BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006　　　　　)
　　　　　　　　　　　　　　　　　　　　　)　　　　Docket No. R2006-1

THIRD SET OF INTERROGATORIES OF
AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
TO USPS WITNESS ABDIRAHMAN
(ABA-NAPM/USPS-T22-6-14)
(July 14, 2006)

　　　　Pursuant to sections 25, 26 and 27 of the Commission's rules of practice,

the American Bankers Association and the National Association of Presort

Mailers direct the following interrogatories to United States Postal Service

witness Abdulkadir M. Abdirahman (USPS-T-22). If the witness cannot answer a

question or subpart, we request that the Postal Service answer through another

witness or submit an institutional response.

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ABA-NAPM/USPS-T-22-6. The testimony of USPS witness McCrery reports the following letter mail throughputs of automation machinery:

MLOCR   29,000 pieces per hour

BDCS   37,000 pieces per hour

DIOSS   37,000 pieces per hour (approximate)

Yet each of your mail flow models, in column 2, reports pieces per hour that are substantially lower. Indeed, 14,830 (Auto 3 pass DPS under incoming sort) is the highest reported.

(a)   Please fully explain what factors cause the rated machine capacities to exceed the operational figures contained in your mail flow models, e.g., machine down-time due to changing sort schemes, jams, etc.

(b) Please quantify the relative contribution of each such factor in causing the modeled productivities to fall below the throughput reported by Mr. McCrery.

ABA-NAPM/USPS-T-22-7.

(a)   Can firms in the private sector purchase or lease machines with DIOSS technology, or does the Postal Service have an exclusive right to purchase and use this technology?

(b)   If firms in the private sector can purchase or lease machines with DIOSS technology, to what degree is that technology in operation in the private sector?

ABA-NAPM/USPS-T-22-8. In your testimony (USPS-T-22) at page 9, lines 6-8, you state that "some pieces are processed through a given operation more than once."

(a)   For each instance in which your mail flow models for Presort FCLM require the processing of a piece more than one time through the same machine

or operation, please state how many passes are involved for what quantities of mail.

(b)   For each such instance, how are the extra passes reflected in your costs?

(c)   In your mail flow models at each step that a machine is assumed to touch the mailpiece, please specify the assumed vintage of the machine and technology, along with its characteristics, for example, number of bins.

(d)   Please state all the factors that determine the number of passes that must be made for an Incoming Primary or Secondary sortation.

ABA-NAPM/USPS-T-22-9.   How many AADCs, 3-digit and 5-digit areas are there?

ABA-NAPM/USPS-T-22-10.

(a)   Please describe for <u>outbound</u> operations in mail processing how the number of different 5-digit ZIP Codes in a batch of mail being processed and the number of bins on automation machinery can affect the number of passes that must be made to finish a given operation.

(b)   For each machine operation that assumes the processing of an Incoming Primary sortation, do you make any assumption about the number of 5-digit ZIP Codes for the 10,000 pieces fed? If so, what are they? If not, why not?

(c)   For each machine operation that assumes the processing of an Incoming Primary sortation, do you make any assumption about the number of bins for each machine? If so, what are they? If not, why not?

(d)   Is your mail flow model representative of all Incoming facilities and operations? Please fully explain your answer.

(d)   Would a 1,000,000 mail piece entry model enable you to provide more accurate results for your cost models than a 10,000 piece entry model?

(f)   How many sweepers do you assume for your 10,000 piece entry model; how many would you assume for a 100,000 or 1,000,000 piece entry model; and at what speed do you assume the sweepers are sweeping the mail from the sorting bins to letter trays?

(g)   Would explicit assumptions about the number of 5-digit ZIP codes and bins in a 100,000 piece or 1,000,000 piece mail flow model affect how many sweepers you had to assume for such a model, if the sweepers were assumed to sweep mail at the same rate as indicated in your answer to the preceding part of this question?

(h)   Please describe the relationship between the number of bins on an MLOCR or a BCS relative to the number of different 5-digit ZIP codes to be sorted, and how many times some or all of the mailpieces will have to be passed on that machine.

ABA-NAPM/USPS-T-22-11.   Attached please find two figures from USPS witness Shah's testimony in N2006-1, one labeled "Current Network Complexities", the other labeled "Network Simplification".

(a)   To what degree are the current network complexities reflected in your mail flow and cost models, or excluded from them?

(b)   On page 3 of his testimony in N2006-1, USPS witness Shah refers to "complexities and redundancies of today's network". Do your mail flow models and cost models fully reflect those redundancies? If so, please explain exactly where in your models the redundancies are modeled. If not, why do your models not reflect the current redundancies?

(c)   Please confirm that the CRA costs must reflect current network complexities and redundancies? Explain fully any failure to confirm without qualification.

