1: AFCS-OCR Stacker Output Categories

Stacker	Category	Destination Type	Description
1 2	A	FIM	Mail with Facing Identification Mark (FIM).
3 4	B	Local	5-digit ZIP codes, determined by the facility as local destinations. Timeout mail may be output to these stackers if specified by the SPS sort program.
5 6	C	Outgoing	5-digit ZIP codes, determined by the facility as outgoing destinations. Timeout mail may be output to these stackers if specified by the SPS sort program.
7	---	Indicia Mechanical Reject	Indicia/Mechanical reject mail. Mail that has not met specifications or otherwise rejected by the AFCS.

The local, outgoing, and FIM categories are each assigned two stacker outputs to allow sorting for both "lead" and "trail" orientations of the mail. The terms "lead" and "trail" describe whether the postage is on the front or back of the letter respectively, in relation to the direction of travel through the AFCS.

Destination stackers for sorted mail must be defined by the facility, in addition to specifying which ZIP codes should be considered as local or outgoing. Mail that is not successfully resolved for a 5-digit ZIP code is sent to a default output specified by the sort program created with the Sort Program System (SPS), and is referred to as "timeout" mail. (For more information about timeout mail, see section 4.3.1, Sort Program Function Review.) The default stacker output is determined by the facility and will route timeout mail to either the local or outgoing designated outputs, not a combination of both. Timeout mail may also not be sorted to the FIM or mechanical reject outputs.

The preferred recommendation for facilities is to always assign timeout mail to the outgoing output. This will improve the chance for efficiently processing all outgoing mail with higher priority, in addition to improving the chance for the facility to meet the strict dispatch requirements. However, many factors influence what sorting strategy would best fit a particular facility. Scenario examples and explanations of deciding factors that impact sorting are included in Section 4, Sort Programs.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-6. Please refer to your testimony at page 4, lines 26–27. Do all MLOCR's have 60 stackers?

RESPONSE: No. The MLOCRs have either 44 or 60 stackers.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-7. Please provide the percentage of mail in the RBCS — i.e., mail for which an image has been lifted — that is sent to an REC for resolution of at least part of the address.

RESPONSE:

The percentage of the pieces fed into the AFCS ISS, MLOCR ISS and DIOSS which are not finalized and are subsequently sent to the REC for resolution is 24.4 percent for FY04

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-8. Please provide the percentage of mail whose address the MLOCR and DIOSS machines resolve to the depth of sort required without sending an image to the RBCS.

RESPONSE:

Out of the pieces fed to the AFCS ISS, MLOCR ISS and DIOSS, ~~51.3~~ 51.4% percent of the pieces were finalized to the best depth of code without further resolution by RCR or REC keying.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-9. Suppose an MLOCR is able to resolve an address to the depth of sort required, without sending the image to the RBCS; however, text is preprinted on the envelope in the area where the Postnet bar code is sprayed, and this text renders the Postnet bar code illegible. Will the ID Code Sortation system allow this letter to be sorted using information contained in the RBCS ID tag?

RESPONSE:

The letter in the example stated above will be sorted using the ID Code Sortation system (ICS). ICS does not sort on information in the ID Code but uses the ID Code to access information in the database. This information is retrieved from the ICS database and used to sort the letter through the ICS process.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-14. In which cases, if any, would an AFSM spray a bar code directly on a flat, without applying a label?

RESPONSE:

There are no such cases. A FICS ID barcode is sprayed on a label which is applied to the flat. AFSM 100s do not apply sorting or ID barcodes directly on flat mail pieces.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-15. Does the bar code from an AFSM FICS ever include ZIP Code information, or is ZIP Code information for sorting the mail always retrieved by way of a database lookup?

RESPONSE:

The FICS barcode does not contain ZIP Code information. The ZIP Code information is retrieved through a national database lookup.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-22. If a stamped letter has no FIM but has a delivery-point bar code printed on the envelope in the address block, and if the AFCS is operating in a lift-everything mode, will the RBCS read this bar code, or will the RBCS resolve the address and spray a bar code according to the resolution of the address?

RESPONSE:

The AFCS currently does not detect / read / apply POSTNET barcodes. For a non FIM piece, the AFCS-OCR will lift the image, and if the address can be resolved, it will sort the mail piece to either outgoing or local output bins depending on the sorts dictated in the sort program. The POSTNET barcode will be applied on an OSS enabled BCS machine.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-25. Please refer to the response to DFC/USPS-T29-8. Please explain how the AFCS-ISS resolved addresses without use of the RCR or REC keying.

RESPONSE:

In FY 04, the AFCS-ISS could not resolve images without use of RCR or REC keying.

Though the response to DFC/USPS-T29-8 is accurate, it could have been alternatively written as, "out of the pieces fed to the MLOCR ISS and DIOSS, ~~51.3~~ 51.4% of the pieces were finalized to the best depth of code without further resolution by RCR or REC keying

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Douglas F. Carlson

DFC/USPS-T29-26. When were MLOCR's upgraded with the ID Code Sortation capability?

RESPONSE:

The MLOCRs do not have ID Code Sort capabilities. The ID Code Sort upgrades were only deployed on the DBCS and MPBCS machines.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-1

On page 2 of your testimony, you describe the mail preparation for First-Class single piece letters and cards. You indicate that bundles and trays of metered letters are "forwarded directly to sortation equipment".

A. Please describe the entire mail preparation process for First-Class metered mail (BMM) that is brought to the Postal Service in trays of 500 or more pieces. If you do not have first hand knowledge of BMM, then please state so and answer the question with respect to bundles of metered mail.
B Are BMM or bundled metered mail pieces cancelled? If so, in what operation does this occur and how is it accomplished?
C Are BMM pieces or bundled metered mail pieces culled? If so, in what operation does this occur and how is it accomplished?
D For FY 2004 or the most recent fiscal year for which actual data are available, how much BMM or bundled metered mail was machinable? Please source the information you provide.
E For FY 2004 or the most recent fiscal year for which actual data are available, how much single piece metered mail was machinable? Please source the information you provide.

RESPONSE:

A Assuming that trayed bulk metered mail is being referred to as BMM, First Class metered letter mail trays are first separated as barcoded and non-barcoded. Non-barcoded metered mail trays are routed to MLOCR/ DIOSS machines for barcoding then routed to Delivery Bar Code Sorter (DBCS) for downstream processing. Trays containing barcoded metered mail are routed to the DBCS.

B & C See MMA/USPS-T29-1 A. For operational convenience, sometimes bundles are culled out, bands are removed, and loose pieces are cancelled on the AFCS. In other situations, bundles are culled out, bands are removed, loose pieces are faced in trays and trays are processed on MLOCR/ DIOSS machines. Full trays of

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

metered mail are processed through the AFCS if meter dates are stale.

D & E. For FY 2004, 13.4 B pieces with meter postage (excluding IBI) did not pay the non-machinable surcharge and are therefore assumed to be machinable. I'm not aware of any data available that differentiates volume of trayed, bundled or loose metered mail pieces. Source: RPW FY 2004 report.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-2

On pages 3-5 of your testimony, you describe the Remote Bar Coding System (RBCS).

a. Is the Advanced Facer Canceller System (AFCS) normally an integral part of the RBCS? Please explain.

b. Will BMM that is "forwarded directly to sortation equipment" be sent to the AFCS? If your answer is no, then to what operation is BMM normally sent?

c. Does the Input Sub System (ISS) resolve just machine printed addresses? If not, please explain.

d. Is the Multi-line Optical Character Reader (MLOCR) a part of the ISS? If not, please explain how the two interact.

e. What percent of letters fed into the ISS is actually successfully read and barcoded without the aid of the Remote Computer Reader (RCR) and Remote Encoding Center (REC)? Please provide a source for your answer

f. Does the RCR resolve just machine printed addresses or both machine printed addresses and handwritten addresses?

g. For the 27.5% of the letters that the RCR cannot resolve, please provide the specific reasons why these addresses cannot be resolved.

h. Does the Remote Encoding Center (REC) resolve just machine printed addresses or both machine printed addresses and handwritten addresses?

i. What percent of the images sent to the REC are successfully resolved?

j. Please provide national data for the latest fiscal year available detailing (1) how many pieces were fed into the AFCS (2) how many pieces were successfully barcoded in the AFCS by an MLOCR without the aid of the RCR or REC, (3) how many pieces were successfully barcoded with the aid of the RCR, (4) how many pieces were successfully barcoded with the aid of the REC, and (5) how many pieces could not be barcoded. Please provide the source(s) for your answer.

k. Please provide projected national data for Test Year 2006 detailing (1) how many pieces will be fed into the AFCS (2) how many will be successfully barcoded by the AFCS by an MLOCR without the aid of the RCR or REC, (3) how many will be successfully barcoded with the aid of the RCR, (4) how many will be successfully barcoded with the aid of the REC, and (5) how many will not be barcoded. Please also provide the source(s) for your answer

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

RESPONSE:

a. Yes. The AFCS acts as an Input Sub System (ISS) for lifting images.

b. No. See response to MMA/USPS-T29-1 A-C.

c. No, the OCR component of the Input Sub System (ISS) can also resolve hand written addresses.

d. The MLOCR is normally operated in the Input Sub System (ISS) mode. The MLOCR will process an image through the optical character reader (OCR) If not finalized by OCR, the image is presented for RCR processing, and if not finalized, goes to the REC for keying. The MLOCR acts as an ISS but would not necessarily be described as a part of an ISS.

e For FY 2004, the percentage was 51.3%. Source: RBCS National Summary Report.

f. Both

g. Some reasons why the RCR cannot resolve the addresses include:1) mis-faced (pieces with the back facing the front) mail, 2) address not resolved (address missing key elements, poorly written address), 3) address not found in directory, 4) illegible font, and 5) interference (other words or images) in the address block area.

h. Both.

i. The percentage of the images resolved to the finest depth required is

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

74.6%.

j. (1) In FY 2004, the number of pieces fed into an AFCS was 27.3 billion according to MODS. (2) The AFCS-OCR does not apply barcodes to mail pieces. (3 – 5) RCR and REC resolution data for AFCS image lifted pieces are not available because the resolution data is not broken down by machine types from which an image was lifted.

k. It is my understanding that the Postal Service does not make these types of projections.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-3

Please refer to page 10 of your testimony where you provide information regarding the amount of mail that was barcoded by the Postal Service during FY 2004.

A. For FY 2004 or the most recent fiscal year for which actual data are available, please provide the volumes to complete the table below, along with the source(s) for the volumes. Note: columns 1, 2, and 3 should add up to column 4.

Subclass	USPS Applied Barcode	Mailer Applied Barcode	Letters Not Able To Be Barcoded	Total Letters
	(1)	(2)	(3)	(4)
First Class				
Standard				
Total				

B. For column (3) in your answer to part A, please divide the total letters not successfully barcoded by the Postal Service into machinable letters and nonmachinable letters, as shown in the table below:

Subclass	Letters Not Able To Be Barcoded	Machinable Letters Not Able To Be Barcoded	Nonmachinable Letters Not Able To Be Barcoded
	(1)	(2)	(3)
First Class			
Standard			
Total			

RESPONSE:

A. The above table for part A could not be completed because the Postal Service does not track postal applied barcode data that differentiates classes of mail. For FY 2004 the total volume of letters was 149.6 billion of which 92.9 billion was First Class and 56.6 billion was Standard Mail. Of the total volume of letters, 39.6 billion letters had USPS applied barcodes and 101.3 billion letters had mailer applied barcodes of

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

which 56.5 billion was First Class Mail including Courtesy Reply Mail (CRM) and Business Reply Mail (BRM), and 44.8 billion was automation rate Standard Mail. The remaining 8.7 billion pieces includes letters that were not able to be barcoded as well as letters that the Postal Service does not barcode ordinarily, for example, letters for non-automation zones, political mail, and local mail entered late at destination delivery units such that time did not permit barcoding. The sources for this information are MODS, Revenue, Pieces and Weight (RPW) for report for FY 2004, FAST Auto (Finalization on Automation Secondary Tracking) report and the FLASH report for manual volumes.

B The table for part B above could not be completed. I am not aware of any data available that differentiates the machinability or non-machinability of letters not able to be barcoded.

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To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-4
Please refer to page 10 of your testimony where you provide information regarding the percentage of mail that was delivery point sequenced (DPSed) during FY 2004. You state that 89% of all barcoded letters was DPSed during that time period.

A. Please confirm that in R2001-1 USPS witness Kingsley testified that 94.8% of barcoded letters was successfully sorted by automation in the incoming secondary operation during FY 2001, the R2000-1 test year. *See* R2001-1, TR 9/ 2256. If you do not confirm, please explain.
B. Please reconcile Ms. Kingsley's figure of 94.8% with your figure of 89%. Please source and document the information you provide.
C. For FY 2004 or the most recent fiscal year for which actual data are available, please provide the volumes of barcoded letters (letters barcoded either by the Postal Service or by mailers) to complete the table shown below along with the source(s) for your figures: (Note that column 3 consists of letters sorted to carrier route only or to a post office box, and that column 4 consists of barcoded letters that for some reason do not get DPSed)

Subclass	Total Barcoded Letters	Total DPSed Letters	Total Letters That Do Not Require DPSing	Total Letters Not Able To Be DPSed
	(1)	(2)	(3)	(4)
First Class				
Standard				
Total				

Note the volumes in Columns 2-4 should add up to the volumes in Column 1.

D. For the barcoded letter volumes shown in column 4 in the Table in your answer to part C, please provide the reasons why these pieces could not be DPSed.
E. Does the Postal Service know whether it has more success in delivery point sequencing letters that are prebarcoded by mailers than letters that are barcoded by the Postal Service? If yes, please explain which letters are more successful and why this is so.

RESPONSE:

A. Confirmed

B. Witness Kingsley's figure of 94.8% refers to the percentage of incoming

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secondary letter distribution in plants that is performed on automation equipment. The figure of 89% refers to the percentage of incoming secondary letters sorted to delivery point sequence out of the total system volume including all plant and delivery unit distribution. The source for this information is the FAST Auto (Finalization on Automation Secondary Tracking) report.

C The table for part C above could not be completed because postal applied barcodes are not separated by class of mail. For FY 2004, the barcoded letter volume was 140 9 billion, of which 113.2 billion was finalized into DPS. Additionally, 13 9 billion letters were processed to sector/segment, carrier route (not re-sorted on the CSBCS), and box sections. Finally, 19.2 billion letters were sorted in plant and field distribution manual operations.

D Some reasons why pieces are not able to be finalized into DPS include: 1) out of sequence on 2nd pass, 2) mechanical rejects, 3) invalid or incomplete delivery point barcode, and d) barcode cannot be read.

E No

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-6
In response to Interrogatory MMA/USPS-T21-4A, USPS witness Abdirahman indicates that he relied on a mail flow density study performed by USPS witness Miller in Docket No. R2000-1. The results of that study can be found on page 55 of Library Reference USPS-LR-K-48. According to that study, 26.34% of the letters processed by the Outgoing ISS, 34.00% of the letters processed by the Outgoing OSS and 6.59% of the letters processed by the outgoing automation primary can be sorted directly to the incoming secondary sort operation. Please explain precisely how the outgoing operations in the ISS and the OSS can sort up to 5 times the amount of letters directly to the incoming secondary than the outgoing operations in the automation primary can sort directly to the incoming secondary?

RESPONSE:

The Outgoing Primary operation is used primarily for Business Reply Mail (BRM) and Customer Reply Mail (CRM) isolated off of the AFCS machines. These are business letters and cards being mailed back to firms and business throughout the country. As with other single-piece mail volume (e.g. stamped) which has a significant portion that returns to the service area from which it was mailed and therefore remains in the plant for incoming secondary operations, BRM and CRM has a much smaller percentage of mail that "turns around" and has a more even distribution to destinations throughout the country.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-7
In response to Interrogatory MMA/USPS-T21-4C, USPS witness Abdirahman stated, in part:

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. [sic]

A. For FY 1999, please provide the bin capacity of Bar Code Sorters used in the following operations:
    1. Outgoing Remote Bar Coding System
    2. Outgoing Automation Primary
    3. Outgoing Automation Secondary
    4. Incoming Remote Bar Coding System
    5. Incoming Automation Primary
    6. Incoming Automation Secondary
B. For BY 2004, please provide the bin capacity of Bar Code Sorters used in the following operations:
    1. Outgoing Remote Bar Coding System
    2. Outgoing Automation Primary
    3. Outgoing Automation Secondary
    4. Incoming Remote Bar Coding System
    5. Incoming Automation Primary
    6. Incoming Automation Secondary
C. Is the bin capacity of Bar Code Sorters expected to change by TY 2006? If you answer yes, please provide the bin capacity of Bar Code Sorters used in operations 1-6 of Part B.
D Do you agree with USPS witness Abdirahman's conclusion that bin capacities have not changed dramatically between FY 99 and the test year in this case? Please explain your answer.

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RESPONSE:

A - B. I have interpreted bin capacity to equate to the total BCS complement available for sortation at the number of bins on this equipment. The question is attempting to understand the change in bin capacity from FY 99 to FY 04. The exact figures for total bins for both FY 99 and FY 04 and not readily available but from 1999 through 2004, the Postal Service has purchased 1,036 additional DBCSs and 236,536 additional bins (1,036 DBCSs with 46 bins each and 11,805 additional stacker modules). The Postal Service does not fully track MPBCS removals, but information that we do have indicates that in FY 99 there were 1,398 MPBCS machines (96 bins each) and there are only 626 machines in operation as of earlier this calendar year.

C From the end of FY 04 through November 2004, an additional 965 stacker modules (15440 total bins) were deployed. This was the last of the deployment described on page 6, lines 14 – 19, in my testimony (USPS-T-29), which I now have been told was completed earlier than expected. In addition, approximately 27 new DIOSS machines, each with 206 stackers, are expected to be deployed by mid-FY 06.

D. I assume that witness Abdirahman's conclusion that bin capacities have not changed dramatically between FY 99 and the test year was based partially on his understanding of the statistical sensitivity of density tables within the cost models and the degree of change needed within the densities to produce a significant

change to the results. Therefore, I am unable to agree or disagree with witness Abdirahman's conclusion.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-8

In R2001-1, USPS witness Kingsley provided the following information in response to Interrogatory KE/USPS-T39-13F.

Volume of Barcoded and Non-barcoded Letters (000)

Subclass	Letters with USPS Applied Barcodes	Letters with Mailer Applied Barcodes	Letters Without Barcodes
FY 1999			
First Class	38,911,824	47,000,370	9,829,438
Standard	4,946,688	29,304,609	7,373,399
Total	43,858,512	76,304,979	17,202,837
FY 2000			
First Class	39,230,428	50,097,557	9,105,107
Standard	4,016,695	33,617,045	6,765,283
Total	43,247,124	83,714,601	15,870,390
FY 2001			
First Class	38,980,010	52,800,062	8,467,994
Standard	3,664,574	37,299,240	5,699,796
Total	42,644,584	90,099,302	14,167,790
AP 12, FY 01			
First Class	2,847,333	4,066,708	567,350
Standard	160,208	2,582,785	379,404
Total	3,007,541	6,649,493	946,754
AP 13, FY 01			
First Class	2,610,868	3,803,057	545,863
Standard	112,854	2,805,734	363,027
Total	2,723,722	6,608,791	908,890

Please provide similar information in the following table for BY 2004 such that the total of the three columns equals the total number of letters in the system.

Subclass	**Letters with USPS Applied Barcodes**	**Letters with Mailer Applied Barcodes**	**Letters Without Barcodes**
First Class			
Standard			
Total			

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

RESPONSE:

As previously stated, the volume by class for USPS applied barcodes and letters without barcodes is not collected. The data in R2001-1 were obtained through ODIS-RPW which relies on sampling of the mail volume. The sampled volume is then multiplied by statistical expansion factors to get national estimates of mail volume. The volumes of USPS applied barcoded letters and letters without barcodes provided in response to MMA/USPS-T29-3 were obtained through the use of MODS, FAST Auto (Finalization on Automation Secondary Tracking), and FLASH report for manual volumes

The report that produced the data provided in R2001-1 is no longer maintained, however, ODIS-RPW estimates that in FY 04, 94% of the USPS applied barcodes are applied to First-Class Mail letters and 6% are applied to Standard Mail letters, while 62% of letters without barcodes are First-Class Mail and 38% are Standard Mail. When you apply these percentages to the 39.6 billion USPS applied barcoded letters and 8.7 billion letters without barcodes, the result is 37.2 billion USPS applied barcodes are on First-Class Mail letters while 2.4 billion are on Standard Mail letters, and 5.4 billion letters without barcodes are First-Class Mail while 3.3 billion are Standard Mail. Due to the differences in how the figures are derived as described above, it would be highly unlikely that applying the percentages and completing the table would produce numbers that sum to the total First-Class Mail and Standard Mail letters provided in response to MMA/USPS-T29-3.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-9
In R2001-1, the USPS provided information regarding nonmachinable First-Class letters in its response to POIR #4, Question 6.

A. Please provide similar information by filling in the following table for BY 04.

Subclass	Non-Barcoded Non-Machinable Letters
First-Class S.P.	
First-Class Bulk	
Total	

B. Do the volumes provided in your answer to part A include volumes that are nonmachinable but do not pay the nonmachinable surcharge because they weigh more than one ounce? If no, please explain exactly what the volumes provided in your answer to part A represent.

C. If you answer to part B is yes, please provide the volumes that are nonmachinable but do not pay the nonmachinable surcharge because they weigh more than one ounce?

