

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

**POSTAL RATE AND FEE CHANGES**

**Docket No. R2006-1**

**Major Mailers Association's  
Second Set Of Interrogatories and Document Production Requests To APWU  
Witness Kathryn L. Kobe (MMA/APWU-T1-15-29)  
(September 29, 2006)**

Pursuant to the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to APWU Witness Kathryn L. Kobe (MMA/APWU-T1-15-29).

Respectfully submitted,

**Major Mailers Association**

By: \_\_\_\_\_

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**Dated: Middleburg, Virginia  
September 29, 2006**

### **MMA/APWU-T1-15**

In your response to MMA/APWU-T1-1 you state, "...there probably is some Single Piece mail that is still shifting from one category to the other." Is BMM, which is mailed at a post office (but not at a window), the most likely type of single piece mail that still shifts to First-Class Presorted mail? Please explain and provide any studies or other information you believe support your answer.

### **MMA/APWU-T1-16**

In your response to MMA/APWU-T1-2(C)-(D), you state, "[I]f workshare discounts are calculated to equal costs avoided by the Postal Service the unit contribution of a 'clean' piece of mail would be the same whether or not it was workshared."

- A. In your opinion, are the unit cost savings that you derived in the column entitled "Total Workshare Related Unit Cost Savings" of Table 1 on page 8 of your testimony equal to "the costs avoided by the Postal Service" such that "the unit contribution of a 'clean' piece of mail would be the same whether or not it was workshared." Please support your answer.
- B. In your opinion, if an automation 5-digit letter reverts back to single piece, will the total unit attributable cost (including collection, mail preparation (culling, facing and canceling), mail processing, transportation and delivery) be approximately 7.3 cents less? Please support your answer and show how you derive any figure other than 7.3 cents.
- C. If your answer to Part (B) is yes, please confirm that all other costs that make up the difference between the cost of processing and delivering a First-Class Single Piece letter and an Automation 5-digit letter (i.e., all attributable costs that are not part of your derivation of workshared cost savings) would not change. Please support your answer. If your answer to part (B) is no, please explain how these other costs change and support your answer.
- D. Please confirm that transportation costs are not affected by worksharing. Please explain and support your answer with any studies or other information you believe supports your position.

**MMA/APWU-T1-17**

Please refer to APWU-LR-1, pages 2 and 4, where you derive the CRA unit costs for BMM and Presorted letters, respectively.

A. Please confirm that none of the cost pools listed below are impacted by worksharing and explain the complete basis for your answer:

1. FSM 100
2. FSM/
3. MECPARC
4. SPBS OTH
5. SPBSPRIO
6. 1SACK\_M
7. MANF
8. 1CANCEL
9. 1DISPATCH
10. 1FLATPRP
11. 1OPTRANS
12. 1SACK\_H
13. 1SCAN
14. BUSREPLY
15. EXPRESS
16. MAILGRAM
17. REGISTRY
18. REWRAP
19. 1EEQMT
20. INTL
21. PMPC

B. Please confirm that, if any of the cost pools listed in Part (A) are, in fact, impacted by worksharing, then your derived unit cost savings shown in Table 1 on page 8 of your testimony would be understated. If you cannot confirm, please explain.

**MMA/APWU-T1-18**

In your response to MMA/APWU-T1-4 (G), you indicate that your cost savings analysis did not include any possible savings that could result from reduced window service costs because “the Commission has determined that window service costs should not be part of the costs avoided calculations.”

