

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO  
INTERROGATORY OF MAJOR MAILERS ASSOCIATION  
(MMA/USPS-T26-1)

The United States Postal Service hereby files the response of Witness Cutting to the above-listed interrogatory, filed on June 12, 2006.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 26, 2006

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**MMA/USPS-T26-1**

Please refer to Table 1 on page 5 of your direct testimony where you provide the percentages of mail that are undeliverable-as-addressed (UAA) by subclass. It appears that within First Class, single piece (2.5%) has the lowest percentage of UAA mail, followed by Automation mail (4.1%) and then Presorted mail (6.9%). Please provide specific explanations as to why single piece mail has the lowest UAA percentage, why the UAA percentage for Automation mail, which is subject to frequent, stringent move update requirements, is so much higher than that of single piece, and why Presorted mail has the highest UAA percentage of all.

**RESPONSE:**

Although the FY 2004 UAA study does not explicitly address the reasons for differences in UAA percentages across mail categories, there are some plausible explanations for the percentage differences. The First-Class Single-Piece mail stream includes several types of mail that are likely to have lower UAA occurrences relative to the workshare categories. Most notably, Courtesy Reply Mail (CRM) and Business Reply Mail (BRM)—which, taken together, represent a sizable portion of the single-piece mail stream—are likely to have a low amount of UAA mail since they are based on pre-addressed, printed envelopes and cards designed to quickly and accurately route payments and responses to offers back to the businesses which provided the envelopes and cards for the customers' use. There are reasons that may explain why other segments of the single-piece mail stream may also have fewer UAA occurrences relative to the workshare categories. For instance, household-to-household personal correspondence mail may have a low UAA percentage since households are more likely to know the addresses of friends and family with whom they correspond. Business-to-business single-piece office mail may have a low UAA percentage since businesses move less often, on average, than households.

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Response to MMA-T26-1 continued

It is also important to note the impact of advertising mail within the First-Class workshare categories. Some proportion of workshare mail is used for business-to-customer advertising. Without an existing business relationship between the business generating the letters and the individuals to whom the letters are addressed, the address lists used for such campaigns may include incorrect or outdated addresses. This could tend to increase the percentage of UAA mail in the workshare categories compared to single-piece.

The FY 2004 UAA study provides some tabulations for the reasons that mail becomes undeliverable. These tabulations can be used to help to explain the higher UAA percentage of First-Class Presorted mail (i.e., non-automation mail) relative to First-Class Automation mail. Consider the table below.

<b>Response to MMA/USPS-T-26-1</b>								
<b>UAA First-Class Workshare Mail UAA Volumes (000) and Percentages</b>								
<b>FY 2004</b>								
	[A]	[B]		[C]	[D]	[E]		[F]
Mail Category	RPW Volume (000) (1)	UAA Volume (000) (2)		Total	UAA Percentage		Total (7)	[G]
		Move Related (3)	Non-Move Related (4)		Move Related (5)	Non-Move Related (6)		
[1] Presorted	2,553,576	88,292	88,823	177,115	3.5%	3.5%		6.9%
[2] Automation	47,685,143	1,254,052	689,997	1,944,048	2.6%	1.4%		4.1%
[3] Total	50,238,719	1,342,344	778,820	2,121,164	2.7%	1.6%		4.2%

Notes:

(1) Source: USPS-LR-L-61, Table 2.3  
(2) Source: USPS-LR-L-61, Table 5.1  
(3) UAA mail based on change-of-address orders on file.  
(4) UAA mail based on bad address elements, expired change-of-address orders, vacant addresses, no mailing receptacles, etc.  
(5) Column B / Column A  
(6) Column C / Column A  
(7) Column D / Column A

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INTERROGATORY OF MAJOR MAILERS ASSOCIATION

Response to MMA-T26-1 continued

UAA reasons are divided into two general groups: move-related and non-move-related. As shown in columns E and F, presorted mail has a higher UAA percentage than automation mail both for pieces that are UAA due to move-related reasons as well as non-move-related reasons.

A partial explanation for the higher UAA percentages of presorted mail may involve machinable pieces that fail the barcode quality standards of the Coding Accuracy Support System (CASS). It is my understanding that this mail would have been eligible for automation rates but for the quality of the addresses on the pieces. Because the addresses on these pieces fail CASS, the pieces are mailed at presorted/nonautomation rates. This phenomenon may tend to increase the UAA percentage of non-move-related presorted mail. In addition, because the addresses on these pieces fail CASS, they are precluded from NCOALink Move-Update processing, the predominant Move-Update tool. With no check against the NCOA database, such addresses would tend to increase move-related UAA volume.

## **CERTIFICATE OF SERVICE**

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

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June 26, 2006