Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES PURSUANT TO PUBLIC LAW 108-18	Docket No. R2005-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION (MMA/USPS-T21-36-40)

The United States Postal Service hereby files the responses of witness Abdirahman to the above-listed interrogatories of the Major Mailers Association, filed on April 28 2005.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-36

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, pages 4, 8, 10, and 12. These pages refer to your mail flow models for bulk metered mail (BMM), Automation Mixed AADC, Automation AADC and Automation 3-digit, respectively.

A. Please confirm the percentages shown in the following table that lists how much mail is barcoded and processed fully by automation from mail acceptance through the incoming secondary operations for various rate categories. If you cannot confirm, please make any necessary corrections and document your calculations.

Model	% Barcode by USPS	% Processed 100% by Auto
BMM	99.23%	91.25%
MAADC	0.00%	88.39%
AADC	0.00%	91.11%
3-Digit	0.00%	92.34%

B. Please confirm that the Postal Service currently barcodes, or will barcode in the test year, 99.23% of all machine printed addresses. If you cannot confirm, please explain why your model assumes that 99.23% of BMM letters can be barcoded by the Postal Service.

C. Please confirm that the further downstream a mailing enters the postal mailstream, the greater are the chances that an automated operation can reject a letter so that it must be processed manually from that point on. If you cannot confirm, please explain.

D. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation mixed AADC letters enter further downstream at the outgoing secondary operation. If you cannot confirm, please explain.

E. Please explain why, according to your models, fewer Automation mixed AADC letters (88.39%) than BMM letters (91.25%) can be processed by Automation through the incoming secondary operation.

F. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation AADC letters enter further downstream at the incoming MMP automation operation. If you cannot confirm, please explain.

G. Please explain why, according to your models, fewer Automation AADC letters (91.11%) than BMM letters (91.25%) can be processed by Automation through the incoming secondary operation.

H. Please confirm that, according to your models, BMM letters enter the postal mailstream at the outgoing RBCS operation whereas Automation 3-digit letters further downstream at the incoming SCF/Primary automation operation. If you cannot confirm, please explain.

I. Please explain why the percentage of Automation AADC letters (92.34%) that can be processed by Automation through the incoming secondary is only slightly more than the percentage of BMM letters (91.25%).

J. Please confirm that your model-derived cost for BMM is 32.2% lower than the CRA actual cost. If you cannot confirm, please explain

K. Please confirm that your model-derived unit cost for Automation letters was higher than the CRA actual cost by an average of 28.9%. If you cannot confirm, please explain.

L. Do you agree that the percentages shown in the table in Part A for BMM are probably much too high and the percentages for Automation letters are probably too low? If no, please explain.

RESPONSE:

A. Confirmed.

B. Partially confirmed. The figure listed in the table above is a result of the inputs (e.g., accept rates, etc.) used in the cost models and represents the percentage of mail that flowed from one operation to another. The percentage of barcodes that would be applied to machine printed mail pieces was not an input to the cost models.

C. Not confirmed. For example, the acceptance rates in USPS-LR-K-48, page 48 show that the highest acceptance rates are those shown for two-pass and three-pass incoming secondary operations. These figures represent averages for the operations and do not represent figures based on mail type (e.g., First-Class single-piece machine printed letters, First-Class presort automation cards, etc.). This is one reason why a hybrid cost methodology has been relied upon for the past several cases.

D. Partially confirmed. The BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation mixed AADC presort letters are entered at the automation outgoing secondary operation.

E. First, these figures are close in their magnitude. Second, the automation MAADC letters and BMM letters mail pieces are not processed through the exact same operations and, as a result, they are not expected to have an identical percentage.

Third, the cost models that yield these results are simplified representation of the mail processing network. They are the result of the best available data and apply methodologies that have been relied upon in past several rate cases.

F. Partially confirmed. BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation AADC presort letters are entered at the automation incoming Managed Mail Program (MMP) operation.

G. Please see the response to MMA/USPS-T21-36E.

H. Partially confirmed. BMM letters are entered at the outgoing Input Sub System (ISS) operation, while the automation 3-digit presort letters are entered at the automation incoming SCF / primary operation.

I. Please see the response to MMA/USPS-T21-36E.

J. Not confirmed. The BMM letters model cost is 31.2% lower than the sum of the CRA worksharing related proportional cost pool estimates for all First-Class single-piece metered letters, which has been used as the proxy for BMM letters in the past several dockets. The BMM model cost, as shown in USPS-LR-K-48, will be revised shortly and will support this percentage.