- A. Is this a correct summary of your position? If not, please explain.
- B. Do you believe that, if a significant volume of Presorted letters reverted back to Single Piece, that there would be no change in window service costs?  
Please explain your answer.
- C. Please confirm that, to the extent that window service costs would increase if a significant volume of Presorted letters reverted back to Single Piece, your derived unit cost savings shown in the column entitled “Total Workshare Related Unit Cost Savings” of Table 1 on page 8 of your testimony would be understated. If you cannot confirm, please explain.
- D. Please confirm that, to the extent that collection costs would increase if a significant volume Presorted letters reverted back to Single Piece, that your derived unit cost savings shown in the column entitled “Total Workshare Related Unit Cost Savings” of Table 1 on page 8 of your testimony would be understated. If you cannot confirm, please explain.
- E. Please confirm that, to the extent that mail preparation costs (culling, facing and canceling) would increase if a significant volume Presorted letters reverted back to Single Piece, your derived unit cost savings shown in the column entitled “Total Workshare Related Unit Cost Savings” of Table 1 on page 8 of your testimony would be understated. If you cannot confirm, please explain.
- F. Please confirm that, to the extent that transportation costs would increase if a significant volume of Presorted letters reverted back to Single Piece, your derived unit cost savings shown in the column entitled “Total Workshare Related Unit Cost Savings” of Table 1 on page 8 of your testimony would be understated. If you cannot confirm, please explain.

**MMA/APWU-T1-19**

Is mail piece design a function of worksharing? Please explain your answer and indicate the extent to which mailers endeavor to meet the Postal Service’s extraordinarily complex mail piece design requirements and how such efforts save postal costs, if at all. Please include a discussion of (1) the Postal Service’s Mailpiece Quality Control Program and the importance of having the employees of mailers and the Postal Service pass rigorous testing procedures to qualify as Mailpiece Quality Control Specialists, and (2) the Postal Service’s no tolerance policy for workshared mailers such that, if one of its many precise rules applicable to the design of workshare letters is violated by even the smallest amount, an entire mailing will be either held up or simply rejected.

**MMA/APWU-T1-20**

Please refer to APWU LR-1, page 1, where you summarize the unit worksharing-related unit costs for Nonautomation, machinable MAADC letters (NAMMA) and BMM letters.

- A. Please confirm your mail processing cost results as shown in the following table. If you cannot confirm, please provide the correct figures and show how they are derived.

<b>First-Class Letter Category</b>	<b>Total Workshare-Related Mail Processing Unit Cost (Cents)</b>
BMM	9.559
NAMMA	5.715
Difference	3.844

- B. Please confirm that, when modeling BMM and NAMMA costs, the Postal Service assumes that BMM and NAMMA letters both enter the mailstream at the Outgoing ISS operation, which produces nearly identical results if the same attributable cost methodology is used. See for example, USPS-LR-L-48, p. 15 (which you rely on) and USPS-LR-L-41, pages 4 and 22. If you cannot confirm, please explain.

- C. Assuming you confirm the unit costs shown in the table in Part A, please explain precisely why it is reasonable that BMM should cost 3.844 cents more to process than NAMMA. If you do not confirm the unit costs in the table, please indicate the correct unit cost difference, show how it is derived and explain why that difference is reasonable.

**MMA/APWU-T1-21**

Please refer to APWU LR-1, page 1, where you summarize the unit worksharing-related unit costs for Nonautomation letters and Automation MAADC (Auto MAADC) letters.

- A. Please confirm your mail processing cost results as shown in the following table. If you cannot confirm, please provide the correct figures and show how they are derived.

<b>First-Class Letter Category</b>	<b>Total Workshare-Related Mail Processing Unit Cost (Cents)</b>
Auto MAADC	5.715
Nonautomation	5.664
Difference	.051

- B. Please confirm that, when modeling Auto MMADC and Nonautomation costs, the Postal Service assumes that Auto MMADC letters enter the mailstream at the Incoming MMP Auto operation, whereas Nonautomation letters enter the mailstream in either the Outgoing or Incoming ISS operation, if machinable, or a very expensive manual operation if nonmachinable. See for example, USPS-LR-L-48, pages 5, 15, 17, 19, 21, 23 and 25. If you cannot confirm, please explain.
- C. Assuming you confirm the unit costs shown in the table in Part A, please explain precisely why it is reasonable that Automation MAADC letters should cost .051 cents more to process than Nonautomation letters, or that they should be nearly identical. If you do not confirm the unit costs in the table, please indicate the difference and explain why that difference is reasonable.

