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

POSTAL RATE AND FEE CHANGES   **Docket No. R2006–1**

**RESPONSES OF MAJOR MAILERS ASSOCIATION
WITNESS RICHARD E. BENTLEY TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE (USPS/MMA-T1-1-9)**

Major Mailers Association hereby provides the responses of witness

Richard E. Bentley to the following interrogatories of the United States Postal

Service: USPS/MMA-T1-1-9, filed on September 14, 2006.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION

_____

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Dated: Middleburg, Virginia
       September 28, 2006

USPS/MMA-T1-1 Please refer to Table 4 of your testimony.

a) Please confirm that in Docket Nos. R2000-1, R2001-1, and R2005-1, the USPS and PRC used BMM cost as the benchmark and not the MML cost, as shown in your table. If you cannot confirm, please explain.

b) Please confirm that in the instant proceeding, witness Abdirahman classifies the CRA cost pools into proportional and fixed, with the distinction being only to separate the costs for which the model develops estimates (the proportional costs) from the costs which are beyond the scope of the model (fixed costs). If you cannot confirm, please explain.

c) Please confirm that in developing your automation proposal in Docket No. R97-1, you used bulk metered mail as your benchmark. If you cannot confirm, please explain.

RESPONSE:

a) Not confirmed. It is not possible for me to confirm what another party did, but only my understanding of what they did. In addition, Table 4 does not indicate anything about what the Postal Service did in R2000-1 or what the Commission did in R2001-1 and R2005-1.

In R2000-1 it is my understanding that the Postal Service and the Commission both indicated that they attempted to use BMM as the benchmark. However, the Postal Service used the unit costs for MML as the benchmark but assumed zero cost for the mail preparation cost pool 1CANCMMP. There was no attempt to adjust MML costs to reflect the assumption that BMM is never prebarcoded even though some MML is prebarcoded.

In R2000-1 it is my understanding that the Commission used MML as the benchmark but adjusted the 1CANCMMP cost pool downward by 2/3. Similarly, the Commission made no adjustment to MML costs to reflect the assumption that BMM is never prebarcoded even though some MML is prebarcoded. Table 4 indicates correctly that the Commission used adjusted MML costs as the benchmark from which to measure cost savings due to worksharing.

In R2001-1 and R2005-1, the Postal Service used unadjusted MML costs as a proxy for BMM costs. Therefore, Table 4 indicates correctly that the Postal Service used MML costs as the benchmark.

In R2001-1 and R2005-1, the Commission accepted settlements signed by the Postal Service and most other parties, including Major Mailers Association. My attorney has informed me that there are special assumptions regarding the evidence accepted by and relied upon by the Commission with which I am not very familiar. I am also not aware that the Commission accepted any specific cost savings analysis that was presented in either of those cases that has precedential value.

b) Partially confirmed. It is not possible for me to confirm what another witness did, but only my understanding of what that witness did. It is my understanding that USPS witness Abdirahman classifies the cost pools as either proportional or fixed, depending upon whether the costs are or are not reflected in his mail flow models. However, while all of the cost pools reflected by the models are proportional, I do not agree that all cost pools that are beyond the scope of USPS witness Abdirahman's models are fixed. In fact, it is quite evident that USPS witness Abdirahman is similarly not convinced that such costs are fixed. At Tr. 4/580 he states, "[t]he 'fixed' cost pools represent tasks that have not been modeled. It is possible that some costs within those cost pools vary for mail of different presort levels, but I have not studied them." Also, as noted on page 9 of Appendix I, footnote 12, Pitney Bowes witness Buc concludes that more than 70% of the nonmodeled cost pools are proportional.

c) Confirmed. I note that R97-1 was the first case in which the Postal Service proposed use of BMM as the benchmark. Under the specific circumstances of the R97-1 case, the issue of an appropriate benchmark was not a focal point because the derived cost savings using BMM as the benchmark fully supported my proposed First-Class workshared

discounts. Moreover, as discussed on pages 2-3 of Appendix I of my testimony, the circumstances that permitted use of BMM as an appropriate benchmark ten years ago are far different from those that exist today. As I also discuss there, it appears that USPS witness Taufique agrees with my assessment. Finally, I note that in the two subsequent cases to R97-1 for which I filed testimony, I explained why BMM was not an appropriate benchmark. Please see R2000-1, Exhibit MMA-T-1, pages 19-22 and R2001-1, Exhibit MMA-ST-1, page 3, footnote 4.