K. Not confirmed. The weighted average model cost for the automation presort letters rate categories is 29.3 % higher than the sum of the CRA worksharing related proportional cost pool estimates for First-Class automation presort letters. The weighted average model cost for the automation presort letters rate categories, as shown in USPS-LR-K-48, will be revised shortly and will support this percentage.

L. I can neither agree nor disagree. The cost models are an accurate analysis of costs using the best available data, and they apply cost methodologies that have been relied upon in the past several rate cases.

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MMA/USPS-T21-37

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 51, where you **indicate** that the RBCS leakage rate is 6.1%. Is 6.1% the leakage rate just for pieces processed by the outgoing Remote Computer Read (RCR) operation or is this the leakage rate for the RBCS operation as a whole? Please explain exactly what the 6.1% RBCS leakage rate is.

RESPONSE:

Leakage is defined in USPS-T-21, page 13 at 24-26. It is the percentage of mail pieces for which an image is lifted, but the result was never retrieved from the Decision Storage Unit (DSU). The mail pieces for which an image was lifted would at least have been processed through the RCR. The percentage is not expressed as a function of all the mail processed through the Remote Bar Code System (RBCS). For example, the Multi-Line Optical Character Reader Input Sub System (MLOCR-ISS) is a component of RBCS. Some images processed through the MLOCR-ISS, however, can be "read" by the machine such that an image is never lifted.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-38

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 4 and USPS witness Hatcher's Library Reference USPS-LR-K-69, pages 3 and 5. These pages provide the mail flow models for BMM letters, Hand Addressed (HAND) letters, and QBRM letters, respectively.

A. Please confirm that, after the entry point for BMM letters (RBCS Operation), 99.23% of the pieces are successfully barcoded and sent to various downstream automation sortations whereas .77% of the pieces cannot be successfully barcoded and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.
B. Please confirm that, after the entry point for QBRM letters (Automation Outgoing Primary), 95.76% of the pieces are successfully sorted and sent to various downstream automation sortations whereas 4.24% of the pieces cannot be successfully process and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.
C. Please explain why the reject rate for the Automation Outgoing Primary (4.24%) is five times the reject rate for the RBCS (0.77%), in view of the facts that QBRM letters have reliable addresses and barcodes that must be pre-approved by Postal Service before they are authorized for use, whereas there are no machinability or address cleanliness conditions or requirements applicable to BMM letters.
D. Please confirm that, after the entry point for HAND letters (RBCS Operation), 92.49% of the pieces are successfully barcoded and sent to various downstream automation sortations whereas 7.51% of these pieces cannot be successfully barcoded and are sent to the outgoing manual primary operation. If you cannot confirm, please explain.
E. Please explain why the RBCS reject rate for HAND letters (7.51%) is almost 10 times the rate for BMM letters (.77%), but less than twice the reject rate for QBRM letters (4.24%) in the automation outgoing primary operation.

RESPONSE:

A. Partially confirmed. The result of the BMM letters cost model is that 99.23% of the mail flowing from the outgoing RBCS operations is barcoded and sent to downstream automation operations and 0.77% of the mail flowing from the outgoing RBCS operations are sent to the manual outgoing primary operation.

B. Partially confirmed. The result of the QBRM cost model is that 95.76% of the mail flowing from the automation outgoing primary operation is successfully sorted and

Response to MMA/USPS-T21-38 (Continued)

sent to downstream automation operations and 4.24% of the mail flowing from the automation outgoing primary operation is sent to the manual outgoing primary operation.

C. The only link between the QBRM cost study found in USPS-LR-K-69 and the First-Class Mail automation presort cards / letters cost study found in USPS-LR-K-48, is the fact that the analysis in USPS-LR-K-69 relies on a BMM letter CRA proportional adjustment factor calculated in USPS-LR-K-48. In fact, the BMM letters cost model in USPS-LR-K-48 is only included as a means to estimate that factor and has no bearing on the worksharing related savings estimates measured for First-Class Mail presort letters. The cost model in USPS-LR-K-48 presents estimates of BMM costs based on the best available data and uses a methodology that has been relied upon in the past several rate cases. Moreover, I have reviewed pages 3 and 5 of USPS-LR-K-69, and the results are not inconsistent with K-48.

