

USPS-T-42

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

POSTAL RATE AND FEE CHANGES, 2001 :

Docket No. R2001-1

**DIRECT TESTIMONY
OF
ABDULKADIR M. ABDIRAHMAN
ON BEHALF OF
UNITED STATES POSTAL SERVICE**

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**DIRECT TESTIMONY
OF
ABDULKADIR M. ABDIRAHMAN**

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AUTOBIOGRAPHICAL SKETCH

6 My name is Abdulkadir M. Abdirahman. I am an Economist in Special
7 Studies in Finance at Postal Service Headquarters. I began working for the Postal
8 Service in 1989 as a letter carrier and later became a distribution and retail window
9 clerk. In that capacity, I was responsible for explaining and selling to postal customers a
10 variety of postal products including different kinds of special services that the Postal
11 Service offers. I was trained on and used both the integrated retail terminal (IRT) and
12 point of sales (POS ONE) systems. I also used the Domestic Mail Manual, the
13 International Mail Manual, directives, records, Postal Bulletins and other publications as
14 guidelines to effectively respond to customers' requests. I gained much experience with
15 and knowledge of special services during my years as a letter carrier and clerk.

16 In the private sector, I worked as an economic consultant for Amal Express
17 International, an export and import firm based in Dubai, United Arab Emirates. In that
18 capacity, I conducted market feasibility cost studies and developed labor cost estimates
19 concerning livestock exports. I have also done consulting work for BDM International on
20 issues that relate to peacekeeping deployment of United Nations and U.S. Army
21 personnel in Africa.

22 I received a Bachelor of Arts degree in Management from National Louis
23 University in Evanston, Illinois in 1990 and a Masters of Art in International Transactions
24 with a concentration in International Economics in 1996 from George Mason University
25 in Fairfax, Virginia.

26 This testimony represents my first appearance before the Postal Rate
27 Commission.

1 I. PURPOSE AND SCOPE OF TESTIMONY

2 The purpose of this testimony is to present estimated test year volume variable
3 costs in support of special service and pickup fees and Express Mail rates proposed by
4 witnesses Scherer (USPS-T-30), Kiefer (USPS-T-33), Mayo (USPS-T-35 and USPS-T-
5 36), Koroma (USPS-T-37), and Kaneer (USPS-T-38).

6 The special services, pickup and Express Mail cost analyses discussed in my
7 testimony are provided in USPS LR-J-69. The background and detailed description of
8 these services can be found in the above pricing witnesses' testimonies.

9

10 II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION

11 In addition to my testimony, I am sponsoring library reference USPS LR-J-69. I
12 have obtained wage rates and piggyback factors from USPS LR-J-50 and USPS LR-J-
13 52.

14 I have relied upon the following Docket No. R2000-1 library references in
15 preparing my cost analyses:

- 16 • USPS LR-I-110. Address Correction Service Costs
- 17 • USPS LR-I-160. Documentation Supporting Witness Campbell (USPS-T-29)
18 Testimony
- 19 • USPS LR-I-172. Electronic Version of Workpapers (USPS-T-29-
20 Campbell)
- 21 • USPS LR-I-108. Spreadsheets and Other Supporting Materials for Witness
22 Davis (USPS-T-30)

23

24 III. COST METHODOLOGY

25 This testimony relies on the methodologies and cost analyses presented by
26 witnesses Davis (Docket No. R2000-1, USPS-T-30) and Campbell (Docket No. R2000-
27 1, USPS-T-29). Updated wage rates and piggyback factors were used to better
28 reflect test year (TY) costs. Consumer Price Indexes (CPI) were developed and used to
29 update costs for the Periodical applications, On Site Meter Service and Stamped
30 Envelopes. Updates were made to total cost numbers and unit costs by weight for the
31 Correction of Mailing Lists, Zip Coding of Mailing Lists and Money Order inquiry cost

1 analyses. The cost analyses use the same cost methodologies relied upon by the
2 Postal Rate Commission in Docket No R2000-1.

3 Stamped envelopes cost changes included new costs from the fiscal year (FY)
4 2001 contracts, with billing determinants derived from shipments between AP 5 FY
5 2001 and AP 11 FY 2001. Updated costs for transporting envelopes both from the
6 manufacturing location to the bulk mail center (BMC), and from the BMC to delivery unit
7 were calculated. The mail processing cost estimates were also updated. All updated
8 tables are included in USPS LR-J-69, pages 2 to 17 in section B.

9 For address correction service, Computerized Forwarding System (CFS) costs
10 were obtained from witness Campbell's library reference USPS LR- I-110. These
11 results have been updated with FY 2000 data when available. When data were not
12 available, the 1999 study results were used. The entire update of USPS LR-I-110 is
13 included in part C of USPS LR-J-69.

14 The money order inquiry cost methodology is derived from witness Lyons'
15 analysis in Docket No. R84-1 (R84-1, USPS-T-21, at 32; WP 4). In addition to using
16 updated wage rates and piggyback factors, I obtained FY 2000 data from the
17 Accounting Service Center in St Louis, Missouri.