USPS/MMA-T1-2 Please refer to page 7 of your testimony, lines 17 to 18 where you state "The serious limitations of the mail flow model, particularly as they relate to costs incurred by the benchmark category within the RBCS, have greatly limited the usefulness of the models."

a)   Please identify and describe every time you visited USPS mail processing plants to observe the actual mail flows, including those through RBCS. Please provide the dates of the visits, the approximate time of the day of the visits, the specific operations observed, and provide all notes taken during or in connection with the visit.

b)   Please confirm RBCS is defined to include the ISS, RCR, REC, OSS, and LMLM operations. If you cannot confirm, please explain and provide both your alternative definition of RBCS and the basis for your definition.

c)   Please confirm that on page 5 of MMA-LR-1, where you present the modeled First-Class Metered Mail letters costs, the Outgoing RBCS contains a weighted unit cost for ISS is 1.162 cents which is fairly close to the OCR cost pool value of 1.146 cents shown on page 4. If you cannot confirm, please explain.

d)   Please confirm that on page 5 of MMA-LR-1, where you present the modeled First-Class Metered Mail letters costs, the Outgoing RBCS RCR, REC, and LMLM weighted unit costs, when aggregated, lower than the LD 15 cost pool value on page 4. If you cannot confirm, please explain.

e)   Please confirm the Outgoing RBCS OSS weighted unit costs on page 5 of MMA-LR-1 are imbedded in the BCS/DBCS cost pool on page 4 of MMA-LR-1. If you cannot confirm, please explain and demonstrate where the OSS costs are to be found.

f)   Please confirm that cost pool values on page 4 of MMA-LR-1 are for all single-piece metered letters, not just the BMM letters. If you cannot confirm, please explain.

RESPONSE:

a)   I visited two postal facilities at Merrifield, VA and Baltimore, MD. These visits took place about five years ago to the best of my recollection. The visit to the Merrifield took place during the day. The visit to Baltimore took place in the late afternoon/early evening. Although I remember taking notes, the notes are no longer available. In both tours, I observed First-Class letters and flats being processed. However, there was much more

collection mail processed in the mail preparation operations in Baltimore than in Merrifield because of the hour of the day in which the visit took place. During these tours, I was briefed on various aspects of RBCS operations and I watched as the mail was barcoded and sorted.

b) Your question does not provide the source for your definition of the RBCS operation. However, according to page 5 of USPS-LR-L-48, those five operations, the ISS, RCR, REC, OSS, and LMLM, are shown to be included within the RBCS operation.

c) Partially confirmed. The unit costs you cite are correct. However, these unit costs are not necessarily "fairly close." It is inappropriate to make a comparison of the two unit costs as you suggest for three reasons. First, as I discuss on page 7 of Appendix I to my testimony, sample errors at the cost pool level reduce the accuracy of individual cost pool costs. Thus, the OCR weighted unit cost pool of 1.146 could be higher or lower.

Second, it is apparent that the mail flow model produces a BMM unit cost that, in total, is 2.925 cents below the CRA. Therefore, the individual model-derived weighted unit cost for the ISS is probably low.