D. Partially confirmed. The result of the handwritten mail piece cost model is that 92.49% of the mail flowing from the outgoing RBCS operations is barcoded and sent to downstream automation operations and 7.51% of the mail flowing from the outgoing RBCS operations is sent to the manual outgoing primary operation.

E. The figures cited in this interrogatory part occur as a result of the cost model inputs used to support the various cost studies. QBRM mail pieces, handwritten mail pieces, and BMM letters follow different processing paths upon first entering the postal mail processing network. Moreover, the cost models use the best available data and apply

Response to MMA/USPS-T21-38 (Continued)

methodologies that have been relied upon in the past several rate cases. In some cases, the best available data are average figures and do not represent figures specific to mail type (QBRM, handwritten, BMM letters). Therefore, these mail types would not be expected to have the same reject percentages.

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MMA/USPS-T21-39

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, page 3 and USPS witness Hatcher's Library Reference USPS-LR-K-69, page 2. These pages provide the model-derived costs for BMM and Hand Addressed letters, respectively.

A. Please confirm that you show that the "Total Cents Per Piece" for the RCR operation is .478 cents, as shown in column 7 of your library reference. If you cannot confirm, please explain.
B. Please confirm that USPS witness Hatcher shows that the "Total Cents Per Piece" for the RCR operation is .342 cents, as shown in column 8 of USPS-LR-K-69, page 2. If you cannot confirm, please explain.
C. Please explain why your Total Cents Per Piece for BMM letters for the RCR operation is different from USPS witness Hatcher's Total Cents Per Piece for Hand Addressed letters.
D. Please confirm that you show that the "Premium Pay Adjustment Factor" that you obtained from Library Reference USPS-LR-K-55 and used in your analysis to compute the "Premium Pay Adjust" is 1.00994. If you cannot confirm, please explain.
E. Please confirm that USPS witness Hatcher's "Premium Pay Factor" also obtained from Library Reference USPS-LR-K-55 and used in her analysis to compute the "Premium Pay Adjust" is 1.014. If you cannot confirm, please explain.
F. Please explain why your "Premium Pay Adjustment Factor" for BMM letters is different from USPS witness Hatcher's "Premium Pay Factor" for Hand Addressed letters.

RESPONSE:

A. Not confirmed. The correct figure is 0.342 cents. The total cents per piece for the RCR operation shown in USPS-LR-K-48 will be revised shortly to reflect the correct number.

B. Confirmed.

C. Please see my response to A.

D. Confirmed.

E. Confirmed.

F. The correct Premium Pay factor for single piece letters is 1.014. Library Reference USPS-LR-K-48 will be revised shortly to reflect the correct number

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T21-40

Please refer to your library reference USPS-LR-K-48, file LR-K-48FCLTRS, pages 4, 8 and 55. These pages provide the mail flow models for BMM and Automation MAADC letters, and the densities from R2000-1 that you have used in R2005-1.

A. Please confirm that for BMM, 26.36% of the letters entering that operation are sent from the Outgoing ISS directly to the automation incoming secondary sortation. If you cannot confirm, please explain.
B. Please confirm that for BMM, 34.00% of the letters entering that operation are sent from the Outgoing OSS directly to the automation incoming secondary sortation. If you cannot confirm, please explain.
C. Please confirm that for BMM, 27.06% of the letters are sent from the RBCS operation directly to the automation incoming secondary sortation. If you cannot confirm, please explain.
D. How is it that 27.06% of BMM letters can be sent directly from the outgoing RBCS operation directly to the incoming secondary operation, bypassing all outgoing secondary and incoming primary operations? Does this mean that such pieces are local?
E. Please confirm that for Automation MAADC letters, only 4.68% of the pieces can be sent to the automation incoming secondary sortation. If you cannot confirm, please explain.
F. Do you assume in your models, in order to be isolating the impact of worksharing on cost savings, that the local-nonlocal mix between your benchmark (BMM) and each of the Automation letter categories is similar? If not, please explain how your models isolate the impact of worksharing on your derived cost savings and remove the impact of the local-nonlocal mix which can also affect costs.
G. Please explain why you show that BMM can be sorted directly to the automation incoming secondary operation almost 6 times more often than MAADC can be sorted directly to the incoming secondary operation?
H. Please explain why, according to the densities listed on page 55, the outgoing ISS and the outgoing OSS can sort letters to the incoming secondary 26.36% and 34.00% of the time, respectively, whereas, the outgoing automation primary and automation secondary sortations can sort letters to the incoming secondary only 6.59% and 4.87% of the time, respectively?

