

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO
MAJOR MAILERS ASSOCIATION WITNESS BENTLEY
(USPS/MMA-T1-10-16)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories to Major Mailers Association witness Bentley: USPS/MMA-T1-10-16.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/MMA-T1-10 Please refer to page 29 of your testimony where you describe your QBRM analysis in Docket No. R2000-1 and witness Miller's BRM analysis in Docket No. R2001-1.

- a) Please confirm that in Docket No. R2000-1 the rate category of High Volume QBRM did not exist.
- b) Please confirm that the QBRM account data you used in Docket No. R2000-1 were data for the largest 74 QBRM accounts contained in the CBCIS database, where size was determined by volume between AP 6 of FY 1999 and AP 5 of FY 2000.
- c) Please confirm that the data used by witness Miller in Docket No. R2001-1 were FY 2000 data for the largest 150 BRM accounts contained in the CBCIS database, and that the data for those accounts contained data for all types of BRM mail, and thus were not restricted to High Volume QBRM accounts, as indicated on page 29, line 20 of your testimony.
- d) Please confirm that the table below summarizes the data you used to derive your estimate that 11 percent of High Volume QBRM is manually counted.

**74 OF THE TOP 77 QBRM CBCIS ACCOUNT VOLUMES
FY99 (AP6) THROUGH FY2000 (AP5)
Excluding Two Largest Accounts**

Account Size	QBRM Volume In Period	Manually Counted Volume	Proportion Manually Counted
9 to 10 Million	9,433,164	0	0.0%
8 to 9 Million			NA
7 to 8 Million	8,310,062	0	0.0%
6 to 7 Million	6,936,441	0	0.0%
5 to 6 Million	5,500,000	0	0.0%
4 to 5 Million	8,364,551	0	0.0%
3 to 4 Million	17,603,354	3,527,732	20.0%
2 to 3 Million	31,150,141	6,452,024	20.7%
1 to 2 Million	45,320,366	5,300,864	11.7%
0 to 1 Million	13,788,121	4,633,529	33.6%

- e) Please confirm that when a non-random sample is taken and the selection criterion is correlated with the characteristic being measured, the estimate derived from the non-random sample will be a biased estimate of the population, and that this phenomenon is called sample selection bias or selection bias.

- f) Please confirm that in neither Docket No. R2000-1 nor Docket No. R2001-1 was the analysis conducted on the universe of possible High Volume QBRM customers because in each case relatively low volume accounts were excluded.
- g) Please confirm that in both the Docket No. R2000-1 and Docket No. R2001-1 data, low annual volume accounts were more likely to be counted manually. If you cannot confirm, please provide the basis for your conclusion.
- h) In your Docket No. R2000-1 analysis did you investigate or make any adjustments for sample selection bias? If the answer is no, please comment on why you did not address sample selection bias in your analysis. If you did make such adjustments, please describe them and identify where in your testimony or workpapers such adjustments were documented.

USPS/MMA-T1-11 Please confirm that there is a volume level (the QBRM break-even level) at which the per-piece postage costs (inclusive of quarterly fees) for High Volume QBRM and Basic QBRM are equal, and above this volume level the per-piece postage costs of High Volume QBRM are lower than Basic QBRM and below this level the per-piece postage costs of Basic QBRM are lower than High Volume QBRM. If you cannot confirm, please comment on why this is not the case.

USPS/MMA-T1-12 For the QBRM break-even level referred to in USPS/MMA-T1-11, please confirm the following calculations. If you cannot confirm, please state the reason and provide corrected figures.

