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

Postal Rate and Fee Changes, 2006 **Docket No. R2006-1**

RESPONSE OF PITNEY BOWES INC. WITNESS LAWRENCE G. BUC TO UNITED STATES POSTAL SERVICE INTERROGATORIES (USPS/PB –T2-26-27)

Pitney Bowes Inc. ("Pitney Bowes") herby submits the answers of Pitney Bowes witness Lawrence G. Buc to United States Postal Service interrogatories USPS/PB-T2-26 through 27. Each question is stated verbatim and then answered.

Respectfully submitted,

/s/

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DATED: October 20, 2006

USPS/PB-T2-26 Please refer to your response to USPS/PB-T2-2a where you state that "While machinability has a quantifiable impact on delivery costs, so, too, do other characteristics of the mail piece including, but not limited to, shape, weight, and address quality."

a. Please confirm that, with the exception of shape, none of the characteristics that you listed are explicitly identified and quantifiable in the models that previously were used to provide the DPS percentages that underlay the delivery cost differences by presort. If you do not confirm, please provide the reference to the part of the model where such impacts may be identified.

b. Please confirm that differences in none of the characteristics that you listed in your response are known to be explicitly linked to the different levels of presort. If you do not confirm, please demonstrate the quantifiable impact of each of those characteristics on the costs of different levels of presort.

RESPONSE

a. Confirmed that with the exception of shape, none of the characteristics that I listed are explicitly identified and quantified in the models that previously were used to provide the DPS percentages that underlay the delivery cost differences by presort. It does not follow, however, that these characteristics could not and ought not to be identified and quantified in the Service's cost models.

b. I have not studied whether or how differences in shape, weight, or address quality are linked to the different levels of presort.

USPS/PB-T2-27 Please refer to your response to USPS/PB-T2-4a where you state that the mail flow models "do not reflect that a letter may occasionally be sorted in flat pools or even in parcel pools" and your response to USPS/PB-T2-4b where you state that switching a cost pool from fixed to proportional does not affect the mail flow models.

a. Please confirm that the costs associated with handlings in those "anomalous" or "unexpected" operations are included in the "fixed" costs which are added to the weighted proportional cost results from the mail flow models in order to tie to the full CRA mail processing cost. If not confirmed, please explain where those anomalous costs are found in the calculations of unit costs.

b. Please explain how to determine the presort category of letters found in flat or parcel mail processing operations.

c. Please explain how to determine what portion of the costs in the anomalous or unexpected cost pools should be distributed to each level of presort.

RESPONSE

a. Confirmed that the Postal Service has included these costs in the fixed pools. Note that my testimony demonstrates why these cost pools should properly be classified as proportional and my costs also tie out to the full CRA mail processing costs.

b. It is not necessary to determine the presort category of letters found in flat or mail processing levels for the purpose of calculating cost avoidances between the presort levels as shown in my response to (c.) below. But one could do so with a sampling system.

c. I distribute the costs of the anomalous and unexpected cost pools on the basis of the distribution of costs in the modeled pools. This is exactly the same approach that the Postal Service uses to distribute the costs of the three pools newly classified as proportional for automation mail in this case.