RESPONSE:

Subclass	Non-Barcoded Non-Machinable Letters
First-Class S.P.	(est.) 35,723,651
First-Class Bulk	
Total	

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

A. In FY 04, there were 156,958,044 First-Class Single Piece letters on which the non-machinable surcharge was paid. Of this number, ODIS-RPW estimates that 35,723,651 did not have a barcode. In FY 04, there were 22,087,624 First-Class Presorted rate letters on which the non-machinable surcharge was paid. We have no estimate for the non-barcoded portion.

B. No. The volumes are only for non-machinable First-Class letters on which the non-machinable surcharge was paid.

C See (B).

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-10
Please refer to your response to Interrogatory MMA/USPS-T29-2J where you indicate that 27.3 billion pieces were fed into the AFCS operation in FY 2004.

A. How many pieces were fed into the RBCS operation?

B. Of the pieces fed into the RBCS operation, how many pieces left that operation (1) with a barcode sprayed on by the Postal Service, (2) with no barcode, and (3) with a barcode that had already been provided by the mailer? If your volume figures do not add up to 27.3 billion, please provide a description of what happened to the remaining pieces.

RESPONSE:

A. RBCS data are not available by machine type from which the image was lifted.

B (1-2) AFCS does not apply barcodes to mail pieces. Data for pieces finalized by the RBCS is not available by machine type from which image was lifted.

(3) 9.3 billion barcoded letters (CRM & BRM) were isolated off the AFCS machines in FY 2004. In FY 04, 27.3 billion pieces were fed into the AFCS. They include FIM, script, and enriched pieces. The pieces processed through RBCS are determined by the facility's mode of processing (i.e. either lift all/script lift). Pre-barcoded FIM pieces do not flow to RBCS and neither do enriched pieces if the site is operating in "script lift" mode. FIM pieces are sent to DBCS/MPBCS machines for FIM processing and the enriched pieces (if in script lift mode) are sent to MLOCR/DIOSS machines for barcoding.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-11
Please refer to your response to Interrogatory MMA/USPS-T29-4B. You state that 89% all letters in the system were DPSed in FY 2004. You also explain that in the last case, USPS witness Kingsley's stated that 94.9% of the letters that could be DPSed in offices where automation equipment was being used was DPSed. For BY 2004, please provide (1) the actual number of letters that were DPSed, (2) the number of letters sent to offices where that mail could be DPSed, and (3) the total number of letters in the system.

RESPONSE:

To clarify, as stated in my testimony and cited in your original interrogatory MMA/USPS-T29-4, the figure of 89% refers to the percentage of barcoded incoming secondary letters finalized to delivery point sequence in both plant and delivery unit distribution. Witness Kingsley's figure of 94.8%, (not 94.9% as stated in this interrogatory), referred to the percentage of barcoded incoming secondary letters finalized ~~to delivery point~~ sequence in plant distribution only. For BY 2004, (1) the actual number of barcoded letters that were finalized to delivery point sequence was 113,204,413,000, (2) the number of letters sent to offices where that mail was finalized to delivery point sequence on the CSBCS was 15,063,852,000, and (3) the total letter volume was 149,661,002,000. It is important to note that the 149,661,002,000 figure represents all letters, but DPS percentages are calculated using only incoming secondary letter volume as the total opportunity.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

MMA/USPS-T29-12
Please refer to your response to Interrogatory MMA/USPS-T29-4C where you filled in the following table:

Subclass	Total Barcoded Letters	Total DPSed Letters	Total Letters That Do Not Require DPSing	Total Letters Not Able To Be DPSed
	(1)	(2)	(3)	(4)
First Class				
Standard				
Total	140.9	113.2	13.9	19.2

A. Please explain why column (1) is 140.9 and the sum of columns (2) through (4) is 146.3.

B. Do the 13.9 billion pieces that did not require DPSing in column (3) include non-barcoded letters? If not, please explain exactly what these 13.9 billion pieces represent.

C. If column (3) includes non-barcoded letters, please provide the number of barcoded letters that did not require DPSing.

RESPONSE:

As stated in my response to MMA/USPS-T29-4C, based on the data available, the table could not be completed using these headings for columns 3 and 4. I provided the numbers which would partially complete the table, then provided additional available data on non-DPS automated and manual distribution.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Major Mailers Association

A. First off, the 140.9 billion figure representing total barcoded letters is derived from a different source than the other three figures. The total barcoded letters is derived by totaling the automation discount letters from RPW, the barcoded Business Reply Mail and Courtesy Reply Mail volume isolated off the AFCS machines, and the USPS applied barcode volume pulled from MLOCR/RBCS data. The other three figures are derived from a combination of MODs, FAST, and FLASH report information. In addition to the different sources for the data, an additional reason why the three figures would not approximately add to the 140 9 billion figure is the fact that the 19.2 billion letters processed manually represents both barcoded and non-barcoded pieces. To clarify, the pieces processed in manual incoming secondary operations represent both rejected and nonmachinable pieces for automated zones as well as all pieces for manual zones The 13.9 billion figure represents the volume of barcoded letters in automated incoming secondary operations that are not finalized to DPS. This volume is finalized to the carrier-route or sector-segment level and is usually for small offices with ten or less routes, as well as letters for some box sections.

B No See part (A).

C See (B)

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS MARC D. McCRERY TO INTERROGATORY
OF MAJOR MAILERS ASSOCIATION,
REDIRECTED FROM WITNESS JOHN KELLEY (USPS-T-16)

MMA/USPS-T-16-5

Please refer to R2001-1, TR 5/666 and TR 5/859, where USPS witness Schenk discussed the impact of worksharing (presortation) on delivery costs. Please compare two machinable letters that are to be delivered by a city carrier. In making this comparison, please assume that both machinable letters are identical except one letter is prebarcoded and presorted whereas the other is not prebarcoded or presorted.

A. On average, if both letters are processed through the Postal Service, what is the likelihood that one letter will be DPSed while the other letter will not be DPSed? Please explain your answer.

Response:

If the two letters are, in fact, identical with the same machine printed delivery point address elements, the likelihood of DPS sortation for each piece would not be significantly different. However, a factor to consider is the non-prebarcoded, non-presorted piece is certain to require at least one additional processing step, and during each automated handling there is a chance that an event may occur (e.g. jam) that could result in the piece being removed from the automated mail stream. Furthermore, the required additional handlings could increase the likelihood of the piece missing the DPS processing window.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO
INTERROGATORY OF MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS ABDIRAHMAN

MMA/USPS-T21-25

On page 6 of your testimony, you discuss the Multi-Line Optical Character Reader Input Sub System (MLOCR-ISS) and Remote Computer Read (RCR) finalization rate as reaching 92.3% for the test year.

A. Please provide the actual MLOCR-ISS rates for each accounting period since FY 2002 separately for (1) machine printed addresses and (2) handwritten addresses.

B Please provide the actual RCR rates for each accounting period since FY 2002 separately for (1) machine printed addresses and (2) handwritten addresses.

C Did the Postal Service meet its goal of a combined 92.3% rate for TY 2003 in R2001-1? If not, why not?

RESPONSE:

A-B See response of the United States Postal Service to Interrogatories of Major Mailers Association, redirected from Postal Service witness Abdirahman.

C Higher than estimated volumes of double feeds, misfaced, addresses missing necessary elements, and unreadable images caused a decrease in finalization rates. In addition, foreign mail coding was disabled on the OCR & RCR to increase coding confidence causing a drop in the finalization rates

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by the Office of the Consumer Advocate

OCA/USPS-T29-1. Please refer to your response to PB/USPS-T29-8(a). You state, "The new sorts on the AFCS-OCR are: FIM barcoded, outgoing, and local."
a. What happens to pieces that cannot be resolved by the AFCS-OCR?
b. What happens to pieces (and their images) that must be resolved through RCR or RBCS?
c. Does the AFCS-OCR perform functions once performed by the MLOCR-ISS? If not, please explain.

RESPONSE:

a. Unresolved pieces are sorted as dictated in the sort program (most commonly with the outgoing pieces).

b. All except FIM barcoded pieces are routed to the OSS enabled BCS machines for barcoding. Images of unresolved pieces are sent to the IPSS.

c. Generally, yes. However, the AFCS-OCR currently does not apply barcodes and has very limited sort capability.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by the Office of the Consumer Advocate

OCA/USPS-T29-2. Please list all types of equipment that have ISS capability.
a. Do all of these pieces of equipment feed images to the IPSS? If not, please describe the flow of images from each type of equipment.
b. Do all of these pieces of equipment feed images to the RCR? If not, please describe the flow of images from each type of equipment.
c. Can an image fed to IPSS bypass RCR? If so, please describe the circumstances.
d. Have all images received at a REC passed through RCR? If not, please describe the circumstances

RESPONSE:

MLOCR, AFCS, DIOSS, and CIOSS have ISS capability.

a. All are capable of operating in the ISS mode, lifting, and feeding images to the IPSS

b. All are capable of feeding images to the RCR and normally do so.

c. Yes, images that are fed to IPSS can bypass RCR. RCR could be turned off or in a "no-wait" mode meaning if image volume exceeds the available RCR capacity, images would bypass RCR and go directly to the REC. ZIP filters are sometimes used with RCR. ZIP filters exclude entered ZIP Codes from RCR processing, sending the image directly to IPSS.

d. Generally, yes but not necessarily. See response to part c for exceptions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-1. Please refer to page 11, lines 1-6 of your testimony and confirm that the Postal Service continues to want to shape First-Class Mail letters into a more efficient mail stream. If you do not confirm, please explain.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-2. Please refer to page 11, lines 3-6 of your testimony where you state that "[b]eyond the various enhancements and new programs (e.g. PARS) previously discussed, there are only limited opportunities to increase efficiencies within letter mail processing operations through the application of proven technologies" and confirm that the "enhancements and new programs previously discussed" refer primarily to piece distribution operations. If you do not confirm, please explain.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-3. Please refer to page 26, lines 28-30 of your testimony that states "[i]n the plants, trays are sorted manually, with the assistance of the tray handling equipment described above, or by TMS." Please discuss the proportion of First-Class Mail letter tray sortations/handlings that are manual and unassisted with the "tray handling equipment described above," that are manual and assisted with the "tray handling equipment described above," and that use TMS. Please provide any supporting studies, data and reports.

RESPONSE:

There are no data systems that collect national tray volumes sorted by Low Cost Tray Sorters, through Tray Management Systems, by robotics, or manually. Therefore, I have no basis on which to calculate exact or estimated proportions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-4. Please refer to page 27, lines 25-26 of your testimony that states "[t]he automation of distribution operations places a premium on consistency and dependability in the allied operations that provide mail for piece distribution." Please discuss with specificity if, as piece distribution operations have become increasingly automated and a smaller percentage of total mail processing costs, allied, package handling, and container handling mail processing operations have become increasingly important and a larger percentage of total mail processing costs.

RESPONSE:

I am told that allied operations (LDC 17) as a percentage of total mail processing hours (LDCs 11–14, 17, 18, 49 and 79 at MODS offices) are 32%, 31%, 33% and 36% for Base Years 1996, 1998, 2000 and 2004, respectively. The sub-functions within the various LDCs, including LDC 17, are provided in Library References K-55, J-55, I-106, and H-146 for the corresponding Base Years. Within each Library Reference, the appropriate table is Table I-2 except for H-146 where the table is not numbered, but may be found on page I-8.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-5. Please confirm that mailers or presort bureaus prepare certain "pallet separations" (i.e., pallets of letter trays that destinate to different local/non-local postal facilities) for First-Class Mail letters. If you confirm, please describe with specificity the value of the "pallet separations" performed by mailers or presort bureaus to the Postal Service, including a discussion of how pallet separations reduce or avoid Postal Service transportation and mail processing costs. If you do not confirm, please explain. Please confirm that the Postal Service works with mailers and presort bureaus to design "pallet separations."

RESPONSE:

From my knowledge, it can be confirmed that some mailers and presort bureaus prepare letter trays on "pallet separations". When trays are placed on pallets by the mailer for specific facilities/destinations, the process of sorting the trays at the origin plant can be avoided. Instead of moving the unsorted trays to a staging area, then sorting the trays using one of the methods listed in response to PB/USPS-T29-3, then moving the sorted containers to the SWYB and/or dock for dispatch; the pallets/containers prepared for specific facilities/destinations can be directed to SWYB and/or to the platform for pallet sorting and placement on outbound transportation bypassing one tray breakdown operation. Common pallet separations prepared by the mailer for First-Class Mail letters trays would be all trays transported through the local Air Mail Facility, individual destination AADCs that are transported directly out of the origin plant or through a HASP, residual

trays transported through the HASP but requiring distribution at the HASP, and a container for the local plant. In some cases, the containers for specific facilities/destinations prepared by mailers are transported directly out of the mailer facility bypassing the pallet sort/cross-dock operation on the platform at the local plant, which in some cases may also result in the savings of one transportation leg. From my knowledge, it can be confirmed that the Postal Service works with mailers and presort bureaus to design the appropriate pallet separations based on the origin.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-6. If mailers or presort bureaus prepare certain "pallet separations" (i.e., pallets of letter trays that destinate to different local/non-local postal facilities) for First-Class Mail letters, please provide the following data for the letters placed on pallet separations and entered at different postal facilities than they would have been without the pallet separations (e.g., entered at local AMF versus the local P&DC).

(a) The characteristics of the mail pieces (i.e., shape, presort level, automation, containerization, and any other relevant characteristics);

(b) The volume of First-Class Mail single-piece letters;

(c) The volume of First-Class Mail Bulk Metered Mail letters;

(d) The volume of First-Class Mail nonautomation presort letters;

(e) The volume of First-Class Mail MAADC automation letters;

(f) The volume of First-Class Mail AADC automation letters;

(g) The volume of First-Class Mail 3-Digit automation letters;

(h) The volume of First-Class Mail 5-Digit automation letters;

(i) The average number of local transportation legs avoided due to pallet separations;

(j) The average number of platform handlings avoided due to pallet separations;

(k) The average number of pallet breakdown activities avoided due to pallet separations; and

(l) The average number of tray handlings avoided due to pallet separations.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

RESPONSE:

(a – h) It is my understanding that the Postal Service does not have this type of data.

(i - l) See the response to PB/USPS-T29-5.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-7. If mailers or presort bureaus prepare certain "pallet separations" (i.e., pallets of letter trays that destinate to different local/non-local postal facilities) for First-Class Mail letters, please provide the following data and for the letters placed on pallet separations and entered at the same postal facility they otherwise would have been entered at but the pallets and trays are now processed more efficiently (e.g., crossdock pallet in lieu of pallet breakdown and tray sortation).

(a) The characteristics of the mail pieces (i.e., shape, presort level, automation, containerization, and any other relevant characteristics);

(b) The volume of First-Class Mail single-piece letters;

(c) The volume of First-Class Mail Bulk Metered Mail letters;

(d) The volume of First-Class Mail nonautomation presort letters;

(e) The volume of First-Class Mail MAADC automation letters;

(f) The volume of First-Class Mail AADC automation letters;

(g) The volume of First-Class Mail 3-Digit automation letters;

(h) The volume of First-Class Mail 5-Digit automation letters;

(i) The average number of local transportation legs avoided due to pallet separations;

(j) The average number of platform handlings avoided due to pallet separations;

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(k) The average number of pallet breakdown activities avoided due to pallet separations; and

(l) The average number of tray handlings avoided due to pallet separations.

RESPONSE:

(a – h) It is my understanding that the Postal Service does not have this type of data.

(i - l) See the response to PB/USPS-T29-5.

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PB/USPS-T29-8. Please refer to the following generalized description of the flow of First-Class Mail single-piece letters through the Postal Service from entry to delivery.

Generalized Description of the Flow of First-Class Mail Single-Piece Letters
1. Mail collection and entry. a. Single-piece letters are picked up by carriers, deposited in collection boxes, or dropped off at Postal Service facilities and placed in letter trays or hampers. b. Trays are loaded onto rolling stock. c. Hampers and rolling stock are staged at delivery unit. d. Hampers and rolling stock are moved and loaded onto postal vans. e. Hampers and rolling stock are transported to local plant. f. Hampers and rolling stock are unloaded off postal vans onto platform.
2. Rough cull operation. a. Hampers and rolling stock are moved to rough cull operation. b. Rough cull operation performed (preliminary manual sortation of the mail by shape).
3. Advanced Facer Canceller System ("AFCS") operation. a. Trays and hampers are moved to AFCS. b. Trays and hampers are dumped on AFCS. c. Empty trays and hampers disposed. d. AFCS operation performed that faces, cancels, and culls letters into prebarcoded, OCR-readable, all other (including script) mail, and rejects. e. All other (including script) mail goes through an AFCS Input Sub System ("ISS") that captures and lifts images for the Remote Bar Coding System ("RBCS"). f. Letters are swept into trays. g. Trays are loaded onto rolling stock.
4. Rolling stock is moved to staging area.
5. Outgoing Processing (outgoing RBCS, outgoing primary, and outgoing secondary schemes sort originating mail (after one or two passes) to automated distribution centers ("AADC") under the Managed Mail Program ("MMP"), SCF/3-digit, and

to 5-digit (the local service area)).
   a. Prebarcoded letters.
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to outgoing processing operation.
      iii. Letters are loaded onto the delivery bar code sorter ("DBCS") or mail processing bar code sorter ("MPBCS") ledge.
      iv. Letters are inducted and sorted.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.
   b. OCR-readable letters.
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to outgoing processing operation.
      iii. Letters are loaded onto multiline optical character reader ("MLOCR") ledge.
      iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.
   c. All other (including script) letters.
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to outgoing processing operation.
      iii. Letters are loaded onto retrofitted DBCS or MPBCS (with Output Sub System ("OSS") capability).
      iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.

6. Rolling stock is moved to staging area.

7. Scan-Where-You-Band ("SWYB") Operation (bands and sleeves originating trays and assigns transportation)
   a. Set up operation.
   b. Rolling stock is moved to SWYB operation.
   c. Trays are sleeved.
   d. Trays are loaded onto conveyor.
   e. Trays are strapped.

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f. Surface or air transportation is assigned and destinating and routing ("D&R") labels applied. g. Trays are loaded onto rolling stock.
8. Rolling stock (originating trays) is moved to staging area.
9. Rolling stock (originating trays) is moved and loaded onto postal vans or trucks.
10. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC. a. AMC. i. Originating AMC. 1. Rolling stock is unloaded and staged. 2. Trays are sorted into air mail containers. 3. Air mail containers are loaded into outbound plane. 4. Empty rolling stock is disposed. ii. Destinating AMC. 1. Air mail containers are unloaded off inbound plane and staged. 2. Trays are sorted into rolling stock at destinating AMC. 3. Rolling stock is moved to staging area. 4. Rolling stock is moved and loaded onto postal vans or trucks. 5. Rolling stock is transported to destinating plant. b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail). i. Rolling stock is unloaded and staged. ii. Rolling stock is loaded into outbound truck. iii. Rolling stock is transported to destinating plant.
11. Rolling stock is unloaded and staged at destinating plant.
12. Tray Processing Operation or Opening Unit. a. Tray Processing Operation (e.g., Tray Management System ("TMS"). i. Rolling stock is moved to tray processing operation. ii. Trays are inducted and sorted. iii. Tray strapping and sleeves are removed. b. Opening Unit (e.g., bullpen operation). i. Rolling stock is moved to bullpen. ii. Tray strapping and sleeves are removed. iii. Trays are sorted into rolling stock.
13. Incoming Processing. a. Incoming RBCS and Incoming MMP (achieves 3-digit or 5-digit after one sort).

i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS or MPBCS.
iv. Letters are inducted and sorted.
v. Letters are swept into trays.
vi. Trays are loaded onto rolling stock.

b. Incoming SCF/primary (achieves 5-digit after one sort).
i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS or MPBCS.
iv. Letters are inducted and sorted.
v. Letters are swept into trays.
vi. Trays are loaded onto rolling stock.

c. Incoming Secondaries (achieves delivery point sequence ("DPS") after two or three passes).
i. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS, MPBCS, or carrier sequence bar code sorter ("CSBCS").
iv. Letters are inducted and sorted on first pass.
v. Letters are swept into trays.
vi. Trays are moved for second pass.
vii. Letters are loaded onto DBCS, MPBCS, or CSBCS.
viii. Letters are inducted and sorted on second pass.
ix. Letters are swept into trays.
x. Trays are loaded onto rolling stock.

14. Rolling stock is moved to staging area.

15. Rolling stock is loaded onto postal van.

16. Rolling stock is transported to delivery unit.

17. Delivery Unit.
a. Rolling stock is unloaded.
b. Trays are sorted to carrier.
c. Empty rolling stock is disposed.
d. Trays are moved to platform by carrier.
e. Trays are loaded into long-life vehicles.
f. Letters are delivered.

g. Empty trays are disposed.

(a) Please confirm that the generalized description is a representative, albeit simplified (e.g., does not discuss manual letter sorting operations or all the possible mail flow permutations), characterization of the flow of First-Class Mail single-piece letters through the Postal Service. If you do not confirm, please explain and produce, at a comparable level of detail, an amended generalized description that is representative of the flow of First-Class Mail single-piece letters.

(b) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail Bulk Metered Mail through the Postal Service from entry to delivery.

(c) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail Nonautomation Presort Letters through the Postal Service from entry to delivery.

(d) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail MAADC Automation Letters through the Postal Service from entry to delivery.