- a) The QBRM break-even level for High Volume QBRM versus Basic QBRM can be calculated by dividing the quarterly High Volume QBRM fee by the difference between the Basic QBRM fee and the High Volume QBRM fee.
- b) At the time data were collected for the LR-L-34 study, the QBRM break-even **quarterly** volume for High Volume QBRM versus Basic QBRM was:

$$1800.00/(0.06-0.008) = 34,615.38 \text{ Pieces}$$

- c) At the time data were collected for the LR-L-34 study, the QBRM break-even **annual** volume for High Volume QBRM versus Basic QBRM was:

$$34,615.38 \times 4 = 138,461.5 \text{ Pieces}$$

- d) At the time data were collected for the LR-L-34 study, and assuming 300 processing days per year, at the QBRM break-even volume level, the average daily volume for a break-even QBRM account would have been:

$$138,461.5/300 = 461.5 \text{ Pieces}$$

USPS/MMA-T1-13 In your opinion, is the daily volume of a High Volume QBRM recipient constant or does it fluctuate, such that on some days the recipient receives a large volume of mail and on other days they receive small volumes? Please provide the basis for your response, including any and all studies you have conducted on the subject and descriptions of any visits you have made to measure or observe such fluctuation.

USPS/MMA-T1-14 Please refer to page 26, lines 23-25 of your testimony where you state, "This attribute not only reduces incoming secondary sort costs but often eliminates delivery costs as well." Please also refer to your testimony from page 27, line 30, to page 28, line 1, where you state that, "the Postal Service method models QBRM and HAND letters only as far as the first outgoing sortation, thus ignoring entirely the additional savings that accrue after that point in processing."

- a) If a given QBRM recipient received a very high volume of QBRM, would you expect that this mail would be finalized as QBRM for that specific mailer (i.e., it would not be "jackpotted" to a bin with all destinating QBRM for that facility and would therefore require no further processing) in an "upstream" operation, such as the automation outgoing primary, or would you expect that it would be processed through the entire system and be finalized in an incoming secondary operation, or in an operation similar to an incoming secondary operation (e.g., BRMAS)? If your response is the latter, please explain how incoming secondary costs are reduced as you describe on page 26.

- b) Assume that a given High Volume QBRM mailer were to make the decision not to provide QBRM envelopes, so that its customers would be required to send their correspondence using handwritten letters. If such a

change occurred, would you expect the mail volume under the handwritten scenario to differ from the mail volume under the QBRM scenario? Please explain your answer.

c) Please describe all studies (e.g., End-Of-Run report analyses, direct field observations, etc.) that you have conducted to support your claim that there are "additional savings" beyond those measured in the Postal Service version of the cost model contained in USPS-LR-K-69.

USPS/MMA-T1-15 Please refer to your testimony on page 28, lines 19-22 where you state, "With counting machines and weighing techniques that are more than 12 times as productive and readily available to all post offices, there is no excuse for hand counting High Volume QBRM letters."

a) Please confirm that the results from the BRM Practices Study contained in USPS-LR-K-34 reflect the percentage of mail processed using the various methods for the entire postal network and do not reflect the percentages for individual facilities. If you cannot confirm, please explain.

b) Please confirm that the amount of High Volume QBRM that is processed through any given destinating facility is the factor which determines the specific counting, rating, and billing methods that are used, and that some facilities may process this mail manually because they do not receive a significant volume of QBRM, or BRM in general, such that it is cost effective to use alternative procedures. If you cannot confirm, please describe all studies that you have conducted which support your claim that there would be no circumstances under which manual counting, rating, and billing operations would be appropriate.

MMA/USPS-T1-16 Throughout your testimony, you describe Remote Bar Code System (RBCS) operations, of which the Remote Computer Read (RCR) system is a component.

a) Please confirm that the RCR finalization rate, which is often presented with the cost models, has increased significantly over the past ten years. If you cannot confirm, please explain.

b) Please confirm that improved RCR finalization rates would typically impact handwritten mail piece costs only and would not impact QBRM mail piece costs. If you cannot confirm, please explain.

c) Please explain in operational and/or financial terms why the cost difference between a handwritten mail piece and a QBRM mail piece would have expanded from the original 4.016-cent estimate presented in Docket No. R97-1 (USPS-T-23, page 11, line 4) to the 6.751-cent estimate presented in your testimony in Table 2 of Appendix II, given that the RCR read rates have continuously improved over time. Please include any analyses and/or studies which you have conducted during the past ten years which would explain this widening cost gap.