

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

**POSTAL RATE AND FEE CHANGES**

**Docket No. R2006-1**

**Major Mailers Association's  
Third Set Of Interrogatories and Document Production Requests To Office  
Of Consumer Advocate Witness Pamela A. Thompson (MMA/OCA-T4-11-20)**

Pursuant to the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to Office of Consumer Advocate witness Pamela A. Thompson (MMA/OCA-T4-11-20).

Respectfully submitted,

**Major Mailers Association**

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

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**Dated: Middleburg, Virginia  
October 4, 2006**

**MMA/OCA-T4-11**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that the 5.8 cents is the difference between the BMM total worksharing-related unit cost of 15.45 cents and the comparable MAADC unit cost of 9.62 cents, as shown in USPS-LR-141. If you cannot confirm, please show the exact source of the 5.8 cents shown in OCA-LR-5.
- B. Please confirm that your MAADC cost savings estimate of 5.8 cents, and your AADC cost savings estimate of 7.0 cents, are the result of cost savings from both mail processing and delivery as shown in the table below. If you cannot confirm, please explain.

Source of Cost Savings	MAADC Unit Cost Savings (Cents)	AADC Unit Cost Savings (Cents)
Mail Processing Cost Savings	5.973	7.032
Delivery Cost Savings	-0.142	-0.006
Total Cost Savings	5.831	7.026

- C. Please explain how it is possible that BMM would cost less to deliver than, or even the same to deliver as, Automation MAADC letters.
- D. Please explain how it is possible that BMM would cost less to deliver than, or even the same to deliver as, Automation AADC letters.

**MMA/OCA-T4-12**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, Sheet WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that, as shown in USPS-LR-L-141, p. 1, the unit cost to deliver Nonautomation letters is 4.044 cents. If you cannot confirm, please explain.
- B. Please confirm that, as shown in USPS-LR-L-67, UDCModel.USPS.xls, Table 1, the unit cost to deliver Nonautomation letters is 4.696 cents. If you cannot confirm, please explain.
- C. Please explain why you believe that the 4.044 cent unit cost, derived from the cost analysis that you rely on, is correct, and why the 4.696 cent unit cost derived by USPS witness Kelley is incorrect.

### **MMA/OCA-T4-13**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that the analysis provided in USPS-LR-L-141, which you rely on, uses Nonautomation, Machinable MAADC (NAMMA) unit delivery costs as a proxy for BMM delivery unit costs. If you cannot confirm, please explain.
- B. Please confirm that using NAMMA delivery costs as a proxy for BMM unit delivery costs might make sense if, and only if, NAMMA and BMM letters have similar cost causing attributes. If you cannot confirm, please explain.
- C. Please confirm that, according to the analysis provided in USPS-LR-L-141, which you rely on, the CRA adjusted workshared mail processing unit costs for BMM and NAMMA letters shown in Column 2 of Table 1 are 11.410 cents and 21.157 cents, respectively. If you cannot confirm, please explain.

### **MMA/OCA-T4-14**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter

(MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that the model-derived unit costs, as shown in column 2 of the table shown on page 1 of USPS-LR-L-141, are based on the model-derived cost and mail flow analyses provided on pages 3-32. If you cannot confirm please explain.
- B. Please confirm that, for the BMM model shown on page 4 of USPS-LR-L-141, the theoretical 10,000 letters enter the mailstream in the Out ISS operation, which is part of the Remote Bar Code System (RBCS) that reads an address and attempts to barcode a nonprebarcoded letter. If you cannot confirm please explain.
- C. Please confirm that, if you modify the entry point in the BMM model, shown on page 4 of USPS-LR-L-141, from the Out ISS operation to the Out Prim Auto operation, the underlying assumption would be that the BMM letters were prebarcoded and could bypass the RBCS. If you cannot confirm, please explain.
- D. Please confirm that, if you modify the entry point in the BMM model, shown on page 4 of USPS-LR-L-141, from the Out ISS operation to the Out Prim Auto operation, the resulting unit cost would not be 5.183 cents as shown for BMM, but 5.420 cents. If you cannot confirm, please explain.
- E. Please explain why it is reasonable that the model indicates that it costs the Postal Service more to process prebarcoded letters than it costs the Postal Service to process a nonprebarcoded letter.