(e) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail AADC Automation Letters through the Postal Service from entry to delivery.

(f) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail 3-Digit Automation Letters through the Postal Service from entry to delivery.

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(g) Please produce, at a comparable level of detail, an amended generalized description that is a representative characterization of the flow of First-Class Mail 5-Digit Automation Letters through the Postal Service from entry to delivery.

RESPONSE:

(a) Generally, confirmed. Certain steps indicated in the flow(s) may be skipped due to the level of processing/handling required. For example, turnaround mail that originates and destinates in the same local area will bypass the SWYB, dispatch to AMC/HASP operations, etc. In addition, certain zones are only processed up to the 5-digit level in the plant and then dispatched to the delivery unit. The final sort to the carrier is performed at the delivery unit manually.

In step 3 part (b), trays of FCM not requiring a cancellation are sent directly to the MLOCR/DIOSS machines for barcoding. Recent equipment enhancements on existing AFCS machines are changing the mail flow in part (d) as OCR technology is being deployed, which allows mail pieces to be resolved up to the 5-digit level. The new sorts on the AFCS-OCR are: FIM barcoded, outgoing, and local. The FIM barcoded mail is directed to BCS machines, while the outgoing and local mail is flowed to OSS enabled BCS machines. In part (e), it should be noted that at facilities operating in "lift-all" mode, images are lifted on all pieces except FIM barcoded mail.

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In step 5 part (b), OCR-readable letters may be directed to Delivery Barcode Sorter Input/Output Sub System (DIOSS) machines in addition to MLOCRs.

In step 7 part (d), sleeving of trays can occur prior to the SWYB operation in a separate banding operation. In part (f) "destinating and routing" is changed to "Dispatch and Routing." Also, refer to PB/USPS-T29-10 for a description of other dispatch and transportation assignment operations.

In step 12 (a) parts ii and iii, the flow should be reordered and reworded to indicate:

ii. Sleeves and straps are removed from trays.

iii. Trays are inducted into TMS to be weighed, sorted, transported, and staged.

The CSBCS flow is separate and distinct from the incoming secondary operation described in step 13 part (c). This is corrected in the flows provided in response to parts (b – g) that follow.

Finally, as qualified in the question, the flow does not cover manual processing. The flows provided in response to parts (b – g) that follow will be of a comparable level of detail and will also not cover manual processing.

(b)

Generalized Description of the Flow of Bulk Metered Mail
1) Mail collection and entry. a. Bundles and trays of bulk metered mail are picked up by carriers/collection drivers, or dropped off at Postal

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Service facilities and placed in letter trays or hampers.
b. Trays are loaded onto rolling stock.
c. Hampers and rolling stock are staged at delivery unit.
d. Hampers and rolling stock are moved and loaded onto postal vans.
e. Hampers and rolling stock are transported to local plant.
f. Hampers and rolling stock are unloaded off postal vans onto platform.
g. Hampers moved to mail prep operation.

2) Bundles of Metered mail culled from collection mail, faced and prepared (bands removed) in letter trays.

3) Trays are directed to MLOCR/DIOSS machines for barcoding.

4) Rolling stock is moved to staging area.

5) Outgoing Processing (outgoing RBCS, outgoing primary, and outgoing secondary schemes sort originating mail (after one or two passes) to automated distribution centers ("AADC") under the Managed Mail Program ("MMP"), SCF/3-digit, 5-digit (the local service area)/Firm holdout).
   a. MLOCR/DIOSS (non-barcoded letters).
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to outgoing processing operation.
      iii. Letters are loaded onto multiline optical character reader ("MLOCR")/DIOSS ledge.
      iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.
   b. OSS. If still non barcoded after MLOCR/DIOSS processing, letters have their images processed through the Remote Computer Reader (RCR) or Remote Encoding Center (REC) and mail pieces are sent to the OSS enabled machines.
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to outgoing processing operation.
      iii. Letters are loaded onto retrofitted DBCS or MPBCS (with Output Sub System ("OSS") capability).
      iv. Letters are inducted, sorted, and applied with a POSTNET barcode.

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v. Letters are swept into trays.
vi. Trays are loaded onto rolling stock.

6) Rolling stock (originating trays) is moved to staging area.
7) Scan-Where-You-Band ("SWYB") Operation (bands and sleeves originating trays and assigns transportation)
   a. Set up operation.
   b. Rolling stock is moved to SWYB operation.
   c. Trays are sleeved.
   d. Trays are loaded onto conveyor.
   e. Trays are strapped.
   f. Surface or air transportation is assigned and Dispatch and Routing ("D&R") labels applied.
8) Trays are sorted by mode of transportation.
9) Trays are loaded onto rolling stock.

10) Rolling stock (originating trays) is moved and loaded onto postal vans or trucks.

11) Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC.
   a. AMC.
      i. Originating AMC.
         1. Rolling stock is unloaded and staged.
         2. Trays are sorted into air mail containers.
         3. Air mail containers are loaded into outbound plane.
         4. Empty rolling stock is disposed.
      ii. Destinating AMC.
         1. Air mail containers are unloaded off inbound plane and staged.
         2. Trays are sorted into rolling stock at destinating AMC.
         3. Rolling stock is moved to staging area.
         4. Rolling stock is moved and loaded onto postal vans or trucks.
         5. Rolling stock is transported to destinating plant.
   b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail).
      i. Rolling stock is unloaded and staged.
      ii. Rolling stock is loaded into outbound truck.
      iii. Rolling stock is transported to destinating plant.

12) Rolling stock is unloaded and staged at destinating plant.

13) Tray Processing Operation or Opening Unit.
   a. Tray Processing Operation (e.g., Tray Management System ("TMS").
      i. Rolling stock is moved to tray processing

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operation.
ii. Tray strapping and sleeves are removed.
iii. Trays are inducted and sorted.

b. Opening Unit (e.g., bullpen operation).
i. Rolling stock is moved to bullpen.
ii. Tray strapping and sleeves are removed.
iii. Trays are sorted into rolling stock.

14) Incoming Processing.

a. Incoming MMP (achieves 3-digit or 5-digit/Firm holdout/Carrier sort level after one sort).
i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS or MPBCS.
iv. Letters are inducted and sorted.
v. Letters are swept into trays.
vi. Trays are loaded onto rolling stock.

b. Incoming SCF/primary (achieves 5-digit/Firm holdout/Carrier sort level after one sort).
i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS or MPBCS.
iv. Letters are inducted and sorted.
v. Letters are swept into trays.
vi. Trays are loaded onto rolling stock.

c. Incoming Secondaries (achieves Firm holdout/Carrier sort level/delivery point sequence ("DPS") after one or two passes respectively).
i. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage empty trays).
ii. Rolling stock is moved to incoming processing operation.
iii. Letters are loaded onto DBCS, MPBCS.
iv. Letters are inducted and sorted on first pass.
v. Letters are swept into trays.
For DPS processing
vi. Trays are moved for second pass.
vii. Letters are loaded onto DBCS, MPBCS.
viii. Letters are inducted and sorted on second pass.
ix. Letters are swept into trays.

x. Trays are loaded onto rolling stock.
15) Rolling stock is moved to staging area.
16) Rolling stock is loaded onto postal van.
17) Rolling stock is transported to delivery unit.
18) Delivery Unit (CSBCS Sites). a. Rolling stock is unloaded. b. Trays are moved to CSBCS.
19) CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS) a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays). b. Rolling stock is moved to CSBCS c. Letters are loaded onto CSBCS d. Letters are inducted and sorted on first pass. e. Letters are swept into trays. f. Trays are moved for second pass. g. Letters are loaded onto CSBCS h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
20) Delivery Unit a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

(c)

Generalized Description of the Nonautomation Presort Letter Mail.
1. Mail acceptance and entry. a. Nonautomation Presort letter mail is received through acceptance units (e.g. BMEU or Detached Mail Units (DMUs)) b. Mail is verified and accepted. c. Mail accepted at DMU is transported to local plant.
2. Tray Sorting - Trays are sorted manually or using tray sorters for dispatch to AMC, HASP or destinating AADC, and MAADC trays are isolated for outgoing processing.

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3. Mail accepted at DMU is transported to local plant.
4. Outgoing RBCS (MAADC nonautomation trays are processed for barcoding and sort on an outgoing Primary sort program for sort down to an AADC/SCF/Firm holdout level).

    a. MLOCR/DIOSS (non-barcoded letters).
        i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
        ii. Rolling stock is moved to outgoing processing operation.
        iii. Letters are loaded onto Multi-Line Optical Character Reader ("MLOCR")/Delivery Barcode Sorter Input Output Sub System ("DIOSS") ledge.
        iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
        v. Letters are swept into trays.
        vi. Rolling stock is unloaded and staged at destinating plant.

    b. OSS If still non barcoded after MLOCR/DIOSS processing, letters have their images processed through the Remote Computer Reader (RCR) or Remote Encoding Center (REC) and mail pieces are sent to the OSS enabled machines.
        i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
        ii. Rolling stock is moved to outgoing processing operation.
        iii. Letters are loaded onto retrofitted DBCS or MPBCS (with Output Sub System ("OSS") capability).
        iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
        v. Letters are swept into trays.
        vi. Trays are loaded onto rolling stock.
5. Scan-Where-You-Band ("SWYB") Operation (bands and sleeves originating trays and assigns transportation)
    a. Set up operation.
    b. Rolling stock is moved to SWYB operation.
    c. Trays are sleeved.
    d. Trays are loaded onto conveyor.
    e. Trays are strapped.
    f. Surface or air transportation is assigned and Dispatch and Routing ("D&R") labels applied.

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g. Trays are sorted by D&R tag information to AMC, HASP or destinating AADCs.

6. Rolling stock (originating trays) is moved and loaded onto postal vans or trucks.

7. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC.
   a. AMC.
      i. Originating AMC.
         1. Rolling stock is unloaded and staged.
         2. Trays are sorted into air mail containers.
         3. Air mail containers are loaded into outbound plane.
         4. Empty rolling stock is disposed.
      ii. Destinating AMC.
         1. Air mail containers are unloaded off inbound plane and staged.
         2. Trays are sorted into rolling stock at destinating AMC.
         3. Rolling stock is moved to staging area.
         4. Rolling stock is moved and loaded onto postal vans or trucks.
         5. Rolling stock is transported to destinating plant.
   b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail).
      i. Rolling stock is unloaded and staged.
      ii. Rolling stock is loaded into outbound truck.
      iii. Rolling stock is transported to destinating plant.

8. Tray Processing Operation or Opening Unit.
   a. Tray Processing Operation (e.g., Tray Management System ("TMS").
      i. Rolling stock is moved to tray processing operation.
      ii. Tray strapping and sleeves are removed.
      iii. Trays are inducted and sorted.
   b. Opening Unit (e.g., bullpen operation).
      i. Rolling stock is moved to bullpen.
      ii. Tray strapping and sleeves are removed.
      iii. Trays are sorted into rolling stock.

9. Incoming RBCS (Depending upon the Presort level, the tray is sorted at the appropriate level of processing for sortation down to the Incoming Secondary level.

AADC: Incoming MMP
3D & 5D: Incoming Primary

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a. MLOCR/DIOSS (non-barcoded letters).
   i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
   ii. Rolling stock is moved to outgoing processing operation.
   iii. Letters are loaded onto Multi-Line Optical Character Reader ("MLOCR")/Delivery Barcode Sorter Input Output Sub System ("DIOSS") ledge.
   iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
   v. Letters are swept into trays.
   vi. Rolling stock is unloaded and staged at destinating plant.

b. OSS If still non barcoded after MLOCR/DIOSS processing, letters have their images processed through the Remote Computer Reader (RCR) or Remote Encoding Center (REC) and mail pieces are sent to the OSS enabled machines.
   i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
   ii. Rolling stock is moved to outgoing processing operation.
   iii. Letters are loaded onto retrofitted DBCS or MPBCS (with Output Sub System ("OSS") capability).
   iv. Letters are inducted, sorted, and applied with a POSTNET barcode.
   v. Letters are swept into trays.
   vi. Trays are loaded onto rolling stock.

10. Incoming Secondaries (achieves Carrier route/delivery point sequence ("DPS") after one or two passes respectively).
   a. Rolling stock is moved to incoming processing operation.
   b. Letters are loaded onto DBCS, MPBCS.
   c. Letters are inducted and sorted on first pass.
   d. Letters are swept into trays.

   For DPS processing.
   e. Trays are moved for second pass.
   f. Letters are loaded onto DBCS, MPBCS.
   g. Letters are inducted and sorted on second pass.
   h. Letters are swept into trays.

11. Rolling stock is transported to delivery unit.

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12. Delivery Unit (CSBCS sites). a. Rolling stock is unloaded. b. Trays are moved to CSBCS.
13. CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS) a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays). b. Rolling stock is moved to CSBCS c. Letters are loaded onto CSBCS d. Letters are inducted and sorted on first pass. e. Letters are swept into trays. f. Trays are moved for second pass. g. Letters are loaded onto CSBCS h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
14. Delivery Unit a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

(d)

Generalized Description of the Flow of MAADC Automation letters.
1. Mail acceptance and entry. a. Mixed AADC Automation letter mail is received through acceptance units (e.g. BMEU or Detached Mail Units (DMUs)) b. Mail is verified and accepted. c. Mail accepted at DMU is transported to local plant.
2. Tray Sorting MAADC trays are sorted from the direct trays and directed to the DBCS/MPBCS machines for outgoing processing.
3. Outgoing Processing (outgoing primary, and outgoing secondary schemes sort originating mail (after one or two passes) to automated distribution centers ("AADC") under the Managed Mail Program ("MMP"), SCF/3-digit, 5-digit (the local

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service area) and firm holdouts).
Barcoded letters.
a. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
b. Rolling stock is moved to outgoing processing operation.
c. Letters are loaded onto the delivery bar code sorter ("DBCS") or mail processing bar code sorter ("MPBCS") ledge.
d. Letters are inducted and sorted.
e. Letters are swept into trays.
f. Trays are loaded onto rolling stock.

4. Rolling stock is moved to staging area.

5. Scan-Where-You-Band ("SWYB") Operation (bands and sleeves originating trays and assigns transportation)
a. Set up operation.
b. Rolling stock is moved to SWYB operation.
c. Trays are sleeved.
d. Trays are loaded onto conveyor.
e. Trays are strapped.
f. Surface or air transportation is assigned and Dispatch and routing ("D&R") labels applied.
g. Trays are loaded onto rolling stock.

6. Rolling stock (originating trays) is moved to staging area.

7. Rolling stock (originating trays) is moved and loaded onto postal vans or trucks.

8. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC.
a. AMC.
i. Originating AMC.
1. Rolling stock is unloaded and staged.
2. Trays are sorted into air mail containers.
3. Air mail containers are loaded into outbound plane.
4. Empty rolling stock is disposed.
ii. Destinating AMC.
1. Air mail containers are unloaded off inbound plane and staged.
2. Trays are sorted into rolling stock at destinating AMC.
3. Rolling stock is moved to staging area.
4. Rolling stock is moved and loaded onto postal vans or trucks.
5. Rolling stock is transported to destinating plant.

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b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail).
   i. Rolling stock is unloaded and staged.
   ii. Rolling stock is loaded into outbound truck.
   iii. Rolling stock is transported to destinating plant.

9. Rolling stock is unloaded and staged at Destinating plant.

10. Tray Processing Operation or Opening Unit.
   a. Tray Processing Operation (e.g., Tray Management System ("TMS").
      i. Rolling stock is moved to tray processing operation.
      ii. Tray strapping and sleeves are removed.
      iii. Trays are inducted and sorted.
   b. Opening Unit (e.g., bullpen operation).
      i. Rolling stock is moved to bullpen.
      ii. Tray strapping and sleeves are removed.
      iii. Trays are sorted into rolling stock.

11. Incoming Processing.
   a. Incoming MMP (achieves 3-digit/5-digit/Firm holdout after one sort).
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to incoming processing operation.
      iii. Letters are loaded onto DBCS or MPBCS.
      iv. Letters are inducted and sorted.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.
   b. Incoming SCF/primary (achieves 5-digit/Firm holdout/carrier sort level after one sort).
      i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
      ii. Rolling stock is moved to incoming processing operation.
      iii. Letters are loaded onto DBCS or MPBCS.
      iv. Letters are inducted and sorted.
      v. Letters are swept into trays.
      vi. Trays are loaded onto rolling stock.
   c. Incoming Secondaries (achieves Firm holdout/Carrier route/delivery point sequence ("DPS") after one or two passes).
      i. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage

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empty trays). ii. Rolling stock is moved to incoming processing operation. iii. Letters are loaded onto DBCS, MPBCS. iv. Letters are inducted and sorted on first pass. v. Letters are swept into trays. For DPS processing. vi. Trays are moved for second pass. vii. Letters are loaded onto DBCS, MPBCS. viii. Letters are inducted and sorted on second pass. ix. Letters are swept into trays. x. Trays are loaded onto rolling stock.
12. Rolling stock is moved to staging area.
13. Rolling stock is loaded onto postal van.
14. Rolling stock is transported to delivery unit.
15. Delivery Unit (CSBCS sites). a. Rolling stock is unloaded. b. Trays are moved to CSBCS.
16. CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS) a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays). b. Rolling stock is moved to CSBCS c. Letters are loaded onto CSBCS d. Letters are inducted and sorted on first pass. e. Letters are swept into trays. f. Trays are moved for second pass. g. Letters are loaded onto CSBCS h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
17. Delivery Unit a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

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(e)

Generalized Description of the Flow of AADC Automation letters.
1. Mail acceptance and entry. a. AADC Automation letter mail is received through acceptance units (e.g. BMEU or Detached Mail Units (DMUs)) b. Mail is verified and accepted. c. Mail accepted at DMU is transported to local plant.
2. Tray Sorting - Trays are sorted manually or using tray sorters for dispatch to AMC, HASP or destinating AADC.
3. Scan-Where-You-Band ("SWYB") Operation (assigns transportation). a. Set up operation. b. Rolling stock is moved to SWYB operation. c. Tray labels are scanned. d. Surface or air transportation is assigned and Dispatch and routing ("D&R") labels applied. e. Trays are sorted by D&R tag information to AMC, HASP or destinating AADCs.
4. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC. a. AMC. i. Originating AMC. 1. Rolling stock is unloaded and staged. 2. Trays are sorted into air mail containers. 3. Air mail containers are loaded into outbound plane. 4. Empty rolling stock is disposed. ii. Destinating AMC. 1. Air mail containers are unloaded off inbound plane and staged. 2. Trays are sorted into rolling stock at destinating AMC. 3. Rolling stock is moved to staging area. 4. Rolling stock is moved and loaded onto postal vans or trucks. 5. Rolling stock is transported to destinating plant. b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail). i. Rolling stock is unloaded and staged. ii. Rolling stock is loaded into outbound truck.
5. Rolling stock is unloaded and staged at Destinating plant.
6. Tray Processing Operation or Opening Unit. a. Tray Processing Operation (e.g., Tray Management

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System ("TMS").
- i. Rolling stock is moved to tray processing operation.
- ii. Tray strapping and sleeves are removed.
- iii. Trays are inducted and sorted.

b. Opening Unit (e.g., bullpen operation).
- i. Rolling stock is moved to bullpen.
- ii. Tray strapping and sleeves are removed.
- iii. Trays are sorted into rolling stock.

7. Incoming Processing.

a. Incoming MMP (achieves 3-digit/5-digit/Firm holdout level after one sort).
- i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
- ii. Rolling stock is moved to incoming processing operation.
- iii. Letters are loaded onto DBCS or MPBCS.
- iv. Letters are inducted and sorted.
- v. Letters are swept into trays.
- vi. Trays are loaded onto rolling stock.

b. Incoming SCF/Primary (achieves 5-digit/Firm holdout/Carrier sort level after one sort).
- i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
- ii. Rolling stock is moved to incoming processing operation.
- iii. Letters are loaded onto DBCS or MPBCS.
- iv. Letters are inducted and sorted.
- v. Letters are swept into trays.
- vi. Trays are loaded onto rolling stock.

c. Incoming Secondaries (achieves Carrier route/delivery point sequence ("DPS") after one or two passes respectively).
- i. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage empty trays).
- ii. Rolling stock is moved to incoming processing operation.
- iii. Letters are loaded onto DBCS, MPBCS.
- iv. Letters are inducted and sorted on first pass.
- v. Letters are swept into trays.

For DPS.
- vi. Trays are moved for second pass.
- vii. Letters are loaded onto DBCS, MPBCS.

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viii. Letters are inducted and sorted on second pass. ix. Letters are swept into trays. x. Trays are loaded onto rolling stock.
8. Rolling stock is moved to staging area.
9. Rolling stock is loaded onto postal van.
10. Rolling stock is transported to delivery unit.
11. Delivery Unit (CSBCS sites). a. Rolling stock is unloaded. b. Trays are moved to CSBCS.
12. CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS) a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays). b. Rolling stock is moved to CSBCS c. Letters are loaded onto CSBCS d. Letters are inducted and sorted on first pass. e. Letters are swept into trays. f. Trays are moved for second pass. g. Letters are loaded onto CSBCS h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
13. Delivery Unit. a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

(f)

Generalized Description of the Flow of 3-Digit Automation letters.
1. Mail acceptance and entry. a. 3-Digit Automation letter mail is received through acceptance units (e.g. BMEU or Detached Mail Units (DMUs)). b. Mail is verified and accepted. c. Mail accepted at DMU is transported to local plant.
2. Tray Sorting - Trays are sorted manually or using tray sorters for dispatch to AMC, HASP or destinating AADC.