RESPONSE:

A. Not confirmed. The model in USPS-LR-K-48, page 4, shows that 23.05% of the 10,000 mail pieces flow from the Outgoing ISS operation to the automation incoming secondary operations.

Response to MMA/USPS-T21-40 (Continued)

B. Not confirmed. The model in USPS-LR-K-48, page 4, shows that 4.01% of the 10,000 mail pieces flow from the Outgoing OSS operation to the automation incoming secondary operations.

C. Confirmed.

D. The data obtained in the 2000 cards / letters density study showed that Multi-Line Optical Character Reader Input Sub Systems (MLOCR-ISS) sort plans were used to isolate high volume local ZIP Codes, which then would be routed to the appropriate automation incoming secondary operation. This is not surprising because the MLOCR-ISS has only 60 bins. Many of those bins have to be used for Remote Bar Code System (RBCS) housekeeping purposes, such as isolating image lift mail, capturing ID tag errors, etc. Given that it is not possible to separate the 164 AADC separations (see label list L801) on the MLOCR-ISS, that machine was typically used to isolate local 5-digit ZIP Codes and the mail for nearby AADCs, SCFs, or P&DCs/P&DFs. The mail for the remaining AADCs, SCFs, and P&DCs/P&DFs was typically "jackpotted" to one or more bins and routed to an automation outgoing primary or automation outgoing secondary operation. Those operations are typically performed on the Delivery Bar Code Sorter (DBCS) which has enough bins to perform the required separations.

E. Confirmed.

F. A statistic related to the "local-nonlocal mix" is not used as an input to the cost models. I am not aware of any data source that could be used to make such an adjustment. Furthermore, the First-Class Mail presort letters cost savings estimates are not affected in any way by the BMM letters cost model. That cost model is used for one

purpose: to develop a BMM letters CRA adjustment factor that supports witness Hatcher's QBRM cost study.

G. Please see the response to MMA/USPS-T21-40D for a description of the MLOCR-ISS sort plan structure. The function of the automation outgoing secondary operations is different than that of the MLOCR-ISS. Automation outgoing secondary operations are typically used to separate the outgoing mail at a given facility to the AADC, or finer, level. Due to the bin capacity on most DBCSs, these separations can now be performed in one pass on one machine. Prior to the deployment of the DBCSs, these separations had to be performed on the Mail Processing Bar Code Sorter (MPBCS), which only had 96 bins. In those days, two distinct passes / operations were required to make all the separations. Those separations were often grouped based on whether the destinating plant was within the 2-day or 3-day service area.

H. Please see the response to MMA/USPS-T21-40D for a description of the MLOCR-ISS sort plan structure. Please see the response to MMA/USPS-T21-40G for a description of the automation outgoing secondary sort plan structure. The automation outgoing primary operation is often referred to as the "FIM" program at many plants and is typically used to process prebarcoded Courtesy Reply Mail (CRM), or "FIM A" mail, and Business Reply Mail (BRM), or "FIM C" mail. These mail pieces are isolated from the residual collection mail in bins 1 and 2 on the Advanced Facer Canceler System Input Sub System (AFCS-ISS). Some plants, especially smaller plants, may not generate a lot of FIM mail and therefore have automation outgoing primary operations that are structured similar to most automation outgoing secondary operations. This is

the reason that a small percentage of the Outgoing ISS and Outgoing OSS mail flows to this operation. The bulk of the outgoing residual mail for those two operations, however, flows to the automation outgoing secondary operations. The outgoing Output Sub System (OSS) operations are used to barcode and sort RBCS mail that was staged while the corresponding images were being processed by the Remote Computer Read (RCR) system or Remote Encoding Center (REC) keyers. Many sites still rely on the MPBCS-OSS to perform this function. Given that the MPBCS-OSS only contains 96 bins, most sites set up those programs to isolate local and regional mail, similar to what was described for the MLOCR-ISS above. Several bins must also be used to isolate RBCS errors. Mail for "the rest of the world" is therefore jackpotted in one or more bins and routed to automation outgoing primary operations or automation outgoing secondary operations, where AADC, or finer, separations are made.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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Nan K. McKenzie

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May 17, 2005