#### **MMA/OCA-T4-15**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that, if you modify the entry point in the BMM model, shown on page 4 of USPS-LR-L-141, from the Out ISS operation to the Out Sec Auto operation, the underlying assumption would be that the BMM letters were prebarcoded and sufficiently presorted so as to bypass the RBCS and Out Prim Auto operations. If you cannot confirm, please explain.
- B. Please confirm that, if you modify the entry point in the BMM model shown on page 4 of USPS-LR-L-141 from the Out ISS operation to the Out Sec Auto operation, the resulting unit cost would not be 5.183 cents as you show for BMM, but 5.151 cents. If you cannot confirm, please explain.
- C. Please explain how it is reasonable that the model indicates that it costs the Postal Service nearly the same for the Postal Service to apply a barcode to letters in the RBCS operation and then sort them to the MAADC level as it costs the Postal Service to process prebarcoded letters that workshared mailers have already presorted the MAADC level.

#### **MMA/OCA-T4-16**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that, for the MAADC model shown on page 8 of USPS-LR-L-141, the theoretical 10,000 pieces enter the mailstream in the Out Sec Auto operation. If you cannot confirm please explain.
- B. Please confirm that, if you modify the entry point in the MAADC model shown on page 8 of USPS-LR-L-141 from the Out Sec Auto operation to the Out ISS operation, the underlying assumption would be that the MAADC letters were not prebarcoded and not presorted so that they could bypass the Out Prim Auto operation. If you cannot confirm, please explain.

- C. Please confirm that, if you modified the MAADC model as suggested in Part B, the mail flow would resemble that of BMM letters. If you cannot confirm, please explain.
- D. Please confirm that, if you modify the entry point in the MAADC model, shown on page 8 of USPS-LR-L-141, from the Out Sec Auto operation to the Out ISS operation, the resulting unit cost would not be 5.163 cents, as shown for MAADC, but 5.193 cents. If you cannot confirm, please explain.
- E. Please explain how it is reasonable that the model indicates that it costs the Postal Service approximately the same to process nonprebarcoded BMM letters that are not sorted to the MAADC presort level as it costs the Postal Service to process MAADC letters that are already prebarcoded and presorted by the mailer.

#### **MMA/OCA-T4-17**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141. Please refer to pages 3 and 7 of USPS-LR-L-141.

- A. Please confirm that the model-derived unit processing costs for BMM and MAADC letters are 5.183 cents and 5.163 cents respectively. If you cannot confirm, please explain.
- B. Please explain why it is reasonable for the model to produce results where the unit processing cost for BMM letters is nearly the same as that for MAADC letters.
- C. Please confirm that the model-derived DPS %'s that you rely on are 82.65% for BMM and 80.07% MAADC letters. If you cannot confirm, please explain.
- D. Please explain why it is reasonable for the model to produce results where the DPS % for BMM letters is higher than that for MAADC letters.

#### **MMA/OCA-T4-18**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that you have relied on the unit delivery cost of 8.589 cents as shown for Nonautomation Nonmachinable letters as shown in column (3) on page 1 of USPS-LR-141. If you cannot confirm please explain.
- B. Please confirm that, by definition, such delivery costs assume a zero DPS % because the letters are nonmachinable. If you cannot confirm, please explain.
- C. Please confirm that USPS witness Kelley derives a unit delivery cost of 7.734 cents for all Single Piece letters as shown in USPS-LR-L-67, UDCModel.USPS.xls, p. 1. If you cannot confirm, please explain.
- D. Please confirm that, according to USPS witness Kelley, 71.5% of Single Piece letters are DPSed, as shown at Tr. 12/3358. If you cannot confirm, please explain.
- E. Please explain why it is reasonable for Nonautomation letters, none of which can be DPSed, to have a unit delivery cost that is only 0.855 cents more than Single Piece letters, 71.5% of which are DPSed.

#### **MMA/OCA-T4-19**

Please refer to Library References USPS-LR-L-141, p. 1 and OCA-LR-5, p. WP-FCM-18, especially where you show the Automation Mixed AADC letter (MAADC) cost savings of 5.8 cents in cell P15 that originates from USPS-LR-141.