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3. Scan-Where-You-Band ("SWYB") Operation (assigns transportation).
    a. Set up operation.
    b. Rolling stock is moved to SWYB operation.
    c. Tray labels are scanned.
    d. Surface or air transportation is assigned and Dispatch and routing ("D&R") labels applied.
    e. Trays are sorted by D&R tag information to AMC, HASP or destinating AADCs.

4. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC.
    a. AMC.
        i. Originating AMC.
            1. Rolling stock is unloaded and staged.
            2. Trays are sorted into air mail containers.
            3. Air mail containers are loaded into outbound plane.
            4. Empty rolling stock is disposed.
        ii. Destinating AMC.
            1. Air mail containers are unloaded off inbound plane and staged.
            2. Trays are sorted into rolling stock at destinating AMC.
            3. Rolling stock is moved to staging area.
            4. Rolling stock is moved and loaded onto postal vans or trucks.
            5. Rolling stock is transported to destinating plant.
    b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail).
        i. Rolling stock is unloaded and staged.
        ii. Rolling stock is loaded into outbound truck.

5. Rolling stock is unloaded and staged at Destinating plant.

6. Tray Processing Operation or Opening Unit.
    a. Tray Processing Operation (e.g., Tray Management System ("TMS").
        i. Rolling stock is moved to tray processing operation.
        ii. Tray strapping and sleeves are removed.
        iii. Trays are inducted and sorted.
    b. Opening Unit (e.g., bullpen operation).
        i. Rolling stock is moved to bullpen.
        ii. Tray strapping and sleeves are removed.
        iii. Trays are sorted into rolling stock.

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7. Incoming Processing.
    a. Incoming SCF/Primary (achieves 5-digit/ Carrier route level after one sort).
        i. Set up piece distribution operation (e.g., load scheme, print tray labels, and retrieve/stage empty trays).
        ii. Rolling stock is moved to incoming processing operation.
        iii. Letters are loaded onto DBCS or MPBCS.
        iv. Letters are inducted and sorted.
        v. Letters are swept into trays.
        vi. Trays are loaded onto rolling stock.
    b. Incoming Secondaries (achieves Carrier route/delivery point sequence ("DPS") after one or two passes respectively).
        i. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage empty trays).
        ii. Rolling stock is moved to incoming processing operation.
        iii. Letters are loaded onto DBCS, MPBCS.
        iv. Letters are inducted and sorted on first pass.
        v. Letters are swept into trays.
        For DPS.
        vi. Trays are moved for second pass.
        vii. Letters are loaded onto DBCS, MPBCS.
        viii. Letters are inducted and sorted on second pass.
        ix. Letters are swept into trays.
        x. Trays are loaded onto rolling stock.
8. Rolling stock is moved to staging area.
9. Rolling stock is loaded onto postal van.
10. Rolling stock is transported to delivery unit.
11. Delivery Unit (CSBCS sites).
    a. Rolling stock is unloaded.
    b. Trays are moved to CSBCS.
12. CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS)
    a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays).
    b. Rolling stock is moved to CSBCS
    c. Letters are loaded onto CSBCS
    d. Letters are inducted and sorted on first pass.
    e. Letters are swept into trays.
    f. Trays are moved for second pass.
    g. Letters are loaded onto CSBCS

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h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
13. Delivery Unit a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

(g)

Generalized Description of the Flow of 5-Digit Automation letters.
1. Mail acceptance and entry. a. 5-Digit Automation letter mail is received through acceptance units (e.g. BMEU or Detached Mail Units (DMUs)) b. Mail is verified and accepted. c. Mail accepted at DMU is transported to local plant.
2. Tray Sorting - Trays are sorted manually or using tray sorters for dispatch to AMC, HASP or destinating AADC.
3. Scan-Where-You-Band ("SWYB") Operation (assigns transportation). a. Set up operation. b. Rolling stock is moved to SWYB operation. c. Tray labels are scanned. d. Surface or air transportation is assigned and Dispatch and routing ("D&R") labels applied. e. Trays are sorted by D&R tag information to AMC, HASP or destinating AADCs.
4. Rolling stock is transported to local Air Mail Center ("AMC"), Hub and Spoke facility ("HASP"), or destinating AADC. a. AMC. i. Originating AMC. 1. Rolling stock is unloaded and staged. 2. Trays are sorted into air mail containers. 3. Air mail containers are loaded into outbound plane. 4. Empty rolling stock is disposed.

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ii. Destinating AMC.
1. Air mail containers are unloaded off inbound plane and staged.
2. Trays are sorted into rolling stock at destinating AMC.
3. Rolling stock is moved to staging area.
4. Rolling stock is moved and loaded onto postal vans or trucks.
5. Rolling stock is transported to destinating plant.

b. HASP (consolidation and transfer points that do not perform originating or destinating distribution operations on mail).
i. Rolling stock is unloaded and staged.
ii. Rolling stock is loaded into outbound truck.
iii. Rolling stock is transported to destinating plant.

5. Tray Processing Operation or Opening Unit.
a. Tray Processing Operation (e.g., Tray Management System ("TMS").
i. Rolling stock is moved to tray processing operation.
ii. Tray strapping and sleeves are removed.
iii. Trays are inducted and sorted.
b. Opening Unit (e.g., bullpen operation).
i. Rolling stock is moved to bullpen.
ii. Tray strapping and sleeves are removed.
iii. Trays are sorted into rolling stock.

6. Incoming Processing.
Incoming Secondaries (achieves Carrier route/delivery point sequence ("DPS") after one or two passes respectively).
a. Set up piece distribution operation (e.g. load scheme, print tray labels, and retrieve/stage empty trays).
b. Rolling stock is moved to incoming processing operation.
c. Letters are loaded onto DBCS, MPBCS.
d. Letters are inducted and sorted on first pass.
e. Letters are swept into trays.
For DPS.
f. Trays are moved for second pass.
g. Letters are loaded onto DBCS, MPBCS.
h. Letters are inducted and sorted on second pass.
i. Letters are swept into trays.
j. Trays are loaded onto rolling stock.

7. Rolling stock is moved to staging area.
8. Rolling stock is loaded onto postal van.
9. Rolling stock is transported to delivery unit.
10. Delivery Unit (CSBCS sites). a. Rolling stock is unloaded. b. Trays are moved to CSBCS.
11. CSBCS processing (achieves DPS from Carrier sort level after three passes if DPS sort is not performed on the DBCS/MPBCS) a. Set up piece distribution operation (e.g. load scheme, and retrieve/stage empty trays). b. Rolling stock is moved to CSBCS c. Letters are loaded onto CSBCS d. Letters are inducted and sorted on first pass. e. Letters are swept into trays. f. Trays are moved for second pass. g. Letters are loaded onto CSBCS h. Letters are inducted and sorted on second pass. i. Letters are swept into trays. j. Trays are moved for third pass. k. Letters are loaded onto CSBCS l. Letters are inducted and sorted on third pass. m. Letters are swept into trays. n. Trays are loaded onto rolling stock.
12. Delivery Unit a. Rolling stock is unloaded b. Trays are sorted to carrier. c. Empty rolling stock is disposed. d. Trays are moved to platform by carrier. e. Trays are loaded into long-life vehicles. f. Letters are delivered. g. Empty trays are disposed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-9. Please describe with specificity the operations where the Postal Service removes strapping and sleeves from trays containing First-Class Mail letters. Include, but do not limit your description to, a discussion of the craft, number, and grade of employees, clocked-in MODS operation, and utilized mail transport equipment ("MTE").

RESPONSE:

Opening unit operations 110-111 (Preferential) and 115-116 (Standard) include the work hours used for the separation of originating (outgoing) mails, excluding collection and presort operations. Operations 180-181 (Preferential) and 185-186 (Standard) include the workhours used for the separation of destinating (incoming) mails. All of these operations are used for the initial separation of letter trays, flat trays, flat bundles, newspaper bundles, sacks, parcels, and IPP/SPRs into MTE. The workload may require the dumping of sacks prior to separation, setting up the work area, moving containers of working mail into the unit, removing strapping and sleeves from trays, and staging worked containers.

To a lesser extent, strapping and sleeves may also be removed from FCM letter trays in the pouching operations. These operations, 120-121 (outgoing) and 122-123 (incoming), are used for the separation of all mail types into sacks or pouches and the dumping of sacks or containers onto a conveyor or fixed table. The working mail may arrive in containers and be worked directly out of these containers into sacks or pouches. The work content also includes setting up the work area, moving containers of working mail into the unit, removing strapping and sleeves from trays, the removal of worked sacks/pouches from racks onto MTE, and the staging of worked containers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

Both Opening Units and Pouching are staffed by Mail Handlers, Level 4, and Mail processing Clerks, Level 5. All varieties of MHE may be used.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-10. Please describe with specificity the operations where the Postal Service straps and sleeves trays containing First-Class Mail letters. Include, but do not limit your description to, a discussion of the craft, number, and grade of employees, clocked-in MODS operation, and utilized mail transport equipment ("MTE").

RESPONSE:

Operations 002 (Preferential) and 003 (Standard) are for activities related to the handling of presort mail. The activities include traying, sleeving, strapping, and separation for the next handling operation which is generally 118, 208, 209, distribution or dispatch. If these activities occur as part of the next handling operation, the workhours are charged to that subsequent operation.

Operation 118 is used for ACDCS scanning of trays destined for air transport. The activities also include the preparation of manifests, application of routing labels, the loading and unloading of trays, clearing jams, changing printer applicator tape, changing strapping tape (standalone systems), or any other task related to operating ACDCS equipment.

Operation 208 is for loading, scanning, labeling, and unloading of trays, sacks, pouches, and outsides utilizing Scan-Where-You-Band (SWYB) and Semi-Automatic Scan-Where-You-Band (SASWYB) equipment. Activities include collecting MTE for use in the operation, staging and transporting containers to the

next handling operation, clearing jams, refilling label supply, and, provided the work is actually performed within the unit, manually sleeving and strapping trays as needed.

Operation 209 is for loading, scanning, labeling, and unloading of trays utilizing Automatic Airline Assignment (AAA) or Automatic Tray Sleeving (ATS) equipment. Activities include collecting MTE for use in the operation, staging and transporting containers to the next handling operation, clearing jams, refilling label supply, changing strapping tape, or any other task related to operating AAA or ATS equipment.

These operations are staffed by Mail Handlers, Level 4, and Mail Processing Clerks, Level 5. They tend to use the taller pieces of MHE, like an APC.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-11. Please describe with specificity Scan-Where-You-Band ("SWYB") operations. Include, but do not limit your description to, a discussion of the craft, number, and grade of employees, clocked-in MODS operation, and utilized mail transport equipment ("MTE").

RESPONSE:

See my response to PB/USPS-T29-10 above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-12. Please describe with specificity opening units and bullpen operations that handle First-Class Mail. Include, but do not limit your description to, a discussion of the mail processing function, craft, number, and grade of employees, clocked-in MODS operation, and utilized mail transport equipment ("MTE").

RESPONSE:

See my response to PB/USPS-T29-9 above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-13. Please confirm that "pallet separations" (i.e., pallets of First-Class Mail letter trays that destinate to different local/non-local postal facilities) prepared by mailers at the request of the Postal Service allow the Postal Service to either transport the pallets directly to the final local facility (e.g., local plant, air mail center, hub and spoke facility, or mail consolidation center), typically avoiding platform and other mail processing operations at an intermediate local facility, or crossdock the mail at an intermediate local facility, typically avoiding entering, staging, and breaking down the pallet, sorting the trays into rolling stock, and staging and loading the rolling stock at the intermediate local facility. If you do not confirm, please explain.

RESPONSE:

Confirmed. However, it is worth noting that the preparation of these separations is not always at the request of the Postal Service. In many cases, the separations are part of an agreement that provides later acceptance times. The mailer desires later acceptance times, which in most cases, can only be granted when the mailer prepares these "pallet separations" allowing time-consuming operational steps to be bypassed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-14. Please confirm that a higher proportion of 5-digit automation letters than of MAADC automation letters are prepared on "pallet separations" (i.e., pallets of First-Class Mail letter trays prepared by mailers at the request of the Postal Service that destinate to different local/non-local postal facilities). If you do not confirm, please explain.

RESPONSE:

As noted in response to PB/USPS-T29-6, parts a – h, it is my understanding that the Postal Service does not have any data on which a confirmation of this statement could be based. Depending on separations prepared by the mailer, a Mixed AADC letter tray could be prepared on a pallet separation for the plant responsible for outgoing processing, while a 5-digit automation letter tray could be placed one of several pallet separations (e.g. HASP, AMC, destinating AADC etc.).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-15. Please confirm that, for presorted First-Class Mail letters, opening unit activities include, among others, breaking down rolling stock or pallets, sorting trays to rolling stock, and removing tray sleeves and strapping. If you do not confirm, please explain, discuss the opening unit activities, and discuss the operations for presorted First-Class Mail letters where the Postal Service breaks down rolling stock and pallets, sorts trays to rolling stock, and removes tray sleeves and strapping.

RESPONSE:

Confirmed, but see also my discussion of Pouching and Presort in PB/USPS-T29-9 and PB/USPS-T29-10, respectively, above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS McCRERY TO INTERROGATORIES OF PITNEY BOWES, INC.

PB/USPS-T29-16. Please refer to USPS witness Eggleston's response to CSA/USPS-T26-24 in Docket No. R2000-1, Tr. 13/5128-29 where she states that "[t]he IOCS handling tallies record the mail actually being handled by the employees recorded as working a given mail processing operations (cost pool), rather than the mail expected to be handled in a given operation."

(a) Please confirm that the Postal Service does infrequently handle letter-shaped mail in non-letter operations. If you do not confirm, please explain.

(b) Please confirm that Postal Service clerks and mail handlers do infrequently work in operations that are different than the operation into which they are clocked. If you do not confirm, please explain.

(c) Please confirm that either of these possibilities could result in a non-zero cost for First-Class Mail letters in a non-letter cost pool. If you do not confirm, please explain.

RESPONSE:

(a) Confirmed

(b) Confirmed

(c) Confirmed

RESPONSE OF POSTAL SERVICE WITNESS McCRERY TO
POIR NO. 3, QUESTION 6

6. Postal Service witness McCrery states, in connection with Periodicals, that the Postal Service is "aggressively exploring" options to reduce dependency on sacks. These include, among others, adjusting the pallet preparation minimums; allowing the entry of smaller, local mailings at destination facilities in alternate containers or by unloading bundles straight into a container (such as rolling stock or a pallet box); and non-sack alternatives for the preparation of origin-entered sacks (such as tubs and origin mixed pallets). USPS-T-29 at 23; USPS-LR-K-49 at 20.

Please provide information on the manner in which the Service is exploring the referenced options, such as conducting studies or surveys, working with Mailers Technical Advisory Committee groups, or seeking affected mailers' input via other steps, as well as anticipated timetables for action.

RESPONSE:

The Postal Service has solicited feedback from both postal field operations and various industry stakeholders during the identification, development, and implementation of many of the referenced options. For example, all of the referenced options have been or will be topics of discussion at both the Periodicals Operations Advisory Committee and MTAC Flat Mail Preparation Optimization meetings. There have also been informal discussions with representative associations to identify additional opportunities for Periodicals. The expectation is that these discussions will be ongoing as our mutual interest to lower the cost of Periodicals remains at a high level.

Many of the options are considered to be obvious opportunities for cost reductions by moving mail closer to destination, increasing the use of automated equipment for piece distribution, and reducing the use of sacks within both the customer preparation and postal processing of Periodicals. As far as the specific timetables are concerned, the consolidation of the outgoing bundle and piece distribution is already underway, with the required mailer compliance for labeling by mid-May, 2005. For the increased emphasis on the use of automated equipment for the piece distribution of

Periodicals, this has been an ongoing effort but additional directives will be issued within the next 30 days to focus additional attention. Finally, the effort to reduce sacks is also ongoing with a recent change that allows the entry of bundles of Periodicals into delivery units outside of sacks. Furthermore, a Postal Bulletin notice allowing greater flexibility on the required minimum pallet weight for flat mail entered at destination is expected to be published within the next two weeks. This will be followed shortly thereafter with notices requiring lower weight pallets in certain situations and eliminating the preparation of less than minimum sacks in most situations, both with the certain result of reducing the number of Periodicals sacks.

Benefits are already being realized through local exceptions that are consistent with these initiatives. For example, a newspaper publisher in the Northeast has significantly reduced the dependency on sacks by using alternate containerization when presenting their flats at processing facilities.

Finally, additional changes to allow flats to be entered into plants out of sacks and the preparation of flats in tubs or on mixed (residual) pallets are still under investigation for possible future implementation.

RESPONSE OF POSTAL SERVICE WITNESS McCRERY TO
POIR NO. 3, QUESTION 7

7. Postal Service witness McCrery states, in connection with Periodicals mail, that "We are studying how to reduce bundle breakage both by improving our specifications for forming bundles and by improving bundle handling." USPS-T-29 at 28. Please provide information on what referenced measures are underway, or have been completed in the last three years, including anticipated timetables for action.

RESPONSE:

Over the last three years, an MTAC workgroup was formed to address mail preparation irregularities, with a focus on bundle breakage. From the workgroup, a system was developed and implemented called Electronic Mail Improvement Reporting (eMIR). This system was designed to address a concern of the industry participants that the information regarding their bundle integrity problems was not consistently communicated back to the mail preparer/owner. The new electronic system, which replaced the old manual process, addresses this issue and provides a great deal more information for use in fixing the problem and includes levels of accountability to ensure that necessary action is taken.

Over the next several months, a concerted effort will be undertaken to "blitz" the issue of bundle breakage through the eMIR process. Dedicated resources will be established at 30 to 35 facilities in order to identify and collect information on bundle integrity problems. The specifics of each problem (e.g. mail piece characteristics, mail preparation characteristics (sacks vs. pallets), bundle securing method, volume affected, digital photos, etc.) will be input into eMIR. Not only will there be an expectation for improvements, but the data will be used as a baseline for the problems, and will help to focus attention on specific mail preparation and postal handling processes.

In addition, we are in the process of considering changes to our mailing standards as they relate to bundle preparation. These changes would strengthen the language related to the acceptable level of integrity and include additional requirements around the preparation of certain bundles. For example, thin bundles, which are currently required to only be single-strapped, are almost certain to be addressed. These changes should be finalized and published within the next two months.

Also, within the next two months, a communications campaign will be undertaken to educate mailers, in particular smaller mailers, of the importance of bundle integrity. The smaller volume segment is not likely a participant in Mailers Technical Advisory Committee groups nor the recipient of information through trade associations. Posters, brochures, and videos will be distributed to customers through business mail acceptance channels, which are often the only points of contact with the Postal Service for these customers.

Finally, the shift of bundled flats from sacks to pallets as described in Question 6 will in itself improve bundle integrity. This is because the bundle breakage rate is substantially lower for palletized mail as compared to sacked mail.

RESPONSE OF POSTAL SERVICE WITNESS McCRERY TO
POIR NO. 4, QUESTION 6

Revised 5/25/05

6. Please refer to the Skin Sack Reduction Program shown in USPS-LR-K-49, Attachments C and D. Explain in detail the derivation of the Mail Handler work hour cost reductions in FY 2005 (215) and FY 2006 (446).

RESPONSE:

The mailhandler workhour adjustments associated with the skin sack reduction program were derived as follows. The mail characteristic data collected from the Mail.dat files and the survey of small publications adjusted to national estimates, presented in Table 3 of USPS-LR-K-91, were used to estimate the number of sacks that would be affected by the change in regulations regarding sack size. The assumption was made that all Carrier Route, 5-Digit, SCF, and ADC sacks that had 23 or fewer pieces in them would be eliminated. In addition, 90 percent of 3-Digit sacks with 23 or fewer pieces in them would also be eliminated. These assumptions were developed through discussions with Operations and Mail Acceptance personnel. The total number of sacks estimated to be affected by the change in regulations was 37,968,760. Subsequent work developing the data in USPS-LR-K-91 led to a slightly different number of sacks: 38,221,284. However, by the time USPS-LR-K-91 was finalized, the cost reductions associated with this program had been fully incorporated into the rollforward model. Revising the estimated workhour reductions and reproducing the rollforward would have necessitated the revision of a significant number of downstream analyses for what was less than a 1% difference in the number of sacks.

