

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INSTITUTIONAL RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS TAUFIQUE (MMA/USPS-T32-9(B-J))

The United States Postal Service hereby files these institutional responses to the following interrogatories filed by Major Mailers Association on August 21, 2006: MMA/USPS-T32-9(B-J). The interrogatories have been redirected from witness Taufique to the Postal Service for response. The interrogatories are stated verbatim and are followed by the institutional responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS TAUFIQUE**

MMA/USPS-T32-9

Please refer to your response to Interrogatory MMA/USPS-T32-6, particularly where you state, "I am unaware of any studies that demonstrate that either higher or lower costs result based on the volume of mail originating from any one customer" and your response to Interrogatory MMA/USPS-T32-8. Part A of Interrogatory MMA/USPS-T32-8 asked you to explain why a specific study was necessary to conclude that consistently high volume mailings from one mailer have a positive impact on Postal costs (i.e. results in lower unit costs for the Postal Service) with respect to operations such as:

1. Mail acceptance
2. Postage verification
3. Tray banding
4. Tray labeling
5. Tray sorting
6. Palletization
7. Pallet labeling
8. Pallet sorting
9. Plant loading
10. Postal One!
11. Transportation

Part B of Interrogatory MMA/USPS-T32-8 asked you to compare two mailers. Mailer A consistently sends out 500 1-ounce non-local pieces, all presorted to 5-digits. Mailer B consistently sends out 1 million 1-ounce non-local pieces all presorted to 5-digits. Part C of Interrogatory MMA/USPS-T32-8 then asked you to explain whether the Postal Service's unit cost for processing Mailer A's mail would be higher than, lower than, or the same as the unit cost for processing Mailer B's mail, taking into account all of the costs associated with each operation listed in Part A of that interrogatory.

Your response to Parts A and C of Interrogatory MMA/USPS-T32-8 were as follows:

I am not a postal costing expert and am not offering costing testimony in this docket. Accordingly, I would be inclined to defer to the Postal Service's costing experts and any studies they may have conducted to assess the effect (positive or negative) of such matters.

Counsel for Major Mailers Association has been advised that, contrary to customary practice, Parts A and C of Interrogatory MMA/USPS-T32-8 have not been redirected to another witness in this case who can provide an answer or to the Postal Service for an institutional response.

- A. Please identify all USPS witnesses in this proceeding who, in your opinion, can be described as "Postal Service's costing experts" that have sufficient knowledge and experience to answer questions regarding the impact that consistent high volume First Class workshared mailings from one mailer's facility have on postal costs.

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MMA/USPST32-9 (continued)

- B. Please be so kind as to redirect the questions posed to you in Parts A and C of Interrogatory MMA/USPS-T32-8 to “the Postal Service's costing experts” you identify in response to Part A. If none of “the Postal Service's costing experts” are witnesses in this proceeding, please redirect the questions to the Postal Service for an institutional response. In any event, the response should include copies of any studies that discuss the effects on postal costs that consistently high volume mailings originating from individual First Class workshared mailers’ facilities.
- C. For R2006-1 BY 2005, how many First-Class workshared mailers had plant load agreements with the Postal Service?
- D. For R2006-1 BY 2005, how many First-Class workshared mailers’ plant locations had plant load agreements with the Postal Service?
- E. For R2006-1 BY 2005, please provide the total volume of First Class workshared letters sent by mailers with whom the USPS had plant load agreements. Please provide the data source used to answer this question.
- F. Information on the Postal Service’s web site at <http://www.usps.com/postalone/businessmail.htm> indicates that Business Mail Acceptance (BMA) occurs at 850 mailer plants. If BMA occurs at a mailer’s plant, does the mailer also have a plant load agreement with the Postal Service? Please explain your answer.
- G. For R2006-1 BY 2005, how many of the 850 mailer plants use BMA for acceptance of First-Class workshared letters?
- H. For R2006-1 BY 2005, what was the total volume of First Class workshared letters that was accepted at the mailer plants identified in response to Part G of this interrogatory?
- I. For R2006-1 BY 2005, what was the lowest volume of First Class workshared letters that was accepted at a mailer plant identified in response to Part G of this interrogatory?
- J. For R2006-1 BY 2005, how many mailers of First Class workshared letters sent out such workshared letter mail using PostalOne!’s web based simplified mail acceptance procedures?
- K. Have you ever discussed the possibility that consistently high volume mailings from one First Class workshared mailer’s facility is a distinct cost driver (i.e. lowers postal costs) with any of the cost experts identified in your answer to Parts A and B? If so, please describe those conversations and what conclusions you reached, if any. If not, why not?

