

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**Major Mailers Association's
Second Set Of Interrogatories and Document Production Requests To Postal
Service Witness Abdulkadir M. Abdirahman (MMA/USPS-T22-27-30)
(June 22, 2006)**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to Postal Service Witness Abdulkadir M. Abdirahman (MMA/USPS-T28-27-30).

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
June 22, 2006**

Please refer to Library Reference USPS-LR-L-110, pages 3 and 45 where you derive the total and proportional unit costs for First-Class Presorted and Standard Presorted letters using the Commission’s attributable cost methodology.

- A. Please confirm that you show the total unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) are 5.000 cents and 4.314 cents, respectively, for TY 2008 in this case. If you cannot confirm, please provide the correct total unit costs and explain how you derived them.
- B. Please confirm that, in R2005-1, the total unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 were 4.580 and 4.621 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures and explain how you derived them.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 CRA TY Unit Cost (\$)	Associated Volume (000)	Total Cost (\$ 000) (1) x (3)	Combined Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.22275	1,949,367	434,216	
Automation (No Car Rt)	0.03836	43,841,671	1,681,930	
Carrier Route	0.01930	718,203	13,859	
Presorted		46,509,242	2,130,006	0.04580
Standard:				
Nonautomation	0.17303	3,517,027	608,537	
Automation	0.03621	44,600,687	1,614,990	
Presorted		48,117,714	2,223,527	0.04621

Source: USPS-LR-K-99

- C. Please explain why the total unit cost to process an average presorted First-Class letter was **lower** by 0.041 cents than the total unit cost to

process an average presorted Standard mail letter in the TY 2006 in R2005-1, but **higher** by 0.686 cents for TY 2008 in R2006-1.

- D. Please confirm that, for First-Class presorted letters, the total unit processing cost is expected to increase by 9.2% (5.000/4.580 -1.00) between the TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and explain how it was derived.
- E. Please confirm that, for Standard presorted letters, the total unit processing cost is expected to decrease by 6.6% (4.314/4.621 -1.00) between the TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and explain how it was derived.

MMA/USPS-T22-28

Please refer to Library Reference USPS-LR-L-110, pages 3 and 45, where you divide the CRA unit cost pools for presorted letters between “proportional” and “fixed” for First-Class and Standard presorted letters.

- A. Please confirm that you show the “proportional” unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) are 3.234 cents and 2.728 cents, respectively, for TY 2008 in this case. If you cannot confirm, please provide the correct “proportional” unit costs and explain how you derived them.
- B. Please confirm that, in R2005-1, your data showed that the “proportional” unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 were 2.739 and 2.702 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit costs and explain how you derived them.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 "Proportional" TY Unit Cost (\$)	Associated Volume (000)	Total "Proportional" Cost (\$ 000) (1) x (3)	Combined "Proportional" Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.13414	1,949,367	261,485	
Automation	0.02272	44,559,875	1,012,612	
Presorted		46,509,242	1,274,097	0.02739
Standard:				
Nonautomation	0.10778	3,494,388	376,616	
Automation	0.02073	44,824,099	929,150	
Presorted		48,318,487	1,305,766	0.02702

Source: USPS-LR-K-110 Page 6, 20, 61, 62 52, 89

C. Please confirm that, if you had defined worksharing related proportional cost pools in R2005-1 in the exact same manner as you define "proportional" cost pools in R2006-1, then the "proportional" unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 would have been 2.904 cents and 2.965 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit costs and explain how they are derived. (Note that in order to coincide with your cost categories for this case there were several necessary changes. For First-Class Automation letters, the costs for the following pools have been switched from "workshare-related fixed" to "proportional:" 1OPBULK, 1OPPREF, and 1POUCHING. For First-Class Nonautomation letters, the costs for 1PRESORT have been switched from "workshare-related proportional" to "fixed." For Standard Automation letters, the following cost pools have been switched from "workshare-related fixed" to "proportional:" SPBS OTH, 1OPBULK, 1OPPREF, 1POUCHING and SPB. In addition, for both Standard Automation and Nonautomation letters, the cost pool SPBSPRIO has been switched from "nonworkshare-related fixed" to "proportional").

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 "Proportional" TY Unit Cost (\$)	Associated Volume (000)	Total "Proportional" Cost (\$ 000) (1) x (3)	Combined "Proportional" Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.13377	1,949,367	260,769	
Automation (No Car Rt)	0.02465	43,841,671	1,080,832	
Carrier Route	0.01283	718,203	9,213	
Presorted		6,509,242	1,350,814	0.02904
Standard:				
Nonautomation	0.10793	3,517,027	379,609	
Automation	0.02347	44,600,687	1,046,946	
Presorted		48,117,714	1,426,556	0.02965

Source: USPS-LR-K-99

- D. Please confirm that the “proportional” unit processing cost of an average First-Class presorted letter is expected to increase by 11.3% (3.2337/2.904-1.00) between TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and show how you derived it.
- E. Please confirm that the “proportional” unit processing cost of an average Standard presorted letter is expected to decrease by 8.0% (2.728/2.965-1.00) between the TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and show how you derived it.