The second step involved estimating the workhour savings associated with a reduction in handling sacks. This was performed by reference to USPS-LR-J-100, the pallet cost analysis. The portion of USPS-LR-J-100 that estimated sack movement costs was adjusted to TY 2006 figures. This was accomplished by multiplying the

productivity figures, except for the one for "Dump Sacks at Bundle Sort", shown in the library reference by the ratio of the TY 2003 (R2001-1) nonmods allied labor volume variability to the TY 2006 (R2005-1) nonmods allied labor volume variability. The productivity for "Dump Sacks at Bundle Sort" was adjusted by the ratio of the weighted averages for the volume variabilities for Mechanized Parcels, SPBS - Non Priority, SPBS – Priority, Opening Unit – BBM, Opening Unit – Preferred Mail, Pouching Operations, and SPBS & Irregular Parcels – BMC. This adjustment updated the productivity figures for the volume variabilities used in this docket. The inverse of the product of the productivities multiplied by the conversion factors (the number of sacks per container) results in the estimated hours per sack of the individual activities. The sum of those represents the hours per sack, 0.0162, associated with the identified handlings

The number of affected sacks was adjusted to represent the FY 2006 numbers of affected sacks by multiplying the 37,968,760 by the ratio of the forecasted FY 2006 Periodicals volume to the FY 2004 Periodicals volume. The sum of the forecasted Periodicals volume for Q4 of FY 2005 plus one-third of the Q3 FY 2005 volume, representing the portion of the fiscal year during which the regulations were anticipated to be in force, was divided by the FY 2004 Periodicals volume. This ratio was multiplied by the FY 2004 volume to arrive at the estimated number of sacks affected in the portion of FY 2005. The number of sacks for FY 2005 and FY 2006 were then multiplied by the 0.0162 hours per sack to obtain the number of hours saved in each year. The total number of hours saved in FY 2006 was estimated to be 661,142 which

was 445,802 more than those saved in the part year of FY 2005. The attached chart provides the analysis.

It should be noted that the estimate is conservative since it reflects only savings at the destination facilities. However, it would be expected that further workhour reductions will be realized at origin facilities with fewer origin sack handlings and through a reduction in the overall network sack sorting workload for Periodicals. It is expected that the residual benefits of this initiative will be a significant contributor to the overall effort to decrease Periodicals costs.

Revised Response to POIR 4, Question 6.

C: n of Workhour Savings Associated with Skin Sack Rule Changes

	Activity	Value Units	Value Units	Hours per Container	
Sacks	Unload OWC	25 096 OWC/Hr	26 500 Sacks per OWC	0 00150	
	Move OWC to Bundle Sort Op	26 892 OWC/Hr	26 500 Sacks per OWC	0.00140	
	Dump Sacks at Bundle Sort	137 782 Sacks/Hr	1 000	0 00726	
	Empty Sack Handling	198 747 Sacks/Hr	1 000	0 00503	
	Empty OWC Handling	26 892 OWC/Hr	26 500 Sacks per OWC	0 00140	
				0 01660	Hours per Sack

Sacks Affected by Skin Sack Rule in FY 2004 **37,968,760**
Derived by reference to USPS-LR-K-91 as described in Response to POIR 4 Question 6

Sacks Affected by Skin Sack Rule in FY 2005 **12,290,077**
Derived by reference to USPS-T-7 FY 2004 skin sacks multiplied by ratio of Q4 FY 2005 plus 1/3 of Q3 FY 2005 Periodicals volume to FY 2004 Periodicals volume

Workhours Saved in FY 2005 **204,009**

Sacks Affected by Skin Sack Rule in FY 2006 **37,733,302**
Derived by reference to USPS-T-7 number of FY 2004 skin sacks multiplied by ratio of FY 2006 Periodicals volume to FY 2004 Periodicals volume

Workhours Saved in FY 2006 **626,354**

Incremental Change over 2005 Savings **422,345**

Revised 7/5/05

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-1

You describe automatic induction (AI) systems that will be attached to 210 AFSM-100 machines in the test year.

a. Will flats prepping continue to be done as it is today for the other 324 AFSM-100? If not, please explain what changes you foresee.

b. Under what MODS number and what LDC (Labor Distribution Code) will employees at the AI systems be working?

c. In the Postal Service's roll forward to test year costs in this docket, which mail processing cost pool contains the expected cost of the AI employees?

d. Will AFSM-100 clerks sometimes operate the AI prepping stations? If yes, please describe the circumstances under which this may occur.

e. Will employees operating the AI be considered part of the AFSM-100 crew?

RESPONSE:

a. Yes.

b. Employees working at the AI systems will work under MODS number 035 and LDC 17.

c. I am informed that costs are not rolled forward to cost pools. However, it should be noted that according to Appendix F of witness Waterbury's testimony (USPS-T-10), AI costs and savings are distributed using key 1442 which, according to the next Appendix (App. G), is the distribution key for the AFSM-100.

d. It has yet to be determined which craft will be assigned this task.

e. Yes.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-2

Please assume that employees in an AI system start preparing flats and placing them in Automation Compatible Trays (ACT's) before the attached AFSM-100 machine has started processing flats.

a Please confirm that the filled trays will be stored on the system of conveyor belts linking the AI to the AFSM-100, until the AFSM-100 starts processing

b Approximately how many ACT's, with flats ready to be inducted, can an AI system accommodate?

c Does an ACT have roughly the same capacity as a current flats tub? If no, please describe the capacity of an ACT and indicate how many flats it will hold

d Would an AI system as presently envisioned sometimes be used to feed flats to more than one AFSM-100? If yes, please describe the circumstances under which this may occur

RESPONSE:

a Confirmed

b The AI system can accommodate approximately 95 ACTs ready to be inducted.

c The ACT can hold slightly more pieces than a USPS flat tub – up to 130 pieces on average, compared to approximately 90 pieces per flat tub.

d No, the machines will not be configured in this manner.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-3

Regarding MODS operation 035, which witness Van-Ty-Smith identifies as the flats preparation cost pool, or 1FLATPRP:

a Please confirm that flats in carrier route bundles are not processed in the 035 operation. If not confirmed, please explain.

b. Assume that flats are in 5-digit bundles to a zone for which there is no automated sortation scheme, i.e., the sortation to carrier route will be done manually. Will such bundles normally be processed in the 035 operation? Please explain the circumstances under which this occurs and does not occur.

c Does the preparation of flats for piece sorting in today's environment also occur in operations that do not have MODS number 035? If yes, identify the types of operations where this might occur and the MODS numbers for any such operations.

RESPONSE:

a Generally confirmed. However, flats in poorly prepared carrier route bundles that break open prior to reaching the delivery unit may be prepared in operation 035.

b Normally such bundles will be sent directly to the delivery unit. However, at some plants for some delivery units, such bundles may be retained and prepared for manual distribution at the plant.

c Yes. Flat pieces may be prepared on the sweep side of the SPBS (MODS 134-139) or immediately after processing on the flats canceller (MODS 016). Also, 5-digit bundles identified and isolated at delivery units may be prepared at the units and then directed back to the plant for processing.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-4

In your response to parts of TW/USPS-T11-5, redirected from witness Van-Ty-Smith, you describe the functions performed under the 1DSPATCH cost pool. In her response to part e of the same interrogatory, Van-Ty-Smith indicates that before FY02, MODS numbers 124-129, which define the 1DSPATCH pool, were part of the 1POUCHNG cost pool. The following questions concern the mail processing operations that have remained in the 1POUCHNG pool.

a Please confirm that 1POUCHNG consists of work performed under MODS numbers 120 and 121 for outgoing, 122 and 123 for incoming and 345 for international pouching.

b Please confirm that the present (remaining) part of 1POUCHNG consists of what its name indicates, namely placing mail in sacks, along with related work such as hanging, tying out and labeling sacks. If not fully confirmed, please describe the other activities not related to placing mail in sacks, that are performed at 1POUCHNG. For any such activity, please state the degree to which it applies to flats.

c Roughly what portion of the work performed in 1POUCHNG consists of placing mail in sacks and related activities?

d Please describe the craft and pay levels for employees that typically work in this cost pool.

RESPONSE:

a I am informed that your statement is correct.

b These operations are specifically for separation of all mail types into sacks or pouches and the dumping of sacks and containers onto a conveyor or fixed table to be worked. The working mail may also arrive in containers and be worked directly out of these containers into sacks or pouches. The work content also includes setting up the work area, moving containers of working mail into the unit, removing strapping and sleeves from trays, moving worked sacks/pouches from

racks onto mail transport equipment, and the staging of worked containers.

c. Almost all. On occasion, bundles may be worked into flat tubs.

d. Mail Handler, Level 4 and Mail Processing Clerk, Level 5.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-5

Please describe the conditions under which flats or flats bundles originating and destinating in the United States are placed in sacks by Postal Service employees in today's mail processing environment. Include a description of the types of sorting schemes (outgoing, MMP, incoming primary, incoming secondary, etc.) for which this is most likely to occur. Specifically:

a. Is it generally true that pouching of flat mail in a given facility comes after a piece distribution? If it is not always true, please describe the circumstances where pouching of flat mail occurs before any piece distribution in the given facility.

b. Please confirm that flats which have been sorted into flats tubs at an AFSM-100 or FSM-1000 machine will not be taken to a pouching operation. If not confirmed, please describe the circumstances under which they will be taken to a pouching operation.

c. Are flats which have been sorted at a manual flats case sometimes taken to a pouching operation? If yes, describe the circumstances under which this occurs.

d. Are flats bundles which have been sorted at an opening unit sometimes taken to a pouching operation? If yes, describe the circumstances under which this occurs.

RESPONSE:

a. Though some pouching of flats or flat bundles does occur after piece distribution, I would not say that this is true most of the time. When flats are presorted into bundles by customers and placed into residual containers (e.g. Mixed-ADC sacks or tubs), the bundles will be directed to a bundle distribution operation, which could include pouching, without the pieces first receiving piece distribution. Furthermore, certain bundles prepared by customers in direct containers (e.g. ADC sacks or pallets of newspaper bundles) may be directed to a pouching operation where the contents will be emptied and the bundles distributed to

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

downstream facilities prior to any piece distribution.

b Generally, this can be confirmed. The exception would be when tubs are generated off an AFSM 100 or UFSM 1000 for certain destinations containing very few pieces, and it is determined that it would be inefficient to transport the "skin" tubs from the origin to the destination. In these cases, a plant could choose to band and pouch these pieces.

c In limited situations this does occur. The circumstances would be very similar to what is described in part (b) above. If the finalized manual volume to a destination results in very few pieces in a tub, the plant could choose to band and pouch these pieces.

d There could be situations in which an opening unit is processing containers that contain bundles that are then directed to a pouching operation. However, in many cases, the opening and pouching functions are performed in a combined operation, or the bundles are directed to a pure pouching operation bypassing the opening unit.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-6

Please confirm that the following is true for flats or flats bundles that are placed into sacks at a pouching operation, or explain any disagreement.

a. The sacks into which flats or flats bundles have been placed will be dispatched to another postal facility.

b. In addition to the costs incurred at the pouching operation itself, the flats or flats bundles will incur additional costs at a downstream facility in order to get them out of the sacks again, including the types of sack related costs that are described in library reference USPS-LR-K-85, sponsored by witness Cutting.

c. Bundles that are transported in sacks run a high risk of breaking, whether the sacks have been made up by mailers or in postal facilities.

RESPONSE:

a. This is generally true. One exception would be when mail is provided in sacks directly to firm or business customers.

b. Except for the situation described in part (a) above, this is true.

c. It is true that bundles in sacks have a higher likelihood of being broken or breaking when emptied from a sack compared to bundles emptied from a pallet. In large part, this is due to the fact that bundles placed in non-rigid sacks are subjected to more stress from the time they are placed in the sack until emptied compared to bundles on pallets. Whether a bundle has a high likelihood of breaking is also a matter of the methods used to and quality associated with securing the bundle.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-7

Please consider a hypothetical manual opening unit in a postal facility where bundles of flats are sorted from a belt into various containers, including hampers, APC's, U-carts and some sacks.

a Do opening units of the kind described above exist in today's mail processing plants? Please explain any negative answer.

b What MODS number would an opening unit of this kind use? If a range of (more than one) three-digit MODS numbers might be used, please describe the type of opening unit that would correspond to each number.

c Which of the mail processing cost pools, as defined in USPS-T-11, would an opening unit of the type described use? If more than one answer is possible, please describe the opening unit characteristics that would determine which answer applies.

RESPONSE:

a Yes

b Operations 110-111 and 115-116 are for separation of originating preferential and Standard Mail, respectively. Operations 180-181 and 185-186 are for separation of destinating preferential and Standard Mail, respectively. Similar work may also be preformed in outgoing pouching (120-121) or incoming pouching (123-124). The second number in each sequence has identical meaning to the first and is simply provided for management convenience (e.g. in large operations).

c MODS numbers in both the opening and pouching cost pools might be used depending on whether the work was predominantly opening or pouching.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-8

In response to TW/USPS-T11-7a. redirected from witness Van-Ty-Smith, you indicate that:

> "Operation 114 is specifically for work hours used to transport containers of mail between work areas. It also includes work hours used to weigh mail into or from distribution operations."

Please explain when postal facilities weigh mail coming from a distribution operation in the same facility. Additionally, please indicate for each of the following activities in mail processing plants whether they would be represented by MODS number 114 either: (1) most of the time; (2) some of the time; or (3) never.

a Moving containers of "working" flats bundles from a bundle sorting operation to a flats preparation operation.

b Moving containers of flats bundles that will not require piece sorting in the given facility from a bundle sorting operation to dispatch;

c Moving "ergo carts" of "prepped" flats to an AFSM-100 from a flats preparation area.

d Moving "ergo carts" of "prepped" flats to a UFSM-1000 from a flats preparation area.

e Moving "ergo carts" of "prepped" flats to a manual flats case from a flats preparation area.

f Moving sorted flats to a pouching operation;

g Moving containers of bundles from a bundle sorting operation to a pouching operation;

h Moving containers of bundles from a bundle sorting operation to a secondary bundle distribution, or

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

i Moving containers of flats tubs from one flats sorting operation to another.

RESPONSE:

Withdrawals are generally weighed. For example, if mail is discovered to be too thick for processing after it was already entered into an operation, the mail would be withdrawn and weighed before going to, for example, manual distribution..

a – i The answer in all cases is "some of the time". As you noted in your question TW/USPS-T11-7, MODS 114 is for manual transport. A significant portion of transport is mechanized in many facilities. Even if I reword your questions to specify manual transport only, the proportion of transport workhours charged to MODS 114 varies substantially among plants, so my best estimate remains "some of the time".

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-9

Please assume that a bundle sorting operation has produced a hamper of flats bundles that are to be subject to piece sorting in the given facility. Please indicate which of the following is true. If any statement below is true some time but not all the time, or if only part of the statement is true, then please explain further.

a. The bundles will be weighed for determination of MODS first handling pieces (FHP) when they leave the bundle sorting operation but before undergoing flats preparation.

b. The "prepped" flats will be weighed for determination of MODS first handling pieces (FHP) when they leave the flats preparation operation (035) but before undergoing piece sorting.

c. The bundles, if they are going to a piece distribution which will be performed manually, will be weighted after leaving the bundle sorting operation, then taken directly to the manual flats area, bypassing the 035 operation;

d. The bundles, if they are going to a piece distribution which will be performed manually, will still be taken to an 035 operation just as if the flats were to be machine sorted.

e. If the given piece distribution is to be performed at a station or branch and not in the plant, the bundles will bypass the 035 operation, as well as the weighing and will simply be dispatched to the given station/branch. The pieces therefore will not be reported as FHP.

RESPONSE:

a. Not true. Flat bundles are not weighed for determination of MODS first handling pieces (FHP) after leaving the bundle sorting operation but before undergoing flats preparation in operation 035.

b. True.

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

c. True some of the time. However, for operational convenience, flat bundles upon extraction from a bundle sorting operation are sometimes taken to operation 035 for flats preparation, then weighed and taken to a manual operation for piece distribution.

d True some of the time See response to part (c).

e True

Response of Postal Service Witness Marc McCrery
To Interrogatories Posed by Time Warner Inc.

TW/USPS-T29-10

Assume that an employee who works at an SPBS bundle sorting operation sees that one hamper, containing "working" bundles, is about to overflow. He removes it and replaces it with an empty hamper. Then he moves the full hamper to the flats preparation area in another part of the facility, after which he returns and continues to work at the SPBS. Is this employee, while moving the full hamper referred to above, supposed to clock himself into MODS operation 114, then clock into his normal operation when he returns? Please explain your answer.

RESPONSE:

No. When employees clocked into a sorting operation such as the SPBS perform incidental work of short duration chargeable to a different MODS number, they nonetheless remain clocked into their normal operation.

TW/USPS-T11-5 You describe a new cost pool that you call 1DSPATCH. At page 7 in your testimony you refer to it as "the dispatch unit."

a. What is "the dispatch unit" in a postal facility?

b Please confirm that "the dispatch unit" is defined by MODS numbers 124-129. If not confirmed, please give the correct numbers.

c. Is "the dispatch unit" typically located on the platform? Or is it located on the workroom floor?

d In what fiscal year was the 1DSPATCH pool first used to produce the CRA reports?

e Before you introduced 1DSPATCH as a separate pool, which pool or pools would work under MODS numbers 124-129 have been assigned to?

f What is the normal craft and pay level for employees in this pool?

g Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that the new cost pool needed to be included in the MODS/IOCS costing scheme.

h Please describe all normal duties for employees in this cost pool and any unique skills required.

i Is it fair to say that the workload in this cost pool varies greatly, with periods of intense activity followed or preceded by periods of little or no activity?

j If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

k Has the Postal Service undertaken any study to assure that use of MODS numbers 124-129 is uniform and consistent in all processing plants that use those numbers? If yes, what was the result of such a study?

RESPONSE:

a Operations 124-127 include the work hours used to separate trays, sacks, bundles, or parcels into containers in preparation for dispatching. They also include hours used for the collection and set-up of mail transport equipment for the unit, movement of working containers into the unit, the strapping and sleeving

of trays with or without automatic strapping and sleeving equipment, and the staging of worked containers. If the facility uses a Tray Management System (TMS), the workhours for removing trays from the TMS and separating them into containers for dispatch are charged to Dispatch. Operations 128-129 are specifically for work hours used at Area Distribution Centers (ADC) for the primary/3-digit separation of mail to the facilities in the ADC service area.

b Retained by witness Van-Ty-Smith

c Yes to both questions. Dispatch operations are located around the floor and into the platform area depending on equipment used and available space.

d-e Retained by witness Van-Ty-Smith

f Employees in this cost pool are Mail Handlers, Level 4; Mail Handler Equipment Operators, Level 5, Mail Processing Clerks, Level 5; and General Expeditors, Level 6

g Retained by witness Van-Ty-Smith

h See response to 5a. Standard Position Descriptions for the employees listed in 5f are attached

i Yes

j Other cost pools in LDC 13 or LDC 17.

k Not to my knowledge. The actual application of MODS numbers in this workcenter is inherently variable among plants due to the differences in equipment among plants.

MAIL HANDLER MH-04

FUNCTIONAL PURPOSE

Loads, unloads, and moves bulk mail and performs other duties incidental to the movement and processing of mail.

DUTIES AND RESPONSIBILITIES

1. Unloads mail from trucks. Separates all mail received from trucks and conveyors for dispatch to other conveying units and separates and delivers mail for delivery to distribution areas.

2. Places empty sacks or pouches on racks, labels them where prearranged or where racks are plainly marked, dumps mail from sacks, cuts ties, faces letter mail, carries mail to distributors for processing, places processed mail into sacks, removes filled sacks and pouches from racks and closes and locks sacks and pouches. Picks up sacks, pouches, and outside pieces, separates outgoing bulk mails for dispatch and loads mail into trucks.

3. Handles and [illegible] empty equipment; inspects empty equipment for mail and restrings sacks.

4. Cancels stamps on parcel post, operates cancelling machines, carries mail from cancelling machine to distribution cases.

5. [illegible] supply and slip rooms and operates copy machine and related office equipment.

6. In addition, may perform any of the following duties: make occasional simple distribution of parcel post mail that requires no scheme knowledge; operate electric fork lifts; rewrap damaged parcels; weigh incoming sacks; clean and sweep work areas, offices, rest rooms, and trucks where work is not performed by a regular cleaner.

7. With approval of the Chief Postal Inspector, acts as an armed guard for valuable registry shipments and as a watchman and guard around post office building.

SUPERVISION

Supervisor, Distribution Operations, or other designated supervisor.

SELECTION METHOD

Senior Qualified

BARGAINING UNIT

MAIL HANDLER

KEY POSITION REFERENCE

KP-[illegible]

(End of Document)

GENERAL EXPEDITOR PS-06

FUNCTIONAL PURPOSE

Arranges for the proper transfer for mail which may require the knowledge of incoming and/or outgoing schemes, transportation schedules, and receipt and dispatch information in performing mail distribution between highway contract routes, mail messengers and truck routes, and other mail units; and the separating, loading, and unloading of railway storage cars, flexi-vans and piggy-back trailers, by contractors and postal employees to ensure proper and expeditious handling.

DUTIES AND RESPONSIBILITIES

1. Expedites the distribution and dispatch of all mails processed in the assigned work areas.

   Coordinates the dispatch of mail from cases, registry section, and/or other areas by giving timely notice of regular and emergency dispatches to ensure expeditious handling of mail. Coordinates the movement of mails from the platform (or [illegible] receipt point) to processing areas or from cases to [illegible], and [illegible] to dispatch points or platform.

   Recommends changes in pouch and sack racks, pouch [illegible], and work assignments as changes in distribution [illegible] dictate.

2. [illegible] in carrying out special assignments, such as [illegible] counts, information for surveys, observing [illegible] mail matter, and other similar duties. [illegible] maintain records of mail volumes, work hours, and other [illegible] keeping; assists with on the job training.

   [illegible] proper labeling, timely closing, routing and dispatch [illegible] pouches and sacks within the assigned work area; [illegible] for equipment.

6. Keeps informed in contract provisions for routes serving the facility such as, loading agreements, correct sized vehicles, proper protection of the mail and other special conditions. Periodically inspects contract vehicles and reports deficiencies or irregularities to supervisor.

