

**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 United States Postal Service Interrogatories (USPS/MMA-T1-25-26)**

Major Mailers Association hereby provides the responses of witness Richard E. Bentley to the following interrogatories of United States Postal Service: USPS/MMA-T1-25-26, filed on September 27, 2006.

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

Respectfully submitted,

MAJOR MAILERS ASSOCIATION

Michael W. Hall
35396 Millville Road
Middleburg, Virginia 20117
540-687-3151

Dated: Middleburg, Virginia
October 11, 2006

USPS/MMA-T1-25 Please refer to page 29 of your testimony where you describe the Docket Nos. R2000-1 and R2001-1 High Volume QBRM studies that relied on CBCIS data and were used to estimate costs covered by the per-piece fee.

a) Please confirm that both studies assumed all CBCIS mail volume for a given BRM recipient at each facility would be processed using the methods indicated in the respective surveys, and did not incorporate factors that would result in a portion of that mail volume being processed manually (e.g., BRMAS/Other Software acceptance rates less than 100 percent, expired processing window, etc.). If you cannot confirm, please explain.

b) Please confirm that the Docket No. R97-1 and Docket No. R2006-1 BRM Practices Studies are more comprehensive in scope than the Docket No. R2000-1 and Docket No. R2001-1 CBCIS analyses, because they account for BRM mail that may be processed manually. If you cannot confirm, please explain.

RESPONSE:

a) Not confirmed. It is not possible for me to confirm what another witness did, but only my understanding of what that witness did. I do not know if the Campbell study provided in R2000-1 or the Miller study provided in R2001-1 assumed all CBCIS mail volume for a given BRM recipient at each facility would be processed using the methods indicated in the respective surveys. However, it seems reasonable to me to use the data as each of the witnesses summarized it. In R2000-1, I used the Campbell data as he provided it to me. In R2001-1 and in this case, I used the Miller data in the exact same fashion as he did. I do not recall seeing any testimony from any party, including the Postal Service, that claimed that this data is anything other than what it was reported to be.

b) Not confirmed. While it is not possible for me to confirm what another witness did, but only my understanding of what that witness did, I have no basis to claim that either study is “more comprehensive” than the other. It appears that the two studies had different objectives. The two BRM Practices Study collected data for all BRM. In contrast, the two CBCIS “surveys” were more concerned with QBRM received in high volumes, which is the focus of my testimony regarding the Postal Service’s overstatement of High Volume QBRM counting costs that is predicated on the unreasonable finding that 26.6% of such letters are counted by very inefficient manual means. It is also

Response Of Richard E. Bentley To Interrogatories Of United States Postal Service

my understanding that both CBCIS analyses did in fact include volumes that were manually counted.

USPS/MMA-T1-26 Please refer to your testimony in Appendix II, page 1, lines 20 to 22 where you state, "In this proceeding, the Postal Service proposes to limit derived QBRM cost savings by producing a 'narrowly defined cost analysis' that eliminates from consideration any costs that QBRM saves after the first barcoded sortation."

a) Please confirm that the cost analysis presented in this docket is similar to the analysis that served as the basis for the QBRM cost saving estimate in Docket No. R97-1, because it calculates costs up to the point where a given mail piece receives its first barcoded sortation on a Bar Code Sorter (BCS). If you cannot confirm, please explain.

b) Please confirm that in Docket No. R2001-1, Postal Service witness Miller (USPS-T-22, Section IV) explained that the Docket No. R2000-1 analysis had been incorrectly expanded to include costs beyond those in the original Docket No. R97-1. If you cannot confirm, please explain.

c) Please confirm that in Docket Nos. R2001-1, R2005-1, and R2006-1, the final versions of the QBRM cost model presented by the Postal Service all included cost analyses similar to the analysis proposed in Docket No. R97-1. In other words, the only expanded final cost model version ever presented by the Postal Service was that presented in Docket No. R2000-1. If you cannot confirm, please explain.

RESPONSE:

a) Confirmed. R97-1 was the first time that a discount was requested for QBRM. The Commission stated on page 306 of its Opinion,

[5132] Miller's study entails the development of cost models comparing the respective mail flows of a prebarcoded reply piece and a handwritten reply piece from collection to the point where each piece receives its first barcoded sortation on a barcode sorter (BCS). Miller testifies that a prebarcoded reply mail letter generates cost avoidance of 4.016 cents, compared to a handwritten letter. (Footnote omitted)

To the best of my recollection, there was no opposition to this proposal and the Commission relied upon the Miller study to recommend a discount of 3 cents. In the next rate case, R2000-1, the Postal Service expanded the derivation of QBRM cost savings to include operations after the first barcoded sorted, which the Commission also accepted and relied upon.

b) In R2001-1, USPS witness Miller made such a proposal. Based on that analysis, the Postal Service proposed to reduce the QBRM discount from 3 cents to 2.5 cents. In that case, I recall that Mr. Miller ran into some

technical problems and, as a result of MMA interrogatories, modified his cost analysis two separate times resulting in an increase in his cost savings of 94% -- from .85 cents to 1.25 cents to 1.65 cents. Mr. Miller's cost analysis, as well as the Postal Service's proposed reduction in the QBRM discount, were both effectively nullified when the issue was settled, resulting in retention of the 3-cent QBRM discount. My testimony in that case, on behalf of KeySpan Energy, rebutted Mr. Miller's QBRM cost analysis in a similar manner to which I oppose the analysis proposed by USPS witness Abdirahman in this case.

It is illogical and unfair to stop measuring cost savings that no doubt continue to accrue after the first barcoded sort, simply because QBRM and HAND letters are not equal at that point of processing and more HAND letters will continue to be processed manually than QBRM letters until the letters are separated to the final recipient. Please see my R2001-1 Surrebuttal Testimony, Exhibit KE-ST-1, pages 6-7 and Appendix II, pp. 1-3 to my testimony in this case.

MMA asked USPS witness Abdirahman to confirm whether or not his methodology excluded savings after the first barcode sort. It is interesting to note that he confirmed that HAND letters were more likely than QBRM letters to be rejected after the first barcoded sort; and he confirmed that HAND letters were more likely than QBRM letters to be processed manually after the first barcoded sort. But then in an extraordinary turnabout he disagrees without further explanation that his methodology completely ignores additional savings that accrue for QBRM letters after the first barcoded sort. See Tr. 4/561.

- c) Confirmed, as to my understanding. However, the analysis in support of the QBRM discount in R97-1 was overtaken by the analysis that the Commission's Opinion in R2000-1 relied upon. It is my understanding that because the Commission recommended settlements in R2001-1 and R2005-1, the R2000-1 Opinion reflects the Commission's most recent determination on the merits of this issue.