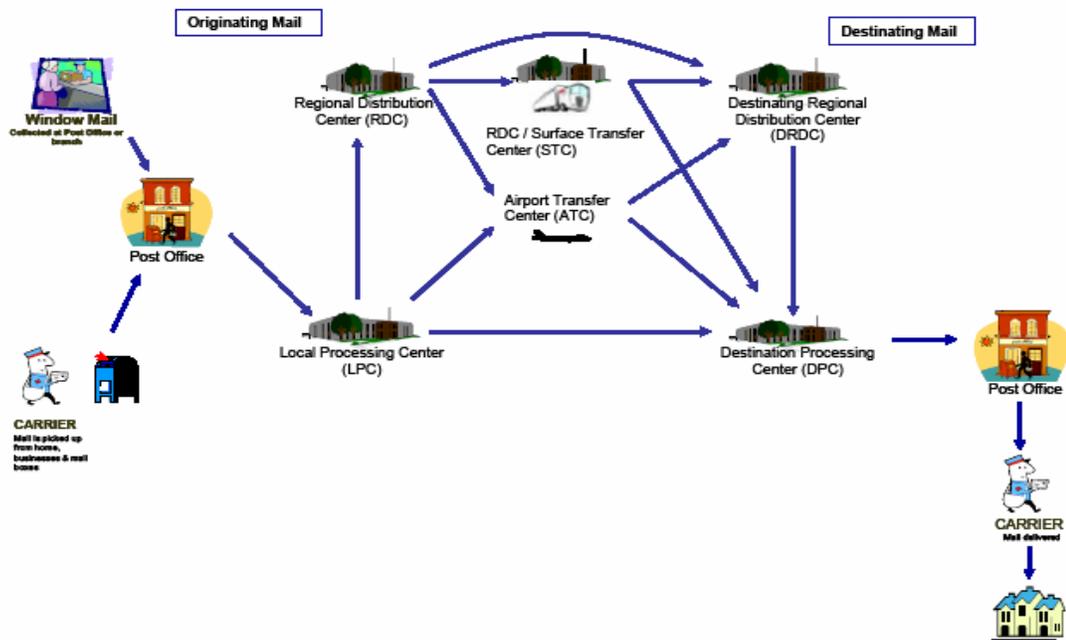6   Figure 1: Current Network Complexities

7

Figure 1: Current Network Complexities

3   Figure 3: Network Simplification

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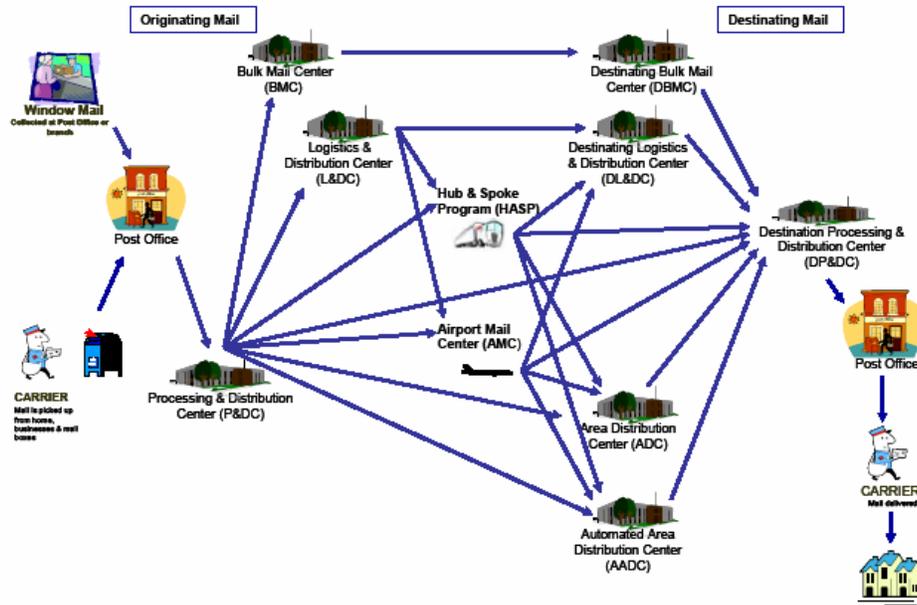
Figure 3: Network Simplification

ABA-NAPM/USPS-T-22-12.

      (a)   Are your Mail Flow Models and any assumptions underlying them in R2006-1 for workshared FCLM rate categories the same as those used in R2005-1? Please explain fully any differences.

      (b)   Are your Mail Flow Models and any assumptions underlying them in R2006-1 for workshared FCLM rate categories the same as those used in R2000-1? Please explain fully any differences.

ABA-NAPM/USPS-T-22-13. Please refer to Table One below. Data from this table indicate that 5-digit presort letters have been growing at a faster rate than 3-digit presort letters during the period from 2001 through the last year of actual data available in 2005.

      (a)   Please explain why, starting with 2006 and through 2009, your before-rates forecasts show an abrupt end to the growth of 5 digit presort letters, with growth reverting back to the same patterns as 3-digit presort letters, well under 1.0% a year.