7. Keeps informed of all scheduled arrivals and departures at the duty station, and has knowledge of the most expeditious dispatches to ensure an alternative rerouting of preferential mails due to unusual circumstances; determines whether mail should be held for alternate connections.

8. Examines outgoing and incoming vehicles to determine degree of utilization and adherence to highway safety regulations and reports irregularities to supervisor.

9. Recommends arrangements for extra trips of service when necessitated by volume or unusual circumstances.

10. Oversees the loading and unloading of storage cars, flexi-vans, piggy-back trailers, or other mail containers intended for transportation by rail when such activities are performed at the facility.

(Continued on next page)

GENERAL EXPEDITOR PS-06

11. Maintains close contact with supervisor in the distribution and vehicle service units to assure close coordination of all mail handling operations.

12. Performs manual distribution of all classes of mail.

13. Performs other job related tasks in support of primary duties.

SUPERVISION

Manager, Airport Mail Center/Facility or other designated supervisor.

SELECTION METHOD

Junior Qualified

BARGAINING UNIT

[illegible]

KEY POSITION REFERENCE

[illegible]

(End of Document)

MAIL HANDLER EQUIPMENT OPERATOR MH-05

FUNCTIONAL PURPOSE

Operates a jitney, fork-lift or pallet truck for the movement of mail, and performs other mail handler functions as required.

DUTIES AND RESPONSIBILITIES

1. Operates a jitney, fork-lift or pallet truck, as a qualified licensed driver in the performance of transporting mail within a postal facility.

2. Moves empty equipment utilized in transporting mail to storage or staging area.

3. Performs routine safety inspection of vehicular equipment assigned; reports deficiencies.

4. Follows established safety practices and requirements.

5. Performs other mail handler duties when not occupied as a [illegible].

SUPERVISION

[illegible] operations, or other designated

SELECTION METHOD

[illegible]

BARGAINING UNIT

[illegible]

KEY POSITION REFERENCE

(End of Document)

MAIL PROCESSING CLERK PS-05

FUNCTIONAL PURPOSE

Performs a variety of clerk duties required to process mail using automated mail processing equipment or manual methods of sortation and distribution.

DUTIES AND RESPONSIBILITIES

1. Makes one or more sortations of outgoing and/or incoming mail using the appropriate sort program or manual distribution scheme.

2. On a rotation basis, performs all of the following duties: loads mail onto automated equipment, culling out non-processable items; enters sort plan and starts equipment; monitors flow of mail to ensure continuous feed; sweeps separated mail from bins/ stackers; and stops equipment when distribution run or operation is completed. Runs machine reports, clears jams and contacts maintenance for assistance when required.

3. Prepares work area, ensuring all necessary support equipment and materials, including labels, trays, and other containers, are in place.

4. Removes mail from bins or distributions and places into appropriate trays or containers for further processing or distribution based on knowledge of operating plans and dispatch schedules, or at the instruction of supervisors or expediters; may finalize or verify mail to ensure sortation accuracy as needed.

5. In addition, may perform any of the following duties: provide service at retail window for non-financial transactions; maintain records of mails; examine balances in advance deposit accounts; and record and bill mail requiring special service.

6. Uses established safe work methods, procedures and safety precautions.

7. Performs other job related tasks in support of primary duties.

SUPERVISION

Supervisor, Distribution Operations; Supervisor, Customer Services, or other designated supervisor

SELECTION METHOD

BARGAINING UNIT

CLERK

(End of Document)

TW/USPS-T11-6 You describe a new cost pool that you call 1FLATPRP.

a. Please confirm that this pool is defined by MODS number 035. If not confirmed, please give the correct number(s).

b. In what fiscal year was the 1FLATPRP pool first used to produce the CRA reports?

c Before you introduced 1FLATPRP as a separate pool, which pool would work under MODS number 035 have been assigned to?

d What is the normal craft and pay level for employees in this pool?

e Please describe all normal duties for employees in this cost pool and any unique skills required

f Please confirm that the purpose of this cost pool is to prepare flats that arrive in non-carrier route bundles for piece sorting on the AFSM-100 or other flats sorting machines If not confirmed or if there are additional duties, please explain

g If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

h Has the Postal Service undertaken any study to assure that use of MODS number 035 is uniform and consistent in all processing plants that use this number? If yes, what was the result of such a study?

RESPONSE:

a-c Retained by witness Van-Ty-Smith

d Mail Handler, Level 4

e Work hours charged to Operation 035 are specifically for the following tasks:

1 Removal of strapping or banding from flat bundles that are processed on flat sorting machines or in manual flat cases.

2. Separating, facing and loading flats into mail transport equipment that will be sent to flat sorting machines or manual flat cases.

3. Securing flats into an AFSM 100 Flat Mail Cart that will be sent to an AFSM 100.

f. See response to 6e.

g Other LDC-17 cost pools.

h Not to my knowledge.

TW/USPS-T11-7 You describe a new cost pool that you call 1OPTRANS. At page 7 in your testimony you refer to it as "the opening unit's manual transport."

a What is "the opening unit's manual transport" in a postal facility?

b Please confirm that 1OPTRANS is defined by MODS number 114. If not confirmed, please give the correct number(s).

c In what fiscal year was the 1OPTRANS pool first used to produce the CRA reports?

d Before you introduced 1OPTRANS as a separate pool, which cost pool would work under MODS number 114 have been assigned to?

e What is the normal craft and pay level for employees in this pool?

f Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that 1OPTRANS needed to be included as a separate pool in the MODS/IOCS costing scheme.

g Please describe all normal duties for employees in this cost pool and describe any unique skills required.

h If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

i Has the Postal Service undertaken any study to assure that use of MODS number 114 is uniform and consistent in all processing plants? If yes, what was the result of such a study? Specifically, did the Postal Service verify that MODS number 114 is used by, and only used by, employees that operate "the opening unit's manual transport?"

j Is MODS number 114 sometimes used to represent an SCF opening unit?

RESPONSE:

a Operation 114 is specifically for work hours used to transport containers of mail between work areas It also includes work hours used to weigh mail into or from distribution operations

b-d. Retained by witness Van-Ty-Smith

e. Mail Handler, Level 4 and Mail Processing Clerks, Level 5

f. Retained by witness Van-Ty-Smith

g. See response to 7a and Standard Position Description attached to 5h.

h. Other LDC 17 and LDC 13 cost pools.

i. Not to my knowledge.

j. No, but see response to 7c and 7d

TW/USPS-T11-8 You describe a new cost pool called 1TRAYSRT. At page 6 in your testimony you refer to it as "the tray sorters and robotics cost pool."

a Please confirm that 1TRAYSRT is defined by MODS numbers 618, 619 and 627-629. If not confirmed, please give the correct numbers.

b In what fiscal year was the 1TRAYSRT pool first used to produce the CRA reports?

c Before you introduced 1TRAYSRT as a separate pool, which cost pool(s) would work under MODS numbers 618, 619 and 627-629 have been assigned to?

d What is the normal craft and pay level for employees in this pool?

e Please describe the changes in USPS mail processing operations that caused you or the Postal Service to conclude that 1TRAYSRT needed to be included as a separate pool in the MODS/IOCS costing scheme.

f Please describe all normal duties for employees in this cost pool and describe any unique skills required.

g If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

h Has the Postal Service undertaken any study to assure that use of MODS numbers 618, 619 and 627-629 is uniform and consistent in all processing plants? If yes, what was the result of such a study? Specifically, did the Postal Service verify that these MODS numbers are used by, and only used by employees that operate "tray sorters and robotics?"

i Please confirm that the cost pool handles trays of letters and flats that have been sorted at a piece distribution operation in the given plant. If not confirmed, please explain.

j Does the pool also handle trays of letters and flats that have arrived from another postal facility? If yes, please describe the circumstances under which this occurs.

RESPONSE:

a-c Retained by witness Van-Ty-Smith

d. Mail Handler, Level 4 and Mail Processing Clerk, level 5.

e. Retained by witness Van-Ty-Smith

f. See responses to 8e and the Standard Position Descriptions attached to 5h.

g. Other LDC-13 and LDC-17 operations.

h. Not to my knowledge.

i Confirmed

j Yes This cost pool may sort trays sent from other facilities for dock transfer or distribution

TW/USPS-T11-9 Is the pool called "1PRESORT" any different from the "Bulk Presort" pool used in previous rate filings? If yes, please explain. In any event, please answer the following.

a Please confirm that 1PRESORT is defined by MODS numbers 002 and 003. If not confirmed, please give the correct numbers.

b What is the normal craft and pay level for employees in this pool?

c Please describe all normal duties for employees in this cost pool and identify any unique skill levels required.

d If they temporarily run out of things to do in their own cost pool, which other pools are employees in this pool likely to be assigned to?

e Has the Postal Service undertaken any study to assure that use of MODS numbers 002 and 003 is uniform and consistent in all processing plants? If yes, what was the result of such a study?

RESPONSE:

a Retained by witness Van-Ty-Smith

b Mail Handlers, Level 4 and Mail Processing Clerks, Level 5

c Operations 002-003 are specifically for activities related to handling presort mail. The activities include traying, sleeving, strapping, and separation for the next handling operation, which is generally scan-where-you-band, Automated Airline Assignment, distribution, or dispatch

d Other LDC 13 and LDC 17 operations.

e Not to my knowledge.

CHAIRMAN OMAS: Is there any additional written cross-examination for Witness McCrery?

(No response.)

CHAIRMAN OMAS: There being none, this brings us to oral cross-examination. Five parties have requested oral cross-examination: the American Bankers Association and the National Association of Presort Mailers; the American Postal Workers Union, AFL-CIO; the Major Mailers Association; the Office of Consumer Advocate; and Pitney Bowes.

Mr. Hart, would you please begin?

MR. HART: Thank you, Mr. Chairman. Henry Hart representing the American Bankers Association --

CHAIRMAN OMAS: Excuse me. Are there any additional people who wish to cross-examine?

(No response.)

CHAIRMAN OMAS: There being none, Mr. Hart, please begin.

MR. HART: -- representing the American Bankers Association and the National Association of Presort Mailers.

CROSS EXAMINATION

BY MR. HART:

Q Good afternoon, Mr. McCrery.

A Good afternoon, Mr. Hart.

Q Could you please turn to your response to Interrogatory ABA and NAPM/USPS-T-13, No. 11(c) that was redirected from Witness Smith to you?

A I'm there.

Q Thank you. In that response, we had asked you a question about mail processing labor on a slow night, and you quoted USPS Witness Moden from R-97-1 on what was done with labor on any given night if there is not enough mail processing work for them to do, and you stated that, first, full-time employees will be surveyed to find out who would like annual leave or leave without pay. Can you confirm that whether or not to accept a request to take annual leave or leave without pay in such a situation is strictly a voluntary decision by the full-time employee?

A A full-time employee does have the right to refuse and to not take leave voluntarily.

Q Could you also confirm that if he or she chooses not to take that leave, and if there is now work to be done at that point in time, then their labor on that night is redundant and would add to the unit mail processing costs?

A I wouldn't say in all cases that would be the case. There are opportunities to potentially

advance noncommitted mail, whether it be early arriving, managed, first-class mail or possibly even additional noncommitted standard mail that could be advanced and prepped, for example, processed to keep those folks busy potentially. So it's not always the case that on a slow night there would be absolutely nothing for them to do.

Q But if there is nothing for them to do, then --

A If there is absolutely nothing for them to do, yes, it would be safe to say they are redundant, but I would think that those cases are quite the minority.

Q Could you turn to your response to the Interrogatory Major Mailers Association, USPS-T-21, redirected from Mr. Abdirahman, No. 25(c)?

A Yes.

Q Do you have that in front of you?

A I do have that, yes.

Q In that interrogatory, we had asked you about finalization rates on multiline, optical character reader input subsystems and the remote computer read. In particular, we asked you whether the Postal Service had met its goal of a combined 92.3-percent rate for Test Year 2003 in the last rate

case, R2001-1. In your response, you explained that higher-than-estimated volumes of double feeds, misfaced addresses, missing necessary elements, and unreadable images caused a decrease in finalization rates.

My understanding is that in the private sector such problems -- double feeds, misfaced addresses, missing necessary elements, unreadable images -- are logged on each machine so that there is a count on the machine of those types of problems. Are similar counts made on USPS machines?

A It's my understanding that without saying for certain every single one of the ones that you mentioned are logged, many of them are, in fact, attempted to be counted in some way. I would have to say that I can't confirm for sure that every single one of them are counted and exactly the manner in which they are counted. But there is an attempt in some cases to make a count on that when the machine has the ability.

Q Do you know whether those counts are available?

A I would have to check on that, the extent that they are available on equipment and how they are ultimately rolled into a national number.

MR. HART: Could we ask if that can be done by this witness or by counsel without creating new information? If there is a simple dump of information from machines, can we get that information?

CHAIRMAN OMAS: Mr. McCrery?

THE WITNESS: Yes. I will look into that. So is it specifically the ones that are listed in the responses to C?

CHAIRMAN OMAS: Thank you.

MR. HART: Over a reasonable period -- I would say the most current year --

THE WITNESS: -- fiscal year.

MR. HART: -- that you have. Thank you. That's all I have. Thank you.

CHAIRMAN OMAS: Thank you, Mr. Hart.

Mr. Anderson? Mr. Anderson, please identify yourself and your organization, please, for the record.

MR. ANDERSON: My name is Darrell Anderson. I'm representing the American Postal Workers Union.

CROSS-EXAMINATION

BY MR. ANDERSON:

Q Hello, Mr. McCrery.

A Good afternoon, Mr. Anderson.

Q In your interrogatory responses to Pitney

Bowes, I think they presented you a model or a description of mail flow, a "generalized description," I think they referred to it. Is it fair to call that a model? Is that a terminology that makes sense to you, or is it mail flow?

A I would say it very appropriately would be classified or described as a generalized description of a mail flow?

Q Okay. They ask you to start to do that for a number of different types of mail, one of which was bulk metered mail. Would you confirm, please, for the record that the bulk metered mail flow that you described is different from bulk metered mail as it's defined for purposes of work share savings for first-class mail?

A From my understanding, the difference between what we modeled in the bulk metered mail, our model assumed that it could be bulk in either a fashion of tray volumes as well as potentially bundles, and from what I understand or what I've been told, the models used for bulk metered mail that you referred to are just the tray volumes, so that's the slight difference.

Q At Pitney Bowes' request, your mail flow models exclude all manual processing. Isn't that

correct?

A Yes, they do.

Q However, I believe it's true, too, that some manual processing occurs at every stage of mail processing.

A As I've indicated in another interrogatory, when you're looking at piece distribution operations and automation, potentially without exception, you have a concurrent manual operation for any rejects or culls from that operation, so you are correct. And also as well as potentially culls from mail preparation, the AFCS-type operation, there could be additional culls from there and directed to outgoing. So within that operation as well as the individual automated piece distribution operations, there are subsequent or concurrent manual operations of the equivalent sort level.

Q It's fair for me to infer that if you had not been asked to exclude manual processing, mail floor models would have included appropriate references to manual processing throughout. Isn't that correct?

A Yes, they would, and it would add quite a bit to the models, yes.

QDo you have before you MMA USPA T-2912?

A Yes, I do.

Q I want to ask you if you wish to make reference to that.

A I have it.

Q You state there that there are 19.2 billion pieces of letter mail that are processed manually at the incoming secondary stage of mail processing.

A Correct, I'm sorry. I'm with you.

Q I just wanted to make sure you're on the same page here.

A I am.

Q Okay, now do we understand correctly that this is a number that combines the numbers at both plants and delivery units?

A Yes, it does.

Q Can you state, if you have in mind, what your sources are for this total of 19.2 billion pieces?

A It comes from a combination of MODS data, as well as delivery unit distribution data. I believe that system is DOES, and other data collection systems at the delivery unit level together generate that figure.

Q By my math, and I don't know whether you've done this, but I looked at your number of total letter

volume of 149,661,000,000 pieces and change, and it looked this is about 12.8 percent of all letter mail. Is that about right?

A Your math sounds to be correct.

Q Now I'd like you to turn to your Pittney Bowes interrogatory responses, if you would, and look at the work flow description for single piece first-class mail.

MS. PORTONOVO: I'm sorry, what was that?

MR. ANDERSON: That would be --

THE WITNESS: Question 8.

MR. ANDERSON: PB USPS T-298, thank you.

BY MR. ANDERSON:

Q I think these are all within question eight; quite a few pages of them.

A I believe the single pieces -- the flow that was provided by Pitney Bowes. Then I just provided potential small adjustments to it in response to Part A. Am I following you on this?

Q In fact, you just answered my next question; thank you. Referring to .13C in that work flow for single digit mail, 13 is at the bottom of a page. It's actually the 14th page, I think.

A 13C?

Q Yes.

A I'm with you.

Q Okay, in C, there's a reference to sorting on the CSBCS machine. That's incoming processing. It's my understanding that most of those CSBCS machines are at the delivery unit level, not in plants. Isn't that correct?

A That's correct.

Q I think that's reflected in later work flows that you developed. You described that CSBCS machine somewhat differently, as being positioned differently in the work flow.

A Absolutely, that's correct.

Q So for example, if you would turn to your bulk meter mail description. It's about four pages. The description begins about four pages deeper.

A I'm with you.

Q That point is covered at .19 in that BMN mail flow description, where you have listed 19A through N as CSBCS processing, but it's at the delivery unit level.

A Correct.

Q So that would be probably a more accurate description for single piece first class letter mail, as well, and there really isn't mail flow. Would that be correct?

A Correct.

Q Referring again to the Pitney Bowes mail flow diagram that you looked at for single piece first class at point 13 --

A I'm with you.

Q -- I see a reference to incoming RBCS that puzzled me. Because I think of RBCS as something that's done at the outgoing primary stage. Can you clarify that for me?

A There could be a couple of things. But primarily I would say it is used for pre-sorted non-bar coded bulk volumes that are coming in to that plant, that have not received any outgoing sortation. They are prepared by my mailers, and they still need incoming recognition, either through RBCS or OCR. So it would go through that RBCS process.

Q But if I just heard you correctly, that would not be single piece response.

A Okay, that's very true. In this case, for this particular flow, there may be a minor amount of mail that might have bypassed, that possibly left the automated mail stream on the outgoing side, that the incoming facility may attempt to try to once again resolve the image through OCR.

But I think it's safe to say that that is a

minority. Most of the volume in single piece does receive its only opportunity through RBCS on the outgoing side, and either falls into an automated environment from that point on, or possibly may fall to a manual environment, if it does not have an address necessary to go further.

So yes, most of the mail is in an NRBCS environment. But there could be a slight amount of volume. There is a slight amount of volume in single piece that may have any additional attempt at incoming to go through RBCS.

Q I'd like you to refer to about 10 pages deeper into this interrogatory response number eight, to your description of the mail flow for non-automation pre-sort. You've got it?

A Yes.

Q Okay, between points seven and eight, it seemed to me that you may have left out something which is described both in the single piece letter description and in the bulk meter mail description, which is that the ruling stock is staged in the decimating plant. Is that not something that should be included there, as well?

If you want to make reference back, for example, to the immediately previous work flow, it's

number 12 in the bulk meter mail. Right after rolling stock is transported to local AMCs, HASPs, and AADCs, then the rolling stock is unloaded and staged at the decimating plant. That's something that was described for first class, single piece, and also for bulk metered mail. It seemed to me it probably could be added to this work flow, as well. Do you see if you could --

A I follow you exactly what you're talking about. I'm just taking a quick look at it here to make sure there's not a reason why it is omitted and then not on a pre-sort flow. I would have to say I believe that it does belong back in that flow, as well.

Q Okay, thank you; if you would compare also in the non-automation pre-sort, I want you to compare that to the description of the mail flow of the MAADC automation letters. First, find point number five in non-automation pre-sort, if you would.

A Okay.

Q It's in 5-G.

A Okay.

Q It says, "Trays are sorted by DNR tag information that ANC has for designating AADCs." Are you with me there?

A Yes, I am.

Q Okay, and if you would look, I think it's just two pages further back, you'll find the mail flow description for MAADC automation letters.

A On a non-auto pre-sort, you're looking at 5-G, and then you're looking for mixed ADC, which I believe must be after; okay, it's following.

Q Yes.

A Okay.

Q I said "back." I guess I meant "following".

A I'm sorry.

Q Let's get our terminology straight here --

A I got you.

Q -- moving deeper into your answer.

A I'm with you.

Q I just think, it seemed to me that this point about sorting the trays by several different criteria probably belonged also in the answer with regard to MAADC, at point five, because it seems to follow sort of directly the same analysis as the previous description, and was simply probably just an oversight, in my guess.

A Yes, you could argue both ways. Since you're looking at actual trays that are prepared by customers, that would be the non-auto pre-sort.

The individual trays in the unit in which they are prepared by customers would then be assigned, and the flow would be what it would be in that mix, in the non-auto pre-sort flow, and 5-G would be there. The mixed ADC, the pieces are distributed at origin, and then the pieces fall into other Postal prepared trays that ultimately need that same scan. But it is a container that we've prepared.

So if you're talking about the actual flow of every individual piece that was in the mixed ABC tray; yes, it would fall into a tray that would ultimately need that same step.

But if you're just looking at the actual steps involved in the containers that are prepared, that would be the slight different in why that wasn't in there. But if you're looking at the entire flow, including the actual trays that we prepare, then yes, you would have that additional step in there, as well.

Q Well, I'll take that as a yes.

A If you understand what I'm saying --

Q I understanding what you're saying.

A -- the mixed ABC tray.