Finally, the weighted unit costs you cite are per originating letter, not per letter that is processed through those specific operations. To the extent that the percent of originating letters processed by each of the two operations cited is not the same, which I suspect is the case, the two weighted average unit costs are not comparable. In this regard, the modeled BMM letters are assumed to be nonprebarcoded so that 100% of the pieces are first processed through the ISS. However, when measured by the CRA, some portion of MML letters that is prebarcoded will bypass the OCR operation and be sent directly to a barcode sort. Thus the OCR cost pool would have been higher if 100% of the MML pieces were processed by that operation.

d)   To begin with, I believe the third line of your question should read "REC, and LMLM weighted unit costs, when aggregated, **are** lower than the LD." Emphasis added. With that clarification my response is as follows:

Partially confirmed. Your math is correct. The sum of the Outgoing RBCS RCR, REC, and LMLM weighted unit costs, when aggregated, is 0.113 cents.   The LD 15 cost pool is 0.378 cents. However, such costs are not comparable for the reasons discussed in part (c) above. Therefore, I cannot confirm based upon this comparison that the sum of the outgoing MML Model's RBCS RCR, REC and LMLM costs is lower than the MML CRA LD 15 cost. On the other hand, this would be consistent with is my overall conclusion that the model-derived RBCS costs are too low compared to actual CRA costs.

e)   I am not in a position to confirm or deny your supposition. I have not specifically mapped the modeled cost operations to the CRA cost pools. As I mentioned on pages 9 and 10 of Appendix I to my testimony, I classified all cost pools reflected by the models as proportional to presort level in the same manner as the Postal Service.

f)   Confirmed. The cost pools reflect all MML as defined by the Postal Service and provided in USPS-LR-L-99.

USPS/MMA-T1-3 Please see footnote 4 on page 7 of your testimony, where you state "Application of CRA Proportional Adjustment factors tends to correct for this deficiency, but problems still persist."

a)   Please confirm that the CRA Proportional Adjustment factors are applied to the modeled cost to account for the fact that average data are used. If you cannot confirm, please explain.

b)   Please confirm that the CRA Proportional Adjustment factors are applied to the modeled cost to account for the fact that the cost models are simplified representations of reality. If you cannot confirm, please explain.

c)   Please confirm that the CRA Proportional Adjustment factors are applied to the modeled cost to account for the fact that all tasks are not modeled. If you cannot confirm, please explain.

d)   Please confirm that a hybrid cost methodology was relied upon by both the Postal Service and the Commission in Docket Nos. R97-1, R2000-1, R2001-1, R2005-1, and R2006-1. If you cannot confirm, please explain.

RESPONSE:

a) - c) Partially confirmed. As USPS witness Abdirahman has stated, CRA

Proportional Adjustment factors are applied to model-derived costs "to

bring the modeled costs into alignment with the CRA costs." Tr. 4/589.

Thus, the CRA Proportional Adjustment factor tends to correct for several

items, including those cited in parts (a) - (c) of your interrogatory.

d)   It is my understanding that a hybrid cost methodology was presented by

the Postal Service in R97-1, R2000-1, R2001-1 and R2005-1 to estimate

workshared cost savings. However, it is also my understanding that the

Postal Service did not necessarily "rely upon" its hybrid cost methodology

to support its proposed workshared discounts. In R2006-1, the Postal

Service has presented a somewhat flawed hybrid cost methodology to

estimate cost savings among presort levels. As in the past, the Postal

Service's rate witness did not base his proposed First-Class workshared

discounts directly upon the derived cost savings.

The Commission relied upon a hybrid cost methodology in R97-1 and

R2000-1 to support its recommended First-Class workshared discounts. I

cannot confirm that the Commission did so in R2001-1 or R2005-1 for the

reason explained in response to USPS/MMA-T1-1(a). We do not yet

know what analysis the Commission will rely upon in R2006-1, or whether or not the Commission will accept the Postal Service's "de-linking" proposal, which I support. In any event, I am confident that the Commission will accept my cost analysis adjustments and rely upon the analyses that I have presented in my testimony, appendices and library references.

USPS/MMA-T1-4 In Appendix 1, page 13, lines 29-30, you state "witness Abdirahman incorrectly applies one CRA Proportional Adjustment factor for all Presorted letters combined." Please confirm that you did not make any changes to the input parameters to the mail flow mail model that was presented by witness Abdirahman. If you cannot confirm, please list and explain the changes you made to the mail flow model.