- A. Please confirm that the DPS %'s, as well as the weighted average for all Nonautomation letters, that are used to derive the delivery unit costs for Nonautomation letters shown in column (3) of Table 1, are as shown in the following table. If you cannot confirm, please provide corrected figures and provide their derivation.

NonAutomation Rate Category	Model-Derived	
	Volume %	DPS %
Nonmachinable Mixed AADC	0.59%	0
Nonmachinable AADC	0.28%	0
Nonmachinable 3-Digit	0.36%	0
Nonmachinable 5-Digit	0.07%	0
Machinable Mixed AADC	41.20%	82.65%
Machinable AADC	13.74%	82.65%
Machinable 3-Digit	35.98%	84.92%
Machinable 5-Digit	7.79%	84.92%
Weighted Average	100.00%	82.58%

Source: USPS-LR-L-141 page 19 pages 21, 23

- B. Please confirm that according to the Postal Service's delivery data systems, 77.22% of Nonautomation letters are DPSed. See UDCInputs.USPS.xls., sheet "DPS%" and Tr. 12/3350-51. If you cannot confirm please explain.
- C. Please confirm that in response to Interrogatory ABA-NAPM/USPS-T22-2 (b), USPS witness Kelley claims, "...the results in the table below are driven by DPS percentages derived from a theoretical model which we no longer believe to be valid." Tr. 12/3335. If you cannot confirm, please explain.
- D. Please explain why you relied on the delivery costs derived for Nonautomation letters that are based on DPS %s that the Postal Service believes are invalid, and why you did not, at the very least, reconcile the theoretical DPS %s to the delivery data DPS %s relied on by the Postal Service.
- E. Please confirm that you relied on the DPS % for Nonautomation letters that originates from the mail flow model for all categories of Nonautomation letters, and that these same mail flow models produce an average Nonautomation workshared-related mail processing unit cost (21.092 cents) that is 85% higher than the comparable unit cost for BMM (11.410 cents). If you cannot confirm, please provide the source of the DPS % for Nonautomation letters that supports the delivery unit cost you

derive, and the workshared-related mail processing unit costs for Nonautomation and BMM letters. Please support your answer.

**MMA/OCA-T4-20**

Please refer to page 11 your direct testimony where you state,

The CRA data for First-Class single piece includes automation compatible letters, hand addressed letters, non-machinable letters, the non-automation compatible and more expensive to process pieces – flats and parcels. None of these pieces represent a type of mail that is likely to convert to Presort automation compatible mail.

- F. Please confirm that while First-Class Presorted volumes increased 3.7% in FY 2005, First Class-Single Piece volumes decreased by about 4%. If you cannot confirm, please indicate by how much First-Class Presorted volumes increased and Single Piece volumes decreased in FY 2005 and support your answer.
- G. Have you studied whether the decrease of First-Class Single Piece and the increase of First-Class Presorted volumes represented an actual “conversion” of mail from one to the other? If so, please provide any studies or information you relied on to explain what kinds of letters “converted” from Single Piece to Presorted?
- H. By “conversion” of letters from First-Class Single Piece to Presorted, do you mean that letters no longer sent out as First-Class-Single Piece are now sent out as First-Class Presorted? If not, please explain precisely what you mean by a “conversion” of letters from Single Piece to Presorted.
- I. Please assume that you are a dutiful niece who for years sent monthly letters to your Aunt Minnie. Assume further that these letters exhibited the cost attributes similar to an “average” First-Class single piece letter. Now, in 2005 you and your Aunt Minnie discovered the Internet and you substituted your 12 monthly letters with 12 monthly emails. Please confirm that as far as the Postal

Service is concerned, those letters are lost to the system and First-Class single piece has lost 12 “average” Single Piece letters. If you cannot confirm, please explain.

- J. Please assume that you also enjoy calling your Aunt Minnie as well, and in 2005 you decide to sign up for a cell phone. The cell phone company sent you 12 monthly bills in 2005, all of which qualified as Automation letters. Please confirm that, as far as the Postal Service is concerned, those letters are new to the system and First-Class Presorted has gained 12 “average” Automation letters. If you cannot confirm, please explain.
- K. Please confirm that, as far as the Postal Service is concerned, the 12 “average” Single Piece letters lost and the 12 “average” Automation letters gained represent a “conversion” of letters from First-Class Single Piece to Presorted. If you cannot confirm, please explain.