

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

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**Postal Rate and Fee Changes, 2006**

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**Docket No. R2006-1**

**RESPONSE OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KOBÉ (APWU-T-1) TO MAJOR MAILERS ASSOCIATION  
INTERROGATORIES MMA/APWU-T1-30-31  
(October 17, 2006)**

The American Postal Workers Union, AFL-CIO provides the responses of witness Kathryn Kobe to the interrogatories of the Major Mailers Association submitted on October 3, 2006. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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RESPONSES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KATHRYN KOBE TO INTERROGATORIES OF MMA

**MMA/APWU-T1-30**

Please refer to APWU-LR-1, page 1, column 3 where you show the worksharing related unit delivery costs that you have utilized in your workshared cost savings analysis. Your unit delivery costs are shown in the table below:

First-Class Presort Category	Unit Delivery Cost	Unit Delivery Cost Savings
Nonautomation	4.696	
Auto MAADC	4.260	0.436
Auto AADC	4.110	0.586
Auto 3-Digits	4.050	0.646
Auto 5-Digits	3.770	0.926

- A. Please confirm that the delivery unit costs, and unit delivery cost savings, as shown in the table, are correct. If you cannot confirm, please explain why not, provide a table in the same form as that above with any corrected figures, and show how your corrected figures are derived.
- B. Please confirm that your source for the Nonautomation unit delivery cost of 4.696 cents is Library Reference USPS-LR-L-67 (UDCModel.USPS.xls, Table 1). If you cannot confirm, please explain and provide your source for this information.
- C. Please confirm that the source for your Automation unit delivery costs is Tr. 12/3336, USPS witness Kelley's response to ABA-NAPM/USPS-T2(b). If you cannot confirm, please explain and provide your source for this information.
- D. Please confirm that the Nonautomation unit delivery cost has been deaveraged from all Presorted unit delivery costs in Library Reference USPS-LR-L-67 based on Delivery Point Sequencing percentages (DPS %) that USPS witness Kelley obtains from carrier data systems. See Tr. 12/3350, USPS Kelley's Response to MMA/USPS-T30-5. If you cannot confirm, please explain.
- E. Please confirm that, in his response to Interrogatory ABA-NAPM/USPST22-

RESPONSES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KATHRYN KOBE TO INTERROGATORIES OF MMA

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.” See Tr. 12/3335. If you cannot confirm, please explain.

- F. Please confirm that the theoretical DPS %s that are used to de-average Automation delivery costs to the various presort levels you show in APWU-LR-1, page 1, column 3 are based on the cost analyses (and associated mail flow models) that you show on pages 5-9 of APWU-LR-1. If you cannot confirm, please provide the source of the DPS %s that you relied upon to de-average Presorted letters costs utilized in APWU-LR-1, page 1, column 3.
- G. Please explain why it is appropriate to derive unit delivery cost savings by comparing unit delivery costs for Nonautomation letters (derived on the basis of DPS %s obtained from the USPS carrier data systems) to the separate presort categories within Automation letters (derived on the basis of DPS %s obtained from a theoretical model which the Postal Service no longer believes is valid)?

**Response:**

- A. Confirmed.
- B. Confirmed.
- C. Confirmed that it is ABA-NAPM/USPS-T22-2(b) at Tr. 12/1336.
- D. Confirmed.
- E. Confirmed.
- F. The source of the numbers is ABA-NAPM/USPS-T22-2(b) and uses the DPS percentages that Mr. Kelly used in his response to that question. I believe they are based on the implicit mail flow model DPS percentages but I did not deaverage the costs myself.
- G. As Mr. Kelley stated in his response to ABA-NAPM/USPS-T22-2(b) the carrier cost system records used to estimate the nonautomation unit delivery cost numbers do not provide detail to the rate category level within

RESPONSES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KATHRYN KOBE TO INTERROGATORIES OF MMA

automation letters. Consequently, if one is going to include the unit delivery cost numbers in the cost avoided calculations it is necessary to either use a single estimate based on the average for all automation letters, as derived from the carrier cost system records or to deaverage that number based on the information that is available. Assuming that every category within automation letters has the same unit delivery cost is probably not accurate, although that is implicitly the assumption the Postal Service made in its calculations for USPS-LR-L-48. Whether estimates that are based on model-derived DPS percentages are more accurate than the assumption that each rate category has the same unit delivery cost can not be known. It was the information available in the record.

RESPONSES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KATHRYN KOBE TO INTERROGATORIES OF MMA

**MMA/APWU-T1-31**

Please refer to APWU-LR-1, page 3, especially where you indicate that the model-derived workshared related unit cost (before any CRA adjustment) for Automation Mixed AADC letters (Auto MAADC) is 4.616 cents.

- A. Please confirm that the source of this unit cost figure is APWU-LR-1, page 5, which in turn, comes from Library Reference USPS-LR-L-48, p. 4. If you cannot confirm, please explain and provide your source for this figure.
- B. Please confirm that the original source for this figure from Library Reference USPS-LR-L-48, p. 4 is based on the mail-flow model that is shown on p. 5 of that same library reference. If you cannot confirm, please explain and provide your source for this figure.
- C. Please confirm that, as shown in the mail-flow model on page 5 of Library Reference USPS-LR-L-48, all 10,000 of the theoretical letters are shown to enter the mailstream at the Outgoing Secondary Automation (Out Sec Auto) operation. If you cannot confirm, please explain.
- D. Please confirm that Auto MAADC letters are assumed to enter the mailstream at the Out Sec Auto operation because such letters are prebarcoded, meaning they bypass the Remote Bar Code System (RBCS), and are presorted to such a degree that they bypass the Outgoing Primary Automation operation. If you cannot confirm, please explain,
- E. Please confirm that, if Auto MAADC letters were assumed to be nonprebarcoded and nonpresorted, these letters would enter the mailstream at the Outgoing ISS (Out ISS) operation within the outgoing RBCS. If you cannot confirm, please explain.
- F. Please confirm that, as shown in USPS-LR-L-141, p 4, BMM is assumed to enter the mailstream at the Out ISS operation within the outgoing RBCS. If you do not confirm, please explain where BMM enters the mailstream and support your answer.
- G. Please confirm that, if Auto MAADC letters were assumed to be

RESPONSES OF AMERICAN POSTAL WORKERS UNION, AFL-CIO WITNESS  
KATHRYN KOBE TO INTERROGATORIES OF MMA

nonprebarcoded and nonpresorted, and the model shown on p. 5 of Library Reference USPS-LR-L-48 was modified to enter all 10,000 letters in the Out ISS operation of the outgoing RBCS, the resulting unit cost would be 4.505 cents. If you cannot confirm, please explain.

- H. If you confirm Part G, please confirm that, according to the mail flow model that you relied on, it would cost the Postal Service less to process Auto MAADC letters if mailers did not provide a prebarcode and did not presort the mail. If you cannot confirm, please explain.

**Response:**

- A. Confirmed.
- B. Confirmed.
- C. Confirmed.
- D. That is what the model shows.
- E. Confirmed.
- F. BMM enters at the Outgoing ISS operation.
- G. If the entry point of the model was changed from Outgoing Secondary Automation to Outgoing ISS that would be the result.
- H. Confirmed.