RESPONSE:

Confirmed. I have not made any changes to the input parameters to the flow models though I believe that specific problems exist with respect to the percentage of letters that are shown to be processed by automation after being processed through the RBCS. My opinion with respect to the input parameters is unchanged from R2001-1 where, on page 17 of Exhibit KE-ST-1, I stated:

> I believe it is readily apparent that the Postal Service's model simulation of letter mail flow through the RBCS operation presents a far too rosy picture of how efficient that operation is. The model inputs reflect (1) reject rates that are too low, (2) productivity rates that are too high, (3) unreasonably high density figures that theoretically permit letters that are successfully barcoded in the RBCS to bypass too many intermediate operations, or (4) some combination of all these factors

I am hesitant to modify Mr. Abdirahman's specific input parameters and have relied on the derived MML CRA Proportional Adjustment factor to correct for this problem that I believe exists for both First-Class Nonautomation letters and hand-addressed letters.

USPS/MMA-T1-5 Please confirm that the method used to collect and assign IOCS tallies changed from base year FY2004 to base year FY2005, and the changes have caused some costs to shift as discussed by witness Bozzo in USPS-T-46. See, for example, USPS-T-46, p 31-34 and Tr. 9/2326, Response to MMA/USPS-T22-2 (D). If you cannot confirm, please explain.

RESPONSE:

Confirmed, as to my understanding. However, I believe that USPS witness Bozzo has failed to explain why FY 2005 First-Class Presorted costs have increased by a rate (6.2%) that is more three times higher than the rate for First-Class single piece letters (2.0%). Nor has he explained why MML osts declined by 0.2% while the costs for First-Class single piece letters increased by 2%. Please see pages 20-21 of my direct testimony.

At Tr. 9/2365-6, USPS witness Bozzo was asked to explain specifically what caused these shift in costs to First-Clas Presort. In his answer he alluded to a mail piece identification problem that "tends to result in overestma ton of co sts for less-presorted mail categories. " He goes on to indicate that for Standard Mail, past problems in differentiating Standard ECR from Standard regular have caused ECR costs to be incorrectly recorded as Standard regular costs. Mr. Bozzo claims that this same phenomenon causes a similar shift in costs between First-Class Presort and Single Piece. However, Mr. Bozzo fails to mention what specific problems the Postal Service has in differentiating First-Class Single Piece from Presort. Since 96% of Single Piece First-Class includes the exact postage in the stamp or meter imprint (*see* USPS-LR-L-87), it should not be so difficult to correctly recognize that the First-Class Single Piece rate has been paid. The situations in First-Class and Standard do not appear to be similar. Given the ease in which First-Class Single Piece mail can be identified by the amount of postage paid, I do not understand why "the same phenomenon would tend to increase costs for presorted First-Class Mail relative to Single Piece First-Class Mail" Tr. 9/2366.

In the recent past, Presorted letter mail processing costs (PRC attributable cost methodology) have been declining while Single Piece letter costs have been increasing. Please see the chart below.

First-Class Mail Category	BY 98 R2000	BY 99 R2000	BY 00 R2001	BY 04 R2005	BY 05 R2006
Unit Costs					
Single Piece	3.08	3.00	3.02	3.35	3.61
MML	1.23	1.17	1.43	2.64	2.62
Presorted	4.79	4.80	4.63	4.50	4.77
% Increase					
Single Piece		-0.6%	0.2%	2.5%	2.0%
MML		-0.5%	2.3%	10.6%	-0.2%
Presorted		0.2%	-3.6%	-2.8%	6.2%
Source: USPS-LR-	I-137	I-482	J-81	K-99	L-99

Consequently, MMA is very concerned and skeptical, about the contradictory results produced by the new method of collecting and assigning IOCS tallies, as well as the Postal Service's failure to provide a full, coherent explanation as part of its direct testimony.