Q I appreciate the explanation; thank you. Okay, let's move on to three digit automation letters which is, again, a little further on in the answer.

It's a generalized description in the flow of three digit automation letters. Are you finding that?

A Yes, I'm with you.

Q Okay, do you have with you APW USPS T-29-2?

A APWU.

Q I'm sorry, all that is, you've already confirmed this; that manual processing occurs at each stage of mail processing. We talked about that a minute ago?

A All right.

Q Now in number seven, under the description for the flow of three digit automation letters, you would agree with me, I believe, that in 7-A, incoming SEF primary, that's not an exception to the rule that we just stated. That is, that there would be some percentage of mail that would be processed manually, at that point in the operation. Isn't that correct?

A In seven.

Q Yes, and this is for three digit automation letters?

A Well, it is automation volume, so it does meet the strict criteria of automation compatibility. Otherwise, it wouldn't receive the discount. So in incoming processing, you can almost, without exception, almost guarantee that the first handling

will be an automation step. At that point, there may be some calls, mechanical or otherwise rejects, that come from that operation that would go to manual.

I would not say that you're going to have a full tray of automation three digit directed straight to a manual operation. But there could be some manual potential rejects from that incoming operation that could flow for various reasons.

Q Is it also true that in one circumstance in which manual processing might occur, is there is an urgent need to meet a dispatch and they have to pull the mail for that purpose?

A It's correct to say that sometimes manual distribution, generally speaking, could supplement automated if, in fact, there is an urgent need to meet a dispatch and meet service commitments. As stated by Dr. Boso, there's very limited capacity for that, so that cannot be used in great detail or to a great extent.

But in this case, I would say that specifically for incoming mail, three digit condition, it would be very, very unlikely that they would be able to direct any significant amount of volume to an incoming primary manual letter operation; say, a manual 150-type manual case. Those operations are

very, very limited in plants now.

So it would be very unlikely that even under extraordinary circumstances, like if a machine goes down, they would do something like shift to another machine or potentially even another facility, which can adopt and use the schemes for other plants to actually get that mail processed. So that would be the likely scenario here before manual processing would occur.

Q So on response to my question about whether some percentage would be done, the answer is yes; but it would be a small percentage?

A Yes, very, very small -- I really would have to think about potential scenarios, where they would be taking incoming primarily three digit automation letters and processing it down to the five digit level manually; as opposed to moving to another operation. It would be an extremely limited amount of occasions. You never say never, but it would be extremely limited.

Q You mentioned rejects or calls.

A That's different, yes.

Q It does happen on an ongoing basis.

A On an ongoing basis, you will have mechanical rejects or jams that would damage a mail

piece to some extent, that would need to move it to a manual operation, for example.

Q Changing the subject, to go back to your direct testimony, please, to page 10, I want to ask you to clarify a percentage that you gave us.

A Page 10 of my testimony?

Q Yes.

A I'm with you.

Q Under the heading, Automation Update, the first paragraph, last sentence, it states, "Of the Postal-applied nine or eleven digit bar codes, 59 percent were applied by the OCR, with the balance resolved remotely."

How does that 59 percentage compare or contrast with, I think you said, 51.4 percent, the number that you were giving in different places in your interrogatory responses? Is that a percentage of a different base, or should we adjust that number to 51.4?

A I believe the difference in what we're talking about here is, the 51 percent is the resolution rate of the pieces that are fed into an OCR and the portion that are actually resolved by the OCR. The 59 percent represents, out of all of the bar codes that we ultimately apply to mail, what portion were

applied by the OCR.

So you have a population of all mail that we attempt to bar code, and then we have a proportion of that volume; and then you have actually a proportion of the ones that are successfully bar coded. So the portion of the OCR is going to be a higher number for that, because your denominator is a smaller number. Do you understand?

Q Yes, I do. All right, on the same page of your testimony, you make reference to the percentage of mail that is DPSed and also the number of zones to which mail is DPSed. That's in that very next paragraph that you'll see there.

A I see.

Q Then I want to read you that next sentence and ask you to explain a couple of points. You state, "Enhanced carrier route letters, which are often captured at or backhauled to the plant for DPS processing..." that they are included. It's the capture that are backhauled to the plant from DPS processing that I wanted you to comment on. What do you mean by "captured at the plant"?

A When I refer to "captured at the plant", a great deal of that volume is either entered at the plant, a great deal of that volume is either entered

at the plant or even possibly upstream from the plant, possibly at the broke mail center or even at original, where the mail was prepared.

So it would flow through the plant before it arrives at the delivery unit, leaving or allowing the opportunity for the plant to stop it, catch it, determine that it's automation compatible and, in fact, mail for a zone that is sequenced in automation, and then processed in automation. It makes it out to the delivery unit either because it fled through and it was not captured or, in fact, entered by a customer directly into a delivery unit, as the back-up portion.

Q Yes, but these are enhanced carrier route letters, if I understand your direct testimony.

A Yes.

Q So these are letters which the carrier routed just to the carrier routes.

A Yes.

Q And now they need to be DPSed?

A Yes, sir.

Q Okay, so they have to be then processed through the machinery for DPSing --

A Sequencing --

Q -- along with all the other mail.

A Yes.

Q What other types of mail would be processed at the same time to be DPSed along with this mail?

A All other types of letter volume, whether it be first class letters, either single piece or pre-sorted or automation, as well as standard mail. Pre-sorted or automated letters would be combined in with the ECR standards volume, as well. So volumes all converge and letter volumes converge at that point for DPS processing.

Q I have just a couple of questions about flats. It's my understanding that there have been a number of changes in the way flats have been processed in recent years. See if this is a fair statement, that there have been a number of changes since R-2001-1. Is that correct?

A Yes.

Q Am I correct that the FSM-A81 flat sorting machine was in use when the data was used and R-2201-1 was collected? Is that correct?

A My recollection is that there were still some 881s in processing at that time, for the base year of 2001.

Q But now they've been replaced by the UFSM-1000 or the FMSM-100 machines?

A Correct.

Q All right, now looking at Ms. Miller's mail flow models for standard flats -- have you looked at those?

A Just briefly.

Q Okay, we looked at them, and we noticed some relatively large increases in mail processing flat sorting costs. Are you aware of that issue?

A Not to the extent that you're pointing to the model, no.

Q See if this helps at all. It appeared to us that there were significantly more costs associated with manual processing of flats. Particularly, for example, we noticed outgoing secondary -- well, let's just one at a time, since you're not that familiar with this data. But can you explain or do you have any insight as to why there would be more manual processing costs associated with flat processing, than there was in this case, than there was in R-2001-1?

A Specific to outgoing secondary, I do not know of any reason why we would have additional manual processing in that.

Q We noticed the same pattern with incoming primary, incoming MMP, and incoming FCP. You don't have any insight into that?

A If there was actual characteristic

differences in the mail that would move it to an automation -- move it from automation to non-automation, whether it was physical characteristics that exceed the capabilities of the equipment -- but I can't say for sure if that is, in fact, an explanation for increased manual. I'd have to know more about the physical characteristics and how they've changed. But that would potentially be a reason why we'd have more manual.

Q Are you aware of any capacity constraints on the flat sorting machines that would make manual processing a bigger share of the cost?

A No, I'm not.

Q If there were any, would you be in a position to be aware of it?

A I believe particularly, when you compare it to 2001 and now, you would not conclude, by any means, by knowing what we have in the fleet of automation flat sorting equipment that would not be additional capacity constraints that would result in additional manual volumes.

MR. ANDERSON: That's all I have; thank you.

CHAIRMAN OMAS: Thank you, Mr. Anderson.

MR. ANDERSON: Thank you, Mr. Chairman.

CHAIRMAN OMAS: Mr. Hall, for the record,

would you introduce yourself and your organization, please?

MR. HALL: Yes, Mr. Chairman, I'm Mike Hall for Major Mailers Association.

CROSS EXAMINATION

BY MR. HALL:

Q Good afternoon, McCrery, how are you, today?

A Very fine; good afternoon, Mr. Hall.

MR. HALL: At this time, I'm distributing a cross examination exhibit, that has been previously supplied to the witness and counsel.

I'd like to describe it for the record. It's a three page exhibit, containing three tables. The first page, the identification or title is "Bar Coding Information." On the second page, the identifier is DPS information. On the third page, the identifier is USPS Bar Coding. I would like to ask that this document be marked as cross examination exhibit MMA-3.

(The document referred to was marked for identification as Cross Examination Exhibit MMA-3. and received into evidence.)

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Cross Examination Exhibit
Exhibit MMA-3
Docket R2005-1
Page 1 of 3

Barcoding Information

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Subclass	USPS Applied Barcode	Mailer Applied Barcode	Letters not able to be barcoded	Nonprebarcoded Volume	Total Letters	Automation	CRM/QBRM	% of Letters Not Barcoded	% of Nonprebarcoded Letters barcoded
				(5) - (2)		(2) - (7)		(3) / (5)	(1) / (4)
First Class	37.2	86.5	5.4	36.4	92.9	47.2	[redacted]	5.8%	102.3%
Standard	2.4	44.8	3.3	11.8	56.6			5.8%	20.1%
Total	39.6	101.3	8.6	48.2	149.5			5.8%	82.2%

Response to Interrogatory MMA/USPS-T29-3
Response to Interrogatory MMA/USPS-T29-6
[redacted]
Derived

DPS Information

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Category	Total Letters	Total Barcoded Letters	Total DPSed Letters	Sector Segment, Car Route or P.O. Box Section	Manual Sorts	% of Barcoded Letters DPSed	% of Barcoded Letters DPSed and Other Auto	% of Total Letters processed manually
						(3) / (2)	((3)+(4))/(2)	(5) / (1)
USPS Barcode		[redacted]						
Mailer Barcode		101.3						
Total	149.7	[redacted]	113.2	[redacted]	[redacted]	80.3%	[redacted]	[redacted]

[redacted]
Response to Interrogatory MMA/USPS-T29-11
[redacted]
Response to Interrogatory MMA/USPS-T29-3
Derived

USPS Barcoding

Subclass	(1) % of Total Barcoded ISS	(2) % of Total sent to RCR	(3) % of RCR Barcoded	(4) % of Total Barcoded RCR	(5) % Of Total Sent to REC	(6) % of REC Barcoded	(7) % of Total Barcoded REC	(8) % of Total Not Barcoded	(9) % Of Total Barcoded
		1 - (1)		(2) * (3)	(2) - (4)		(5) * (6)	(5) - (7)	1 - (8)
First-Class	51.3%	48.7%	[illegible]	35.3%	13.4%	74.6%	10.0%	3.4%	96.6%

[illegible]

BY MR. HALL:

Q Do you have a copy of this document that I've described before you?

A I do.

Q Could you please turn to page three, so we'll take the last first, rather than the first last?

A Okay, I'm there.

Q Now let's look at column one here. I believe you made a minor change when you took the stand, so that the 51.3 percent would be 51.4 percent. Is that correct?

A That is correct.

Q Okay, and then that would also affect, in a minor way, column two. Is that correct?

A Yes, it would be the one minus 51.4, and adjust that accordingly to 48.6, yes.

Q Right, but you've had a chance to look this over. A 10th of a percent, here and there, is not going to make a major change, right?

A I would agree.

Q In column three, we have 72.5 percent of RCR bar coded mail. I think we indicate with colors here -- we're trying to be helpful to you and everyone else -- that it comes from your response to MMA 229-2. But in fact, in preparing to discuss it with you

today, I believe it comes directly from your testimony, doesn't it?

A It's also in my testimony.

Q Right, now we've coded here in, let's call it, beige or brown, all of the items that we have calculated, based on the numbers that you've given us. So in the next column, we have 35.3 percent as the percent of total that gets bar coded in the RCR. Is that correct?

A From your math, that would be correct.

Q Then that leaves 13.4 percent as what goes to the REC operation?

A Yes; I think it would be worth noting at this point, this assumes that every piece that flows from the OCR and is not resolved by the OCR -- it assumes every one of those pieces then consequently flows to the RCR. Then, once again, any volume that is not resolved by the RCR then flows to RAC.

There are several things that would not make the basic assumptions that you have here correct. You have the potential -- and it was pointed out in an interrogatory -- you have volume that bypasses RCR for various reasons. It times out or it can bypass RCR and flow straight to the rack.

Also, you have what you call leakage, where

volume is, in fact, entered and image is lifted; not as a result by OCR, but for whatever reason, it is ultimately not resolved. The image is not retrieved from the decision support system, and then applied, for whatever reason. Once again, it might have been processed in an alternate way; or somehow or another, for various reasons, it did not get the image retrieved.

I understand that when you use ID code sort, it can actually determine the code but actually not retrieve the image. So you have various reasons why this basic assumption that every piece that is not processed by the OCR, and every piece that consequently does not get resolved by the RCR, does not flow accordingly. For your math here, I understand what you're doing, because it flows across. But it obviously gives you a very large percentage at the end of total bar-coded mail.

Q Well, okay, let's get to that. That figure is 96.6 percent. Based on the explanation that you just gave about why things don't necessarily flow exactly as they've been depicted here, would you say that 96.6 percent is too high?

A Yes, it would be. If you do not factor in leakage, you will get a number that is higher than the

actual number.

Q Okay, so do you know what the actual percentage should be?

A I do not.

Q Is that available?

A I'm sure I could produce what we have, from our data sources, what that number is.

Q Could you please do so?

A I could do that. It very well may be somewhere in an interrogatory response. But I will attempt to make that calculation.

Q Could you now turn to page two of the exhibit? Once again, we've tried to be helpful by color coding, and I think we were largely correct. The only thing I would point out to you is that in column two, the row labeled, "USPS Bar Code" of 39.6 billion pieces actually comes from you, and it was not derived by us. It's not something we calculated.

A Could you say that again, the number?

Q The 39.6 billion pieces actually comes from your response to MMA 229-3.

A I understand.

Q Now once again, we've supplied certain numbers that you have provided, and then proceeded to do calculations based on those numbers. That would

show that in column six, that the percent of bar coded letters that are DPSed is 80.3 percent?

A According to the chart and the math, I'm following you. I agree.

Q Okay, and then we have a figure for DPSed and other auto. Then that leaves 12.8 percent that's processed manually?

A According to the chart and the math, that appears to be correct.

Q Now let's turn next to page one. Here, I'd like you to look at the figure again of 39.6 billion that we have in column one, that comes from your response to 229-3. Do you see that number?

A Yes, I do.

Q Can you tell us if that's an actual or an estimate?

A From the best of my understanding, because it comes from several sources, that is an actual number, based on the OCR mods, RBCS data. So it is an actual number. It's not an estimated number.

Q How about the split between first class and standard that's shown in column one?

A That is a statistical estimation, from what I understand, to be pulled from the RPW ODIS system.

Q Now in column three, we have letters not

able to be bar coded. First is the total amount and actual earned estimate.

A The total is an actual, the split between classes and estimate.

Q Is that split calculated in the same manner as column one split?

A Correct.

Q I'd also like to ask you about the percentages we show in column eight; the percent of letters not bar coded. In each case, that's 5.8 percent. Do I take it, based on your answers to my earlier questions, that these are estimates?

A I believe column eight is a calculation of, as you indicate, the column three number divided by column five, and they each equal 5.8.

Q Right, so in other words, this would have to be an estimate, because it's based on column three, which you could say --

A Okay, yes.

Q -- are estimates.

A Yes, I understand; correct.

Q Now I'd like to point out to you that for first-class in column nine, we show the percent of non-pre-bar coded letters that are bar coded successfully is 102.3 percent. Do you see that?

A Yes.

Q Does that result seem anomalous to you, perhaps?

A I would say correct. But I think you can go back and look at the flows and understand, as you see, for example in column four in first-class, the non-pre-bar coded volume, which you've calculated simply as the total letters minus the mailer-applied bar codes, as a number that's smaller than our mailer-applied bar codes. So consequently, right there, that flows through and creates that anomalous figure.

What I could say is, the use of that statistical estimate to try to break out class, and I tried to explain that in the response to MMA T-29-8. It is not going to allow you to fully create numbers that map across in total to a solid number. Using the combination of real numbers and estimates will create that anomalous number.

So then you would say that the 102.3 percent as the percentage for first class, that percentage of non-pre-bar coded letters that are successfully bar coded, that would be anomalous. But would you say that the total figure in column nine of 82.2 percent is more realistic?

A I would agree.

Q So in other words, the 82.2 percent, you think, is probably a reliable number?

A Based on the fact that it is derived from actual numbers that we've provided, I would trust your calculations; and then consequently would say that it was more of a reliable number.

Q Now I'd like you to keep that 82.2 percent bar coded figure in mind and turn back to page two of the exhibit. If we take 12.8 percent in column eight, the final column, and do whatever it's called when you deduct it from one, you end up with 87.2 percent of the letters that are DPSed or auto. Is that correct?

A Looking at column eight?

Q Yes.

A The one minus 12.8?

Q Yes.

A I agree.

Q Is there anything anomalous in that number, given the fact that only 82.2 percent of the letters are bar coded?

A Well, I will have to think about that. But one thing that I will say that you need to keep in mind on the DPS figures -- and I would have to think if this actually affects your question -- in this example, calculating the percentage of bar coded

letters, DPSed in column six and seven, you're going to under-estimate those figures.

Although if you look at the total DPS numbers and you divide that by the total letters, it may skew the actual figure, and may lead you to the conclusion that our DPS or finalization to the best level of sort which you say would be DPS's lower than otherwise may be it really is.

Because there is a great deal of volume. There is volume that is finalized on incoming primary and potentially even outgoing operations to potential firm run-outs. That volume is sorted to the finest depth possible.

So normally, we think of finalization in a little bit different way, not just thinking of the DPS. But we also consider other firm or other finalized volumes for large mailers, five digit firm uniques, to also be finalized, and they can be processed. It wouldn't even make it to an incoming secondary operation. So that's something to keep in mind when you're looking at these figures.

Q Once again, what we're interested in are reliable numbers, and I guess what we would like to get, if the numbers here aren't reliable, --

A They are not unreliable. You've calculated

appropriately as a percentage of the volume that we DPS out of a total letter volume, but it may lead you to think that the percentage that is finalized in the ultimate level, which we would consider to be DPS or firm, it only considers the DPS portion and not the firm portion.

Q Right. Well, you would agree anyway that the manual percentage, when you take that away, you still have a higher percentage than the percentage of letters that are bar coded. Is that correct? If you would like to reflect on this --

A So you're saying that, again, the 87.2 percent of the volume that's processed in automation is higher than the 82.2 percent, the percent that describes the prebar coded letters that are bar coded. I would have to reflect on that. I want to make sure that I'm comparing appropriately in my mind the 82.2 to the 87.2.

MR. HALL: Well, it's not our intent to surprise you or confuse you. We would like to give you the opportunity to reflect on that.

Mr. Chairman, if the witness could supplement the record with a statement after he has had an opportunity to consider it.

CHAIRMAN OMAS: Mr. McCrery?

THE WITNESS: That's fine.

CHAIRMAN OMAS: Thank you.

MR. HALL: At this time, Mr. Chairman, I would like to show the witness a response from Witness Abdirahman to Interrogatory MMA/USPS-T-21-49, and I also have a copy for counsel.

CHAIRMAN OMAS: Thank you.

(Pause.)

BY MR. HALL:

Q I don't want you to answer any questions about mail flow models. That's not really what I'm getting at here.

In response to Part A, he says, among other things, "These two operations rely on distinct technologies to accomplish different tasks." What he is talking about is the ISS operation and the out primary. Do you understand that is what he is -- I'm sorry -- the automation primary.

A This is in Response A.

Q Yes.

A The ISS operation in comparison to a bar-coded mail operation. Okay. I follow.

Q Could you describe the different technologies that are employed?

A If you're looking at a bar-coded mail

stream, we're using various pieces of technology. It could be a delivery bar code sorter or a Diose-type machine in a bar code-sort mode, or you could be using a mail-processing bar code sorter to process the letters using the bar codes. If it's a non bar-coded operation, it's nonbar-coded letters that would go into an MLOCR, input subsystem ISS, or a Diose in an input-subsystem mode in an attempt to resolve the image and apply a bar code. So if that's the question, the difference is between --

Q Let me understand. I think when you were first describing the automation, the mail going through automation, you described it as bar coded, but I assume what you really meant to say was prebar coded.

A Prebar coded, yes.

Q Whereas, it would be nonbar coded mail that would flow through the ISS operation. Right?

A Correct.

Q And that's all part of the RBCS.

A Yes. The ISS is part of the RBCS system, or you could say that RBCS is part of ISS.

Q And after mail pieces go through those two different operations involving different technologies, as Witness Abdirahman points out and you have, are

both types of letters prepared to the same extent?

A After each one of those operations, after they process in those two steps after the letters?

Q Yes.

A The bar-coded operation would be able to consequently sort the volume. Say it's in the equal-sort level, and it's processed as a bar-coded operation, it will consequently then be able to sort it to a finer level of sort.

In an ISS operation, if there are images able to be resolved in line, then it can consequently be sorted by the OCR, for example, then it could then consequently be sorted potentially at an equivalent level as a bar-coded piece. If the image is not able to be resolved, and it needs to go to an RCR rack, then an ID tag would be applied, and it would have to wait for the image to be resolved and take another step for it to get to that level of distribution that you would with the prebar-code letter.

Q So you would expect, given your explanation, that after those two operations, these two types of letters might receive different processing.

A After that, a portion of them, a portion of the letters, would not have an equal processing after that operation.