### **MMA/APWU-T1-22**

Please refer to your response to Interrogatory MA/APWU-T1-10 and OCA witness Pamela A. Thompson's September 22, 2006 response to Interrogatory MMA/OCA-T4-1. You and Ms. Thompson were both asked to "provide the implicit cost coverages for First-Class (1) single piece letters and (2) presorted letters under your proposed rates, and show how you derived them." Ms. Thompson was able to provide the requested implicit cost coverages that would result from adoption of her proposed rates but you did not do so because, as you note, you have not completed a recalculation of the rollforward model that takes into account your proposed rates and mailers responses to those rates.

- A. In the development of your proposed First-Class rates, what consideration, if any, did you give to the implicit cost coverages for First-Class Single Piece and Presorted mail? Please explain your answer.
- B. Is it possible for you to derive implicit cost coverages for (1) First-Class Single Piece, (2) First-Class Presorted and (3) All First Class, by using the before rates volumes and costs? If yes, please provide each of the cost coverages that will result from implementation of your proposed rates. If no, please explain why you cannot derive the requested implicit cost coverages.

### **MMA/APWU-T1-23**

In your response to MMA/APWU-T1-9 (B), you did not confirm that you used Nonautomation delivery costs as a proxy for BMM delivery costs because Nonautomation letters exhibit similar cost attributes to BMM letters. Instead you state that you used Nonautomation delivery costs as a proxy for BMM delivery costs "because they have been the ones used to proxy BMM unit delivery costs in the cost avoided calculation since R97-1 and they were the unit delivery costs used as the proxy for BMM by the Commission in its R2000-1 calculations."

- A. Is the preamble to this question a fair statement of your position? If not, please explain.

- B. Please confirm that the Postal Service proposed to use Nonautomation delivery costs as a proxy for BMM delivery costs in both R97-1 and R2000-1. If you cannot confirm, please explain.
- C. Do you agree with the Commission's decision to adopt the Postal Service's recommendation to use Nonautomation delivery costs as a proxy for BMM delivery costs in those cases? Please explain your answer.
- D. Is it your position that Nonautomation letters do not exhibit mail processing cost attributes that are similar to those exhibited by BMM letters? Please explain your answer.

**MMA/APWU-T1-24**

Please refer to APWU-LR-1 where you derive First-Class workshared unit cost savings.

- A. Please confirm that your analyses relied on the Postal Service's attributable cost methodology. If you cannot confirm, please explain.
- B. Please confirm that, in every rate case since R97-1, the Commission has used its own attributable cost methodology that is different than the Postal Service's attributable cost methodology. If you cannot confirm, please explain. If you do confirm, please explain your understanding of all differences between the Commission's attributable cost methodology and the Postal Service's attributable cost methodology.

**MMA/APWU-T1-25**

Please provide a list of all changes that you made to the Commission's R2000-1 workshared cost savings analysis.

**MMA/APWU-T1-26**

Please refer to APWU-LR-1, p. 2, where you derived CRA BMM unit costs.

- A. Please explain why you classified the cost pool 1CANCEL as "nonworksharing-related fixed" when the Postal Service classified such

costs as “worksharing-related fixed” in USPS-LR-L-141 and USPS-LR-K-48?

- B. Please explain why you classified the cost pool 1TRAYSRT as “worksharing-related fixed” when the Postal Service classified such costs as “nonworksharing-related fixed” in USPS-LR-L-141 and USPS-LR-K-48?

**MMA/APWU-T1-27**

Please refer to APWU-LR-1, p. 4, where you derived CRA Presorted unit costs.