USPS/MMA-T1-6 Please refer to Appendix 1, page 15 and the statement that "the Postal Service agrees that the BMM costs understate the CRA-derived unit cost standard by 2.1915 cents or 36%. Tr. ____ (Response to USPS/MMA [sic] T22-32 (A))."

a.   Please confirm that the Postal Service's response to MMA/USPS T22-32(A) confirmed that "compared to the CRA cost for processing BMM, the model-derived unit cost is low by 2.915 cents or 36%."

b.   Please confirm that the Postal Service's response to MMA/USPS-T22-35(E) stated that it "cannot confirm that the [BMM model] differ[s] from actual BMM costs because we do not know the actual BMM costs."

RESPONSE:

a.   Confirmed. However, you have misquoted my testimony in your preamble. Appendix I, page 15 states that "…the Postal Service agrees that the BMM **model** understates the CRA-derived unit cost standard by **2.915** cents or 36%." Emphasis added. I should also point out that the 2.915 cents difference was correct at the time the interrogatory was written. Subsequently, the Postal Service filed errata in response to MMA/USPS-T22-31 and the BMM model-derived unit cost was lowered from 5.193 to 5.183. Therefore, the correct unit difference is now 8.108 cents – 5.183 cents = 2.925 cents.

b.   Confirmed. However, I believe you meant to refer to MMA//USPS-T22-32 (E). The answer in part (E) referred to a comparison of the derived CRA Proportional Adjustment factors between R2005-1 and R2006-1. Also, as I state in my testimony, if the Postal Service does not know the "actual BMM costs," it seems inappropriate to use BMM as a benchmark to price almost 50 billion pieces. *See* MMA-T-1, Appendix I, p. 5.

USPS/MMA-T1-7 Please refer to page 18 of your testimony where you discuss the nonautomation and MAADC costs.

a)   Please discuss the mail characteristics of nonautomation letters and MAADC letters, including their respective levels of presortation.

b)   Please discuss the similarities and differences of characteristics of nonautomation machinable mixed AADC letters and BMM letters.

c)   Please confirm that the Postal Service used nonautomation machinable mixed AADC delivery costs as a benchmark for BMM in Docket Nos. R2001-1, and R2005-1. If you cannot confirm, please explain.

RESPONSE:

a)   At the outset, I note that I discuss the relationship between Nonautomation and MAADC letters on pages 17-19 of my direct testimony.

Nonautomation and MAADC letters are subjected to different automation requirements, though both are workshared. MAADC must be automation compatible and include a full barcode. Nonautomation letters do not have to be automation compatible or machinable and generally are not prebarcoded. As I state in my testimony, a certain portion of Nonautomation letters consist of letters that would have qualified for Automation discounts but for a variety of reasons, could not be prebarcoded. *See* MMA-T-1, pages 18-19.

According to the most recent USPS data, 56% of Nonautomation letter volume is presorted to the MAADC and AADC levels, 36% is presorted to 3-digits and 8% is presorted to 5-digits. All MAADC letters are presorted to the Mixed AADC level, by definition. *See* MMA-LR-1, p. 3. Though I am generally familiar with some of the requirements, the DMM would be a much better source for the specific differences. Please see Section 235 Mail Preparation for First-Class workshared letters and cards.

As shown in the table below, my model-derived unit costs compared to USPS witness Abdirahman's are identical. However, when the model-derived unit costs are reconciled to the CRA, the results are quite different. The reason for this difference is the model's understatement of

RBCS processing costs, as indicated by a comparison of the MML model-derived unit cost to the MML CRA-derived unit cost, as well as the model's propensity to overstate costs for letters that bypass the RBCS.

Intuitively, NonAutomation letters should cost much more to process than MAADC letters because of the necessity and difficulty of spraying a full barcode. NonAutomation nonmachinable letters, as well as Nonautomation machinable letters that cannot be sprayed with a full barcode, require very expensive manual processing. The Postal Service's results, which show almost identical model-adjusted total unit costs for NonAutomation and MAADC letters, seem to be unrealistic.