MMA/USPS-T22-29

Please refer to Library Reference USPS-LR-L-110, page 3 where you compute the CRA unit costs to process First Class Presorted letters, page 45, where you

compute the CRA unit costs to process Standard Presorted letters, and Library Reference USPS-LR-L-99, the source for your cost pool data.

- A. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters, the TY 2008 total unit cost and proportional unit cost for First-Class single piece letters are 14.0511 cents and 8.9577 cents, respectively. If you cannot confirm, please provide the correct total unit cost and proportional unit cost for First-Class single piece letters and explain how you derive them.
- B. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters in R2006-1, the total unit cost and proportional unit cost for First-Class single piece letters in TY 2006 in R2005-1 would be 13.4802 cents and 8.6275 cents, respectively. If you cannot confirm, please provide the correct total and proportional unit costs for First-Class single piece letters and explain how they are derived.
- C. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters, TY 2008 total unit cost and proportional unit cost for First-Class Metered Mail letters are 13.1287 cents and 8.5733 cents, respectively. If you cannot confirm, please provide the correct total unit cost and proportional unit cost for First-Class single piece letters.
- D. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters in R2006-1, the total unit cost and proportional unit cost for First-Class Metered Mail letters in R2005-1 TY 2006 would be 12.7727 cents and 8.2858 cents, respectively. If you cannot confirm, please provide the correct total and proportional unit cost for First-Class Metered Mail letters.
- E. Please confirm the unit costs and expected increases as shown in the table below. If you cannot confirm, please make any necessary corrections and explain why you made each correction.

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	13.4802	14.0511	4.2%	8.6275	8.9577	3.8%
Metered Mail	12.7727	13.1287	2.8%	8.2858	8.5733	3.5%
Presorted	4.5797	4.9998	9.2%	2.9044	3.2337	11.3%
Standard Presorted	4.6210	4.3138	-6.6%	2.9647	2.7280	-8.0%

- F. Please confirm that the total unit cost of processing First-Class Presorted letters is expected to increase at more than three times the rate of First-Class Metered Mail letters (9.2% compared to 2.8%) between TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please explain.
- G. Please confirm that the "proportional" unit cost of processing First-Class Presorted letters is expected to increase at more than three times the rate of First-Class Metered Mail letters (11.3% compared to 3.5%). If you cannot confirm, please explain.
- H. Please confirm that, while the total and proportional unit costs for First-Class single piece, metered mail and presorted letters are expected to rise between TY 2006 in R2005-1 and TY 2008 in R2006-1, both the total unit cost and proportional unit cost of Standard Presorted letters are expected to decline, as the Table in Part (E) shows. If you cannot confirm, please explain.

MMA/USPS-T22-30

Please refer to Library Reference USPS-LR-L-110, pages 2 and 44 where you show the BY 2005 volumes for First-Class Presorted and Standard Presorted letters, respectively. Please also refer to Library Reference USPS-LR-K-99, worksheet "class", which indicates the BY 2004 volumes for First-Class and Standard Automation and Nonautomation letters in R2005-1.

- A. Please confirm the volumes and percentages shown in the table below for First-Class and Standard letters for BY 2005 in R2005-1 and BY 2005 in R2006-1. If you cannot confirm, please provide the correct volumes and percentages and the source of your computations.

Rate Category (Letters)	R2005-1 BY 2004 Volume	R2005-1 BY 2005 % of Total	R2006-1 BY 2005 Volume	R2006-1 BY 2005 % of Total
FC Automation	44,559,875	95.8%	46,408,216	96.4%
FC Nonautomation	1,949,367	4.2%	1,739,317	3.6%
Total	46,509,242	100.0%	48,147,533	100.0%
Std Automation	44,600,687	92.7%	47,966,110	93.7%
Std Nonautomation	3,517,027	7.3%	3,236,316	6.3%
Total	48,117,714	100.0%	51,202,426	100.0%

- B. Please confirm First-Class Presorted Letters exhibit a higher degree for automated letters in both BY 2004 in R2005-1 and BY 2005 in R2006-1. If you cannot confirm, please explain.
- C. Please confirm all other factors being equal, the higher Automation/Nonautomation mix exhibited by First-Class presorted letters should allow the Postal Service to process First-Class presorted letters at a lower cost than required to process Standard Presorted letters. If you cannot confirm, please explain.