      (b)   In light of your proposed rate structure for 3-digit and 5-digit presort letters, and specifically in light of the change in relative rates that creates incentives to sort to 5 digits, please explain why your before rates and after-rates volumes for 5 digit-presort differ by such a small amount.

Table One
3-Digit & 5-Digit Automation Presort Letters
Actual and Before Rates & After Rates Forecast Volumes

FY	Before Rates					After Rates				
	3-D Auto	% Change	5-D Auto	% Change	5-D % of Total 3&5-D	3-D Auto	% Change	5-D Auto	% Change	5-D % of Total 3&5-D
1995	12,093,963		8,583,411		41.51%	12,093,963		8,583,411		41.51%
1996										
1997	19,419,949		9,082,395		31.87%	19,419,949		9,082,395		31.87%
1998	19,631,232	1.09%	10,203,174	12.34%	34.20%	19,631,232	1.09%	10,203,174	12.34%	34.20%
1999*		5.46%		11.66%			5.46%		11.66%	
2000*	21,832,339	5.46%	12,720,447	11.66%	36.81%	21,832,339	5.46%	12,720,447	11.66%	36.81%
2001	22,474,264	2.94%	14,038,959	10.37%	38.45%	22,474,264	2.94%	14,038,959	10.37%	38.45%
2002	22,511,948	0.17%	14,761,937	5.15%	39.60%	22,511,948	0.17%	14,761,937	5.15%	39.60%
2003	22,571,248	0.26%	14,911,024	1.01%	39.78%	22,571,248	0.26%	14,911,024	1.01%	39.78%
2004	22,585,608	0.06%	15,963,541	7.06%	41.41%	22,585,608	0.06%	15,963,541	7.06%	41.41%
2005	22,908,988	1.43%	17,449,671	9.31%	43.24%	22,908,988	1.43%	17,449,671	9.31%	43.24%
2006f	22,958,131	0.21%	17,480,163	0.17%	43.23%	22,958,131	0.21%	17,480,163	0.17%	43.23%
2007f	22,895,498	-0.27%	17,425,913	-0.31%	43.22%	22,922,544	-0.16%	17,460,997	-0.11%	43.24%
2008f	23,042,350	0.64%	17,530,278	0.60%	43.21%	23,024,390	0.44%	17,558,039	0.56%	43.27%
2009f	23,112,491	0.30%	17,576,842	0.27%	43.20%	22,966,685	-0.25%	17,514,886	-0.25%	43.27%

Notes: f denotes forecast.
       * Annualized growth rate between 1998-2000.

Sources: Actual volumes from Billing Determinants.
        2006-2009 forecast volumes from R2006-1, USPS LR-L-66.

ABA-NAPM/USPS-T-22-14. USPS witness McCrery states on page 11 of his testimony, lines 11-16, as follows:

> The availability of extra sort bins on the DBCS equipment provides the ability to process a significant portion of the letters to the 5-digit ZIP Code level on the incoming primary sort scheme even when the scheme has been established to sort the entire service area of the plant, a service area likely containing multiple 3-digit ZIP Codes. Therefore, a pure 3-digit letter tray versus a multiple 3-digit letter tray can have similar value in terms of the reduction in pieces handling.

Yet, from LR-L-141, page 9, the weighted cents per piece for an AADC letter processed at an Incoming MMP is 1.326 cents, and at an Incoming SCF/Primary the weighted cents per piece for that letter is 0.26 cents. On page 11, the 3-digit presort letter avoids any processing at an incoming MMP and the incoming primary sort at an SCF costs a weighted average of 1.225 cents per piece.

(a)   Is the phenomenon witness McCrery is noting true for all plants and service areas or only those selected for upgrades in bin capacity?

(b)   Please reconcile witness McCrery's statement above with the mail processing cost differences noted above between AADC and 3-digit presort for the incoming primary sort, namely a difference of 0.361 cents ((.986+.340+.188+.072)-(.958+.267)), as shown in LR-L-41, page 9.

(c)   In your existing mail flow models, have you accounted at all for expanded bin capacities for DBCS? If so, please specify where and how. If not, why have you not accounted for any such changes?

(d)   If witness McCrery's statement implies a change in your mail flow models as a result of adding extra bins to DBCS and changing, for example, the

number of piece handlings caused by fewer passes for a given mailpiece, please indicate specifically how your model would have to change and how the relative costs above would change, if at all.

(e)   Apart from network re-alignment plans, once the full deployment of DBCS with expanded bin capacity is completed, does the Postal Service envision dropping the 3-digit presort requirement in the DMM in favor of an AADC requirement?

(f)   Apart from network re-alignment plans, once the full deployment of DBCS with expanded bin capacity is completed, does the Postal Service envision eliminating the 3-digit presort rate?

(g)   If your answer to part (e) was in the affirmative, has the Postal Service contemplated the financial impact on the private sector mail processing industry from such a change?

(h)   If your answer to part (e) was in the affirmative, please explain fully whether such a change would, or would not, involve avoiding fewer costs for the Postal Service in mail processing than at are avoided at present.