- A. Please confirm that as shown on that page, you have classified cost pools 1OPBULK, 1OPPREF and 1POUCHING as “worksharing-related fixed”. If you cannot confirm, please explain.
- B. Please confirm that, in this proceeding, USPS witness Abdirahman classified cost pools 1OPBULK, 1OPPREF and 1POUCHING as “proportional”, as shown on p. 3 of Library Reference USPS-LR-L-48. If you cannot confirm, please explain.
- C. Please confirm that, as defined by USPS witness Abdirahman, all proportional costs are workshare-related, vary with the degree of presort, and are reflected by operations included in the mail flow models. If you cannot confirm, please explain.
- D. Please confirm that USPS witness Abdirahman testified that he classified cost pools 1OPBULK, 1OPPREF and 1POUCHING as proportional because, in the last case, such costs were classified as proportional for Nonautomation costs and fixed for automation letters. Therefore, when he combined Nonautomation and automation CRA costs as “Presorted”, just as you have done, he classified those cost pools as proportional. See Tr. 4/572, 574 and 576.
- E. Please explain why you did not follow USPS witness Abdirahman’s cost pool classifications for cost pools 1OPBULK, 1OPPREF and 1POUCHING.

**MMA/APWU-T1-28**

Please refer to APWU-LR-1, pages 1 and 3.

- A. Please confirm that one could replicate your worksharing cost analysis with the Commission’s attributable costs by making the following substitutions:
1. Substitute “11.410” for “9.559” as the worksharing-related unit cost for BMM on page 1 of APWU-LR-1. The BMM unit cost figure of “11.410” is from USPS-LR-141, p. 1.
  2. Substitute the Presorted CRA unit cost pool amounts from USPS-LR-L-110, p. 3 for the unit cost pool amounts shown on page 4 of APWU-LR-1.
  3. Classify the substituted Presorted CRA unit cost pool amounts described in Subpart 2 above, in the same manner as those cost pools are classified for Nonautomation letters in USPS-LR-L-141, p. 20.
  4. Substitute the model-derived unit costs from USPS-LR-L-110, p. 2 for each Presorted rate category as shown in Table 2 of APWU-LR-1, page 3.

If you cannot confirm, please explain how you would replicate your worksharing analysis with the Commission’s attributable costs rather than the Postal Service’s attributable costs.

- B. Please confirm that, if you had utilized the Commission’s attributable costs in APWU-LR-1 and classified the cost pools as the Postal Service has (as shown in USPS-LR-L-141, p. 20), then you would obtain the results shown in the following table compared to your results? If you cannot confirm, please make the necessary corrections and show how they were derived.

	(1)	(2)	(3)
<b>First-Class Rate Category</b>	<b>APWU Unit Cost Savings (USPS Attributable Costs) (Cents)</b>	<b>APWU Unit Cost Savings (PRC Attributable Costs) (Cents)</b>	<b>Increase in Unit Cost Savings (Cents) (2) - (1)</b>
BMM Letters (Benchmark)			
Nonautomation	3.895	4.939	1.044
Auto MAADC	4.175	5.384	1.209
Auto AADC	5.384	6.851	1.467
Auto 3-Digit	5.813	7.370	1.557
Auto 5-Digit	7.296	9.147	1.852

**MMA/APWU-T1-29**

Please refer to APWU-LR-1, page 3, table 3, where you show the de-averaged mail processing unit costs for Presorted letters.

- A. Please confirm that the table below reproduces your derived unit costs for Nonautomation Machinable Mixed AADC letters (NAMMA) and Automation Mixed AADC letters (Auto MAADC). If you cannot confirm, please explain and provide the correct modeled and total unit costs that you recommend that the Commission use to derived workshared cost savings.

<b>First-Class Letter Category</b>	<b>Modeled Mail Processing Unit Cost</b>	<b>Total Mail Processing Unit Cost</b>
Auto MAADC	4.616	6.328
NAMMA	4.505	6.173
Difference	0.112	0.155

- B. Please confirm that, according to your cost analysis, it costs the Postal Service more to process Auto MAADC letters that include a prebarcode than NAMMA letters, which have to be barcoded by the Postal Service. If you cannot confirm, please explain.