

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T32-9(A, K))

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

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/USPS-T32-9 (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? Is 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. There are many cost witnesses who have appeared in this docket -- who are identified in the testimony of roadmap witness Davis -- who could have been questioned on these issues. As far as I know, none of them has studied the cost impact of that consistently high volume workshared First-Class Mail from one mailer's facility might have on postal costs.

B-J. [Redirected to the Postal Service for institutional responses.]

K. I do recall discussing this subject with witnesses Mayes and Abdirahman. In particular, witness Abdirahman, myself and another pricing economist discussed these issues while visiting a postal Processing and Distribution Center that serves a mail preparation facility owned by a large presort bureau. We were unable to make a comprehensive analysis of the full impact of the mail characteristics that we observed on the Postal Service's costs of handling the mail, and we were unable to consider those impacts relative to the mail prepared by other mailers. We did see some mail characteristics that might reduce the postal processing costs of some of the mail prepared by this large consolidator while visiting the detached mailing unit at the mailer's facility; although, again, we did not have appropriate points of comparison. These observations pertained to preparation activities that could very well be performed by both small and large mailers, depending on one's definition of "small" and "large." For example, mail that was prepared on pallets which were ADC or 5-Digit destined were scanned at the mailer's facility. These pallets were

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

transported directly either to the postal air transportation or HASP facility. We discussed the possibility of cost savings being associated with this mail, but, as has been stated elsewhere, no studies have been conducted to evaluate the extent to which the size of a given mailing affects costs. Furthermore, we also discussed that some observed activities may appear to generate cost savings for the Postal Service, even though that same activity could also result in additional costs being incurred downstream. The pallet example can again be used to illustrate this point. In general, the First-Class Mail processing stream is not pallet-based. I am told that when postal employees break open pallets at destinating facilities and load the trays into rolling stock, additional costs would be incurred. Neither the positive aspects of this mail nor the negative aspects in terms of cost causing characteristics have been studied and, especially because the point of comparison has not been identified, cannot be quantified at this time.