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RESPONSE to MMA/USPS-T32-9

- A. [See the response of witness Taufique.]
- B. There are no “studies that discuss the effects on postal costs of consistently high volume mailings originating from individual First Class workshared mailers’ facilities.” Therefore, no copies will be attached to this response.

The response to subpart A of MMA/USPS-T32-8 is as follows: there has been no study to establish that “consistently high volume” in and of itself has a positive impact on the specific areas of cost that were listed in subpart A. Furthermore, any systematic study of such costs would necessitate a definition of “consistently high volume” and would also require a definition of the benchmark to which the costs or anticipated cost savings would be compared. Having a high volume of mail may facilitate the customer’s production process and permit certain cost-saving activities to be more prevalent, but there has been no analysis of the degree to which this is so, nor any establishment of the thresholds at which this may be so. For some of the activities listed, there is no apparent reason that the costs would be lower – for instance, “Tray sorting” or “Transportation”. For others, the activity described is not known to be the norm for First-Class Mail preparation – for instance, the activities associated with palletization. I would also note that, although the question is only seeking information about cost impacts, many of the areas listed in the question are tied to activities that the Commission has thus far not viewed as appropriate territory for consideration of worksharing discounts. I would also note that, aside from the question of studying whether a “consistently high volume” would facilitate these activities and save the Postal Service costs, many of the activities listed have not been adequately studied to even permit the identification of their cost-driving characteristics.

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RESPONSE to MMA/USPS-T32-9 (continued):

The response to subpart C of MMA/USPS-T32-8 is as follows: the theoretical example posited in subpart B of MMA/USPS-T32-8 does not lend itself to a simple answer. For instance, the example states that both mailers are sending 1-ounce pieces, but it does not say if both are sending letters or if one is sending letters and the other flats. Even if both are sending letters, the contents of the one-ounce letters – for instance, the inclusion of items other than folded paper – can have different cost-driving characteristics. If both mailers are sending one-ounce flats, one mailer may be sending individual certificates whereas the other might be including trinkets in rigid cardboard boxes which currently qualify as auto flats. With regard to the specification that the mail is “non-local”, that encompasses a broad range of possibilities including transport to another nearby AADC or transport from one coast to the other. The containerization of the mail pieces and the ranges of destinations of the mail pieces and the amount of space that each of the mail pieces takes up in containers would affect the transportation costs, for example. Mail A may have only one tray of mail with 500 pieces in it, whereas Mailer B may have trays that are not as full so that the average unit cost for any tray sorting or moving activity could be higher for Mailer B’s items than for Mailer A’s. Finally, it is not clear whether one, both, or neither of the mail pieces are prebarcoded. It is also not clear whether the mail piece dimensions, address locations, and/or use of envelope windows are identical. It is possible that all of these characteristics impact costs in some way. As noted earlier in this response, for many of the activities listed, it is not clear that “high volume” would have any impact on the cost.

C. See the response to MMA/USPS-7.

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RESPONSE to MMA/USPS-T32-9 (continued):

- D. See the response to MMA/USPS-7.
- E. See the response to MMA/USPS-7.
- F. No, not always. There are cases where we have “on-call” Detached Mail Units or expedited plant load agreements. When mailers have large volumes of mail, they will notify the Manager, Bulk Mail Entry and arrangements are made for a BME clerk to drive to the mailer’s facility to perform acceptance and verification.
- G. Our records account for 841.
- H. Approximately 40,550,000,000 pieces
- I. The required minimum number of pieces for a First-Class Mail presort/auto mailing -- 500 pieces.
- J. None.
- K. [See the response of witness Taufique.]