Q And they would incur different costs because of that different processing. Isn't that correct?

A I would agree.

Q I think I only have one final question, and that is, is bulk metered mail the same as metered mail after the trays are sent to the outgoing primary?

A After they are sent, when they arrive at the outgoing primary operation, --

Q Yes.

A -- are they in a similar form? Is that the question?

Q Yes.

A I would agree that they are trayed up and prepared so that they could be inducted into the operations. So at that point, metered mail entered loose or entered in bundles would ultimately get to a form that's very similar to be trayed, metered mail.

Q Right. And then they would be processed in the same manner thereafter.

A Correct. Assuming they are both nonbar coded, if they can identify that metered mail happens to have a mailer-applied prebar code, it would be sent somewhere different, but that is only a small part of that mail. Similar letters without bar codes, yeah, they would, in fact, be sorted in a similar manner.

Q Can you tell me, referring back to the exhibit we were discussing earlier, page 1, column 7, which, I think, we may have not quite labeled perfectly -- we call it "CRM/QBRM," and I think you intended the 9.3 billion pieces to encompass all BRM and CRM. Is that correct?

A That is correct.

Q Can you tell us, or could you provide for the record, the percentage of CRM that is metered?

A I would be willing to say right now that the metered data that's available through, once again, the RPW Otis would not differentiate between a metered piece that's CRM versus BRM or versus not courtesy reply. I would be surprised if it didn't differentiate between CRM or regular metered piece.

Q So you don't know.

A I do not know for certain, but this is my supposition.

Q If you have mail that is prebar coded and mail that is not prebar coded, would you expect the mail that is prebar coded to be less costly to process than the mail that is not prebar coded, everything else being equal?

A It depend on so many factors. I'm not just trying to be evasive in the answer. It really does

depend on a lot of factors. It depends on the address quality and the bar code quality, which is related to the address quality. Then it consequently would depend on the address quality and the physical characteristics of both pieces.

Just for an example, if you had two pieces of very similar characteristics with delivery-point address elements, and you had all elements to it, both machines printed, one had a bar code, and one did not have a bar code, the likelihood that they would be handled and processed in the same efficient, cost-effective manner would be very high. The nonprebar-coded piece would likely be resolved by the OCR in line, sorted and processed and then consequently follow processing in a very similar fashion to the bar-coded piece.

Consequently, if you compare a bar-coded piece with an accurate, delivery-point bar code versus a handwritten, nonbar-coded piece which may need resolution from RCR or a rack, that may not even have all of the necessary address elements for delivery-point sequencing, then, consequently, in that comparison, then I would expect that the nonprebar-coded piece would have higher cost characteristics.

Q Well, if you were to take two identical

pieces, and the only difference is one is prebar coded, and the other is not, you would agree, wouldn't you, that at least one thing you would have to do with the nonprebar-coded piece would be to add a bar code?

A Again, yeah, I would agree with that. That doesn't necessarily mean that it will have higher costs. When you send your volume to an incoming or outgoing RBCS operation, ISS/RBCS operation, the nonprebar-coded piece could be resolved by the OCR and sorted immediately, just like the bar-coded piece.

On average, I would say that, yeah, you could draw the conclusion that, on average, the nonprebar-coded piece may have additional costs, but it's not every case that you would be able to conclude that every situation where you have similar letters, one absent a bar code and one with a bar code, you could not conclude that they would automatically have higher costs.

MR. HALL: Thank you very much, Mr. McCrery.

Mr. Chairman, those are all of my questions.

CHAIRMAN OMAS: Thank you, Mr. Hall.

Mr. Costich?

MR. COSTICH: Thank you, Mr. Chairman. Rand Costich for the OCA.

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CROSS-EXAMINATION

BY MR. COSTICH:

Q Good afternoon, Mr. McCrery.

A Good afternoon, Mr. Costich.

Q Hopefully, I have only a few questions. Could you look at page 3 of your testimony?

A I'm there.

Q Lines 21 to 23?

A I'm there.

Q The AFCS, the canceling machine, now has capabilities to lift images and resolve images and separate local mail from nonlocal mail. Is that correct?

A When it has been retrofitted with the OCR, correct. It is able to lift images and then somewhat resolve the images and sort by the five-digit level.

Q The mail that is sorted to five digits in that situation; does it have the orange ID tag on it?

A I believe it does. I believe it is ID tagged in that situation. When I say "sorted to five digits," it doesn't sort it to individual five digit. It has the ability to put it in groupings based on five digit but not perform a five-digit sort in that regard. I think you understand that.

Q Yes. The only distinction is between local

and nonlocal. Right?

A That is one way that you can do that. Depending on the sort plan, the plant has the flexibility to potentially sort two-day volume versus three-day volume or overnight versus two and three day, but the most common and the recommended, from what I've been told, the recommended sort would be turnaround versus the outgoing type of a separation, which seems to be the most common that's taking place.

Q If the turnaround or local mail has the ID tag on it, it can go directly from the AFCS to the incoming primary.

A If it's sorted in that stacker, the turnaround stacker, it could consequently then go to an OSS, an output subsystem, incoming sort plan.

Q Is that a common occurrence?

A That's would be what would happen.

Q Would you look at page 6, lines 24 and 25?

A I'm with you.

Q Am I correct in understanding that the DIOSS machine does just about everything?

A When you say "just about everything," in terms of letter mail processing capabilities in a plant and serving as a bar code sorter, an input subsystem, and an output subsystem, it can perform all

of those functions.

Q That means you could feed nonpresorted, nonprebar-coded letters to that machine, and it would lift the image by the bar code, sort it.

A If it could resolve the image.

Q Do those machines generally have 250 to 300 stackers?

A They can have up to 300. I believe the configuration could vary anywhere from 190 to 300, and some in that range, from what I understand, they tend to have more stackers. Those configurations can vary that's on the facility constraint size and those types of things, and then the sort plans that that particular facility runs, so it can vary, but those are the -- those are the ranges that we're talking about.

Q When a facility has a DIOSS machine, does it lose some other machine?

A It -- I guess I would say it would depend. It could -- it could be that the DIOSS could be a conversion of an existing DBCS or it could be an additional piece of equipment in their fleet or they could possibly pull out an MPBCS, so any -- and then replace it with the DIOSS, so you could have all three of those scenarios.

Q What about the MLOCR? Could that be lost?

A That could be one that that -- yes, exactly. That could be an addition. That could be also a -- even possibly potentially a more likely piece of equipment that would be pulled out, and I know that's part of the plan for some of the DIOSSes, to replace some of the existing MLOCRs, so that's correct.

MR. COSTICH: No further questions, Mr. Chairman.

CHAIRMAN OMAS: Thank you, Mr. Costich.

Mr. Scanlon. I'm sorry. Mr. Hall?

MR. HALL: Mr. Chairman, just before Mr. Scanlon comes up, a point of procedure.

CHAIRMAN OMAS: Yes, sir.

MR. HALL: I believe I asked that the exhibit that I've described be --

CHAIRMAN OMAS: Oh. I was going to mention do it, yes.

MR. HALL: Okay.

CHAIRMAN OMAS: You did not ask for it to be --

MR. HALL: If it could be transcribed in the record at the point where I began my cross-examination, that would be great. And if I could move it into evidence, that would be fine, too.

CHAIRMAN OMAS: Without objection, it would be --

MR. HALL: Thank you.

MS. PORTONOVO: Excuse me.

CHAIRMAN OMAS: She objects.

MS. PORTONOVO: Mr. Chairman, we object to that. Yes, I mean, we --

CHAIRMAN OMAS: On what grounds?

MS. PORTONOVO: Because the numbers as Mr. McCrery explained are not reliable on that.

CHAIRMAN OMAS: Well, he explained they were not reliable, but I think you can deter -- you did say how --

THE WITNESS: I did say that I would attempt in some cases as we agreed that I would try to provide revised numbers, at least what I would think to be appropriate numbers on a couple of occasions. I have notes on that.

MR. HALL: Right. And I believe the only other number that was corrected was a correction that you made when you took the stand, changing 51.3 percent to 51.4 --

CHAIRMAN OMAS: 51.4.

MR. HALL: -- percent. Would that be a change you made?

THE WITNESS: But you also asked me to calculate the percent of total bar code, that volume, based on what I -- on the third slide, based on my calculations, trying to factor in things -- such things as leakage and the more operational realities of that.

MR. HALL: Yes, I did.

MS. PORTONOVO: Okay. Well -- well, perhaps we could instead move in --

CHAIRMAN OMAS: I think we can interpret them as -- as they are, and if you'd like to submit the corrections, we can have them both transcribed into the record.

MS. PORTONOVO: Okay.

MR. HALL: Thank you, Mr. Chairman.

MR. ANDERSON: Mr. Chairman? Mr. Chairman, I have a request.

CHAIRMAN OMAS: Yes, Mr. Anderson.

MR. ANDERSON: Insofar as the exhibit is going to be made a -- the document is going to be made an exhibit, I wonder if it's possible for the other parties to have the color-coded versions. I think when it's copied into the record, it's not going to be -- it's not going to be as beautiful. I want to request that.

CHAIRMAN OMAS: Mr. Hall, can you provide that?

MR. HALL: Actually, Mr. Chairman, I believe I discussed this privately with the reporter and she says that it can be copied in in a colored -- it might be copied in in a colored pad, in which case I believe we have a spare copy for APWU counsel, and if not, we'll provide them one.

CHAIRMAN OMAS: Well, if not, you can have my copy.

MR. ANDERSON: This is all -- it's unfailingly kind. I appreciate it.

CHAIRMAN OMAS: Mm-hmm. Okay.

MR. ANDERSON: Thank you.

CHAIRMAN OMAS: Thank you.

Mr. Scanlon? Good afternoon.

CROSS-EXAMINATION

BY MR. SCANLON:

Q Good afternoon. Michael Scanlon on behalf of Pitney Bowes.

CHAIRMAN OMAS: Wait now. I think you need to turn the mike on.

MR. SCANLON: Michael Scanlon on behalf of Pitney Bowes. Oh, it was on.

CHAIRMAN OMAS: It was on. Okay.

MR. SCANLON: Again --

CHAIRMAN OMAS: I'm sorry.

MR. SCANLON: There. That's fine.

BY MR. HALL:

Q Good afternoon, Mr. McCrery.

A Good afternoon, Mr. Scanlon.

Q We'd like to ask you today a little bit about pallet separations, and in particular, in your response to PB-USPS-T-29-5, you confirmed that some mailers in presort bureaus prepare trays of first class mail on pallet separations, is that correct?

A That's correct.

Q And would you agree that in building pallet separations, mailers generally put letter trays for different postal service facilities on different pallets?

A That is typically the -- one of the -- the -- the intent of pallet separations, facilities or some sort of level of sortation that's beneficial, whether it be an AMC or a hasp for a particular plant, correct.

Q Okay. And for example, a mailer might place all trays originating -- of originating letters that are transported through the local air mail facility on one pallet separation, and all letter trays will be

worked at a nearby postal plant or an AADC on a different pallet separation.

A Correct.

Q Okay. And isn't it correct that on one -- that the one pallet, for example, the pallet with all the trays of originating letters that are transported to be AMF, that that pallet could bypass the origin plant entirely and go, for example, directly to the AMF?

A Assuming that -- that the transportation assignment activities have been assumed by the mailer, which in some cases it is assumed by the and takes place at the mailer facility, if -- if -- if the AMC does not have -- and many AMCs now just tender mail to airlines -- if in fact that assignment operation was not -- did not take place at the mail, then in that case, it may have to go to the plant for transportation assignment. But assuming that it does occur at the point of -- of preparation at the mailer facility, then it could go straight to the AMC.

Q Okay. And is it correct that in the case where there are no pallet separations that all the pallets would go to the origin plant, or hub -- at the hasp, and that after distribution, some of that mail would then go back to the AMF?

A Generally correct, yes.

Q Okay. And with respect to the design of pallet separations, the pallet separations are not just determined by the mailers or the presort mailers themselves on their own. In fact, isn't it the case that in your response to PB-USPS-29-5, you confirmed that the postal service actively works with mailers in presort bureaus to determine the appropriate pallet separations?

A Yeah, they very much do work with the -- the mailers to determine pallet separations because pallet -- as I've stated before, pallet separations become a necessity in the mailer presort environment because the volume is then consequently allowed to be accepted later, so the separations are -- are almost essentially needed to bypass operations at the postal service or otherwise, we would not be able to accept them later, and so obviously the separations that are consequently prepared need to be of value so it can bypass operations and still meet critical entry times, for example, and then consequently be allowed to be accepted later.

Q Okay. But it is a collaborative process.

A It is a collaborative process.

Q Okay. And wouldn't you agree generally that

it's very unlikely that a smaller mailer would prepare or enter a 500-piece or a 1,000-piece mailing using a pallet separation?

A Five hundred piece or a 1,000-piece mailing, no, they would not, I would agree.

Q Whereas a larger mailer or a larger presort bureau who in some cases prepare large mailings, for example, a million piece mailing, that they may in fact use pallet separations.

A They may.

Q Okay. Turning your attention to your response to PB-USPS-T-29-13 --

A I'm there.

Q -- in that response, you confirmed that pallet separations "allow time-consuming operational steps to be bypassed," is that correct?

A Yes.

Q Okay. And would you agree that in avoiding these time-consuming operational steps, it reduces postal service costs?

A Yes.

Q Okay. And now if you'd refer back to your response to PB-USPS-T-29-5, please. And turning your attention specifically to some of the activities that the postal service avoids due to the mailers preparing

the pallet separations, in that response, you confirmed that placing trays on pallet separations allows the postal service to avoid the process of sorting trays at the origin plant, is that correct?

A In the cases when again transportation assignment does not need to be -- to take place at the plant where then consequently the volume come off the pallet separations for transportation assignment. If that is not the case, then the -- the -- the pallet can then in many cases be crossed off through that facility.

Q Okay. And again, assuming that the transportation is assigned by the presort mailer or the large mailer, would you agree that no -- in some cases, the pallet separations are transported directly out of the mailer's facility to a postal service facility selected in a way to save the postal service some work? For example, that a pallet for the AMF could be transported directly to the AMF, not through a local origin plant?

A The only thing that I would -- I would think worthy of clarification is that I would not characterize the preparation of pallet separation as a way of saving the postal service money. It is a way of being able to offer the presort bureau the ability

to present mail later than normally a mailer would be able to present that volume.

Obviously, you have and you're knowledgeable of why a presort bureau tends to want to have those later acceptance times; they can perform more sortation on it. And so, in exchange for that ability to enter volume later, the pallet separations are a necessity to be able to continue to process that volume in a timely manner.

If it comes in hours after, you know, the volume -- the customer with a 500- or a 1,000-piece mailing very well -- very well may need to have that volume entered at 8 o'clock at night where the -- the volume from a pallet separation customer could come in after midnight. So it becomes more a necessity of that process more than performed as a way to save the postal service money.

Q Right. No, no, and I understand that --

A Okay.

Q -- the relationship between later entry times and pallet separations, but just to be clear, you confirmed that in your response to T-29, US -- PB-USPS-T-29-13 that the pallet separations allow time-consuming operational steps to be bypassed.

A Yeah, and that was intentioned to -- to say

that steps that would otherwise take time and not allow the volume to make the --

Q Right.

A -- the bank of flights, the hasp transportation for -- are then consequently bypassed and allow the volume to flow as intended, though entered at a later time.

Q Okay. And you've also confirmed that avoiding these time-consuming operational steps does in fact reduce the postal service's costs.

A In many cases, yes.

Q Okay. I'd like at this point for you to think of a hypothetical, to picture, for example, the work space in a mailer facility where the pallets are separated, the actual space in the mailer or presorter facility, and they're placed on the workroom floor. And the pallet separations are located near the place where the letter trays flow after they're sleeved and after they're banded and transportation is assigned, for example, using postal 1. And the workers pick up the letter tray and determine which pallet should go on and place in an appropriate pallet.

I'd like for you to think of two possible pallet separations. And the first is where a mailer prepares a pallet separation of only five-digit trays

of first class letter mail that destinates outside the service area of the local AADC. And then the second is where the mailer prepares a pallet separation of residual mixed AADC trays of first class letter mail that also destinates outside the service area of the local AADC.

And isn't correct that the letters in the mixed AADC trays would go through more distribution activities at origin than the letters in the five-digit trays?

A Yeah, the mixed AADC letter trays would go through more origin processing steps than the five-digit direct trays.

Q And specifically, the letters in the mixed AADC trays would go through more platform activities, for example, moving pallets and rolling stock, than the letters in the five-digit trays.

A In total or at origin?

Q At origin.

A At origin, I would agree.

Q Okay. And also at origin, isn't it true that the letters in the mixed AADC trays would go through more container handling activities, moving and staging and breaking down the pallets, than the letters in the five-digit trays?

A Again, at origin -- the five-digit trays consequently need some of the similar steps at the destination facility at which it is intended to be processed, but at origin, it would only -- they would not take on those activities.

Q Okay. And also with respect to the tray sorting and opening unit activities at origin, the letters in the mixed AADC trays would have additional distribution activities, is that correct?

A Tray sorting and direction, these, as you said -- in your particular example, it's worth noting that you said that the mixed AADC trays on a pallet, in that case, they wouldn't really need a tray sortation. They could all go to a outgoing primary operation, and they would need a tray sorting if in fact you had a pallet of mixed AADC letters.

Q Well, to be more specific about the pallet of mixed AADC letters, the tray sorting and opening unit activities I'm thinking of, for example, are bullpen operations, removing sleeves and straps, manual or TMS sorting, that type of thing.

A Well, the removing of sleeves and straps would in fact happen for sure.

Q Okay.

A It's possible that a TMS act -- sort -- a

tray management system could be used to flow the volumes to a letter automation piece of equipment, but it's also very likely that the sleeves would -- and straps would be removed potentially even at the sweeps or the end oxide of a machine and the whole volume could be -- could be moved straight to the outgoing processing operation.

Q Okay. And with respect to the letters again on the mixed AADC trays at origin, would they go through more piece distribution activities, for example, outgoing processing, than the letters in the five-digit trays?

A Yes.

Q Okay. And with respect to the same letters on the mixed AADC trays at origin, more allied labor activities. Is that also a fair statement?

A Again, at origin. I'm not -- I wouldn't say in total, necessarily in total, but at origin, the -- the mixed AADC trays would have more allied activity at origin than the -- than the five-digit trays sorted on a pallet for the destination facility.

Q Okay. And again, at origin, the letters on the mixed AADC trays would have more dispatch activities, moving processed mail after outgoing processing, than the letters on the five-digit trays.

Is that a fair statement?

A Yeah. Well, the -- the dispatch activities of sleeving the volumes, constant -- just saying eventually once the mixed AADC letters receive that outgoing piece sortation, then the letters are swept, the trays are dispatched to sleeved and straps and then ultimately dispatched whereas the -- the direct pallet of five-digit trays would just be crossed off, assuming again it didn't need transportation assignment.

Q Okay.

MR. SCANLON: Nothing further, Mr. Chairman.

CHAIRMAN OMAS: Thank you, Mr. Scanlon.

Is there any followup cross-examination, or are there any questions from the bench?

(No response.)

CHAIRMAN OMAS: Ms. Portonovo, would you like some time with your witness?

MS. PORTONOVO: Yes, I would. Ten minutes, please.

CHAIRMAN OMAS: Thank you. We'll come back at ten of five.

(Whereupon, a brief recess was taken.)

CHAIRMAN OMAS: They're not back yet. Oh, there they are.

Ms. Portonovo.

MS. PORTONOVO: Thank you, Mr. Chairman. I'd like to just mention that the Valpak motion to compel, we will be able to respond to that by noon tomorrow.

CHAIRMAN OMAS: Thank you.

MS. PORTONOVO: And also, Postal Service would like to conduct a brief redirect on Mr. McCrery.

CHAIRMAN OMAS: Please proceed.

REDIRECT EXAMINATION

BY MS. PORTONOVO:

Q Mr. McCrery, you were asked to compare bulk metered mail and metered mail after it was trayed and prepped in terms of whether they would have similar subsequent processing steps. Could you please elaborate on that?

A When I was answering that question, I was making the assumption that the physical characteristics of the two groups were similar and in fact that it would have similar subsequent processing steps at that point forward. If you do not assume -- consequently do assume that the physical characteristics on average of the bulk meter mail would be different, for example, handwritten versus machine-printed, for example, of the metered mail

versus the bulk metered mail if they happened to be different, then -- then I would not say that they would have -- necessarily have similar processing steps from that -- that point forward.

MS. PORTONOVO: Thank you. No further questions.

CHAIRMAN OMAS: Is there anyone else who wishes to redirect?

(No response.)

CHAIRMAN OMAS: Then that brings us to the close of the hearing today.

Mr. McCrery, that completes your testimony here. We thank you for your contribution to our record, and you're dismissed.

(Witness excused.)

CHAIRMAN OMAS: Thank you.

This concludes today's hearing. We will reconvene tomorrow morning at 9:30 a.m. when we will receive testimony from postal service Witnesses Miller, Harahush, Stevens, Bradley, and Lewis. Thank you very much, and have a good evening.

(Whereupon, at 4:55 p.m., the hearing in the above-entitled matter recessed to reconvene at 9:30 a.m. on Thursday, July 7, 2005.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2005-1

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

HEARING DATE: 7/6/05

LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the United States Postal Rate Commission.

Date: 7/6/05

Official Reporter

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