Mail Processing Costs
(PRC Cost Methodology, Cents)

First-Class Letter Category	MMA	USPS
Model-Derived Unit Cost:		
NonAutomation	5.172	5.172
MAADC	5.163	5.163
Adjusted Model-Derived Total Unit Cost:		
NonAutomation	13.101	7.168
MAADC	7.716	7.159

Source: MMA-LR-1, p. 3   USPS-LR-L-110, p. 2

b)   I note that I discuss the relationship between NAMMA and BMM letters on pages 15-16 of Appendix I to my testimony.

Nonautomation machinable mixed AADC letters (NAMMA) are subject to workshared requirements, including address hygiene, must be mailed as part of a mailing consisting of at least 500 pieces, and are machinable by definition. BMM is not subject to any of these requirements and must meet only the general regulations provided for First Class single piece. By definition, BMM has a typewritten address, is not prebarcoded and is brought to a local post office (not a window) faced and in trays. There is no minimum volume requirement. As shown in the Postal Service's models, both NAMMA and BMM letters enter the mailstream at the

outgoing ISS   This explains why the model-derived unit costs are virtually identical.

As shown in the table below, my model-derived unit costs are identical to those derived by the Postal Service. However, when the model-derived unit costs are reconciled to the CRA, the results are very different. The reasons for these differences are that the USPS model understates RBCS processing costs for MML/BMM letters and overstates the costs for letters that bypass the RBCS. The Postal Service's application of one CRA Proportional Adjustment factor for Automation and Nonautomation letters combined does not enable the costs to be properly adjusted in a manner that is necessary to correct this problem.

Intuitively, NAMMA and MML/BMM letters should cost about the same to process since both are generally machinable and require a barcode to be sprayed on by the Postal Service. This is also consistent with the USPS institutional position when it states, "it can be confirmed that NAMMA and BMM exhibit similar physical characteristics and would be expected to have similar cost characteristics." Tr. 18C/6281   Frankly, the significant derived unit cost difference between NAMMA (7.191 cents) and MML/BMM (13.129 cents) as derived by the Postal Service in Library References USPS-LR-L-110 and 141 flies in the face of the Postal Service's logic as well as my own.

Mail Processing Costs
(PRC Cost Methodology, Cents)

First-Class Letter Category	MMA	USPS
Model-Derived Unit Cost:		
NAMMA	5.193	5.193
MML/BMM	5.183	5.183
Adjusted Model-Derived Total Unit Cost:		
NAMMA	13.150	7.191
MML/BMM	13.129	13.129
Sources:	MMA-LR-1, p. 3-5	USPS-LR-L-110, p. 2
		USPS-LR-L-141, p. 2-3

c) Confirmed. However, it is inappropriate and fundamentally unfair to use a workshared category (NAMMA) as a proxy for a nonworkshared category (BMM), when trying to isolate and measure delivery cost savings specifically due to worksharing. I also believe that the Postal Service's delivery cost estimates for NAMMA letters in R2001-1 and R2005-1 are too unreliable to be used as a basis to support rates that impact almost 50 billion pieces. See my R2001-1 testimony, Exhibit MMA-ST-1, p. 20, and Exhibit MMA-4A, pages 2-5, where I describe the significant error uncovered in USPS witness Schenk's delivery cost analysis that seriously affected the derived unit costs for all First-Class Presorted categories.

USPS/MMA-T1-8 Please refer to your Library Reference MMA-LR-1.

a)　　Please confirm that you have deviated from the latest Commission-approved methodology for deriving workshare cost savings that was provided in library reference PRC-LR-12 part B in Docket No. R2000-1. If you confirm, please list the changes in your methodology. If you cannot confirm, please explain.

b)　　Please confirm that you have deviated from the latest Commission-approved methodology for cost pool classifications that was provided in library reference PRC-LR-12 part B in Docket No. R2000-1. If you confirm, please list the changes in your methodology. If you cannot confirm, please explain.

c)　　Please indicate why the Commission should adopt the changes in methodology that you list in your response to interrogatory USPS/MMA-T1-10(a) and (b), and indicate where in your testimony or Library References you provide any additional reasons for such changes.