18 A summary of the cost results I provided to the pricing witnesses is provided in
19 Appendix A.

SPECIAL SERVICES COST SUMMARY

**Test Year
Cost**

Address Correction Service

Manual - Cost per Piece	\$0.514
Automated - Cost per Piece	\$0.143

Caller Service

Annual Cost per Separation	\$655.69
Annual Cost per Reserved Number	\$18.11

Certificate of Mailing

<u>Individual Pieces</u>	
Form 3817, Original (No Duplicate)	\$0.64
Form 3817, Duplicate	\$0.51
Form 3877, Original - 13 Pieces/Cost per Piece	\$0.22
<u>Bulk Quantities</u>	
Form 3606, Original - First 1000 Pieces	\$3.32
Each Additional 1000 Pieces	\$0.33
Form 3606, Duplicate	\$0.45

Correction of Mailing Lists

Cost per Name on List	\$0.255
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Insurance

Numbered	\$1.75
Unnumbered	\$0.91
Combined	\$1.65
Volume Variable Cost Differential	\$0.84
Bulk Insurance Cost Savings - Numbered	\$1.46
Bulk Insurance Cost Savings - Unnumbered	\$1.03

Money Order Inquiry Fee

\$2.30

On-site Meter Service

Access Cost	\$27.19
Each Meter Reset and/or Examined	\$3.54
Each Meter Checked In or Out of Service	\$2.68

Periodicals Application

Original Entry Cost	\$320.74
Additional Entry Cost	\$43.77
Reentry Cost	\$32.08
Registration for News Agents	\$23.31

PO Boxes

Cost of Ordering a New Key	\$2.99
Cost of Changing PO Box Lock	\$7.45

Restricted Delivery

\$2.18

ZIP Coding of Mailing Lists

Cost per 1000 Cards	\$81.05
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Stamped Card Cost

	COST PER THOUSAND	COST PER CARD
Single Cut	\$12.00	\$0.012
Single Sheet	\$12.00	\$0.012
Reply Card	\$24.00	\$0.024
Banded	\$27.00	\$0.027

OTHER COST SUMMARY	Differential	Test Year Cost
Pickup		
On-Call		\$12.366
Scheduled		\$10.916
Express Mail Delivery-Related Cost per Piece		
PO-to-PO	-\$1.404	\$0.137
PO-to-Addressee	\$0.019	\$1.560
Custom Designed	-\$1.212	\$0.329

SUMMARY OF STAMPED ENVELOPE COSTS
MANUFACTURING, DISTRIBUTION, AND SALES FY 2003

SIZE/STYLE	BOX LOT OF 500 COST	SINGLES
PLAIN 10		
2136 10 Regular	\$8.16	\$0.0693
2151 10 Regular	\$8.16	\$0.0693
2176 10 Regular	\$8.16	\$0.0693
2177 10 Regular	\$8.16	\$0.0693
2178 10 Regular	\$10.41	\$0.0738
2179 10 Window	\$11.42	\$0.0758
2181 10 Window	\$9.17	\$0.0713
2182 10 Regular	\$8.16	\$0.0693
Average	\$8.62	\$0.0702
2150 10 Banded	\$9.85	\$0.0727
2170 10 Banded	\$9.85	\$0.0727
Average	\$9.85	\$0.0727
PLAIN 9		
2138 9 Regular	\$8.23	\$0.0695
2139 9 Window	\$9.84	\$0.0727
Average	\$8.76	\$0.0705
PLAIN 6 3/4		
2634 6 Regular	\$6.44	\$0.0659
2663 6 Regular	\$6.44	\$0.0659
2665 6 Window	\$7.54	\$0.0681
2681 6 Regular	\$6.44	\$0.0659
2682 6 Regular	\$6.44	\$0.0659
2683 6 Regular	\$8.69	\$0.0704
2684 6 Window	\$7.54	\$0.0681
2685 6 Window	\$9.79	\$0.0726
Average	\$7.05	\$0.0671
2670 6 Banded	\$8.13	\$0.0693
2680 6 Banded	\$8.13	\$0.0693
Average	\$8.13	\$0.0693
PRINTED 10		
2128 10 Regular	\$13.21	
2136 10 Regular	\$13.21	
2151 10 Regular	\$13.21	
2152 10 Window	\$14.21	
2153 10 Regular	\$13.21	
2163 10 Regular	\$13.21	
2165 10 Window	\$14.21	
2173 10 Regular	\$13.21	
2176 10 Regular	\$13.21	
2177 10 Regular	\$13.21	
2178 10 Regular	\$15.86	
2179 10 Window	\$16.46	
2181 10 Window	\$14.21	
2182 10 Regular	\$13.21	
Average	\$13.21	\$13.77

PRINTED 9	
2138 9 Regular	\$13.27
2139 9 Window	\$14.88
Average	\$ 14.40

PRINTED 6 3/4	
2627 6 Regular	\$11.78
2628 6 Window	\$12.87
2665 6 Window	\$12.87
2681 6 Regular	\$11.78
2682 6 Regular	\$11.78
2683 6 Regular	\$14.03
2684 6 Window	\$12.87
2685 6 Window	\$15.12
Average	\$12.58

	BOX LOT of 50 COST
PRINTED HOUSEHOLD 10	
2127 10 Regular	\$2.38
2135 10 Regular	\$2.38
2146 10 Regular	\$2.38
2147 10 Regular	\$2.38
2148 10 Regular	\$2.60
2149 10 Window	\$2.71
2158 10 Window	\$2.48
Average	\$2.39

PRINTED HOUSEHOLD 9	
2107 9 Regular	\$2.39
2112 9 Window	\$2.55
Average	\$2.41

PRINTED HOUSEHOLD 6 3/4	
2623 6 Regular	\$2.24
2643 6 Regular	\$2.24
2644 6 Regular	\$2.24
2645 6 Window	\$2.57
2648 6 Window	\$2.35
2649 6 Regular	\$2.46
Average	\$2.25