RESPONSE:

a)　　Confirmed. See my testimony, MMA-T-1, Table 4 on p. 13 for an overview of the differences. Please also see my answer to part (c) below.

b)　　Confirmed. See Appendix I, pages 6-9, for an explanation of why I have included all cost pools in the workshared cost savings analysis. I have relied upon the testimony of Pitney Bowes witness Buc for the classification of cost pools between proportional and fixed with respect to presortation.

c)　　I presume you mean USPS/MMA-T1-8 (a) and (b). Please see MMA-T-1, Appendix I for the reasons why the Commission should adopt my workshared cost savings analysis with respect to mail processing. In particular, please see pages 2-6 which discuss why the Commission should use MML, not BMM, as the appropriate benchmark; pages 6-9 which discuss why the Commission should leave all cost pools in the analysis as being relevant to worksharing; pages 10-11 which discuss why the Commission should use the models to de-average Presort letter costs into Automation and Nonautomation costs; pages 11-17, which discuss how the Commission should use two separate CRA Proportional Adjustment factors de-average Presort letter costs into Automation and

Nonautomation costs; and pages 19-23 which discuss why the Commission should use Single Piece as the benchmark for deriving delivery cost savings.

USPS/MMA-T1-9 Please refer to page 23 of your testimony where you discuss large volume mailers versus small volume mailers.
a) What is your definition of large volume mailer? How did you arrive at this definition?
b) What is your definition of small mailer? How did you arrive at this definition?
c) Have you done any studies of the work performed by small mailers versus large mailers? If yes, please describe each study and provide all notes, data files, reports, and other documents that relate to these studies.
d) Have you done any studies of the work performed by the Postal Service for the small mailers versus large mailers. If yes, please describe each study and provide all notes, data files, reports, and other documents that relate to these studies.

RESPONSE:

a) I am not prepared to specifically define a large volume mailer. As discussed in my testimony at pages 22-24, large volume mailers send out sufficient volumes to allow the Postal Service to enjoy additional savings from tasks, such as those listed on pages 23-24 that employees of large volume mailers routinely perform for the Postal Service. In contrast, most of these same tasks must be performed by postal employees for smaller volume mailers. In addition, concentration of high outgoing mail volumes from individual mailers' facilities coupled with new information technologies allows the Postal Service to minimize or eliminate entirely costs associated with transportation and intermediate handlings, such as cross docking and aggregating mail at HASPs, that the Postal Service incurs in dealing with many small volume mailings.

If the Postal Service decides to pursue a more equitable rate structure that reflects actual cost causation, I would expect the Postal Service to determine by means of a special study, what specific volumes need to be consistently and reliably mailed from a particular location in order to insure that such savings will accrue. If the Postal Service does not wish to adjust the current rate structure to keep up with the technology of worksharing, then I recommend that the Commission direct the Postal Service to study

the issue. As USPS witness Taufique has indicated, the Postal Service so far has not studied how large volumes reduce postal costs compare to small volumes, although such a conclusion is intuitively obvious.

b)   A small volume mailer would be a mailer that does not have sufficient volume to qualify for rates/discounts applicable to a large volume mailer. *See* my answer to part (a).

c)   I have not performed any formal studies of the kind you requested. However, I have viewed the operations of MMA members, who send out very large volumes of First-Class workshared letters. In evaluating the cost differences, I have simply compared and contrasted the work necessary to process an MMA member's mail versus that required to process letters originating from a small volume mailer that meets only the minimum amount of worksharing necessary to qualify for workshared discounts. Such operations are described in testimony, pages 23-24.

d)   No. Please see my answer to part (c).