

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 PITNEY BOWES, INC.
(PBI/USPS-T21-1-9)

The United States Postal Service hereby files the responses of witness
Abdirahman to the above-listed interrogatories of Pitney Bowes, Inc., which were filed
on May 24, 2005.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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June 7, 2005

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN
TO INTERROGATORIES OF PITNEY BOWES, INC.**

PBI/USPS-T21-1. Please refer to USPS-LR-K-48 and USPS-LR-K-110 for CRA mail processing costs by cost pool and to USPS-LR-K-1 for high-level descriptions of the cost pools.

(a) Please confirm that cost pool MODS 13 1TRAYSRT contains costs for tray sorting activities that include mechanical tray sorter and robotics operations. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(b) Please confirm that cost pool MODS 17 1DISPATCH contains costs for dispatch activities that include separating, staging, and moving processed mail for subsequent distribution or outbound transportation. If you do not confirm, please explain. Please describe how this cost pool processes/handles rolling stock and trays of First-Class Mail letters.

(c) Please confirm that cost pools MODS 17 1OPBULK and MODS 17 1OPREF contain costs for opening units that include breaking down containers of mail and preparing letters for processing in piece sorting operations. If you do not confirm, please explain. Please explain how these cost pools process/handle pallets, rolling stock, and trays of First-Class Mail letters.

(d) Please confirm that cost pool MODS 17 1OPTRANS contains costs for transporting containers of mail between work areas and weighing mail to and from distribution operations. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(e) Please confirm that cost pool MODS 17 1PLATFRM contains costs for platform operations that include loading and unloading trucks, crossdocking pallets and other containers of mail, sorting mail during the vehicle unloading process, and activities performed by transfer clerks, ramp clerks, and expeditors. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(f) Please confirm that cost pool MODS 17 1SCAN contains costs for scanning mail operations that include loading, scanning, labeling, and unloading of trays utilizing Air Contracting Data Collection System, Automatic Airline Assignment, Automatic Tray Slewing, or Scan-Where-You-Band equipment. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(g) Please confirm that cost pools MODS 18 1MISC, MODS 18 1SUPPORT, and MODS 99 1SUPP_F1 contain costs for general mail processing support operations. If you do not confirm, please explain. Please describe the mail processing support activities that constitute these cost pools.

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(h) Please confirm that cost pool NONMODS ALLIED contains costs for allied labor activities that include platform and collection activities, moving mail to/from other operations, and separating/breaking down mail. If you do not confirm, please explain. Please describe how this cost pool processes/handles pallets, rolling stock, and trays of First-Class Mail letters.

(i) Please confirm that cost pool NONMODS MISC contains costs for all mail processing activities not otherwise classified in the other non-MODS cost pools. If you do not confirm, please explain. Please describe the mail processing activities that constitute this cost pool.

(j) Please confirm that cost pools MODS 48 LD48 OTH and MODS 48 LD_ADM contain mail processing distribution, allied, support, miscellaneous, and admin costs in customer service facilities. If you do not confirm, please explain. Please describe the mail processing activities that constitute this cost pool.

RESPONSE:

(a) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(b) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(c) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(d) Confirmed Please refer to POIR No. 4, Question 11 (a).

(e) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(f) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(g) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(h) Partially confirmed. Please refer to POIR No. 4, Question 11 (a).

(i) Confirmed. Please refer to POIR No. 4, Question 11 (a).

(j) Partially confirmed. Please refer to POIR No. 4, Question 11 (a).

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PBI/USPS-T21-2. Please refer to Table 1 on page 16 of your testimony and confirm that the worksharing-related savings are the expected savings of the marginal mail piece that converts to worksharing. If you do not confirm, please explain.

Response:

Confirmed.

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PBI/USPS-T21-3. Please confirm that there are no mail preparation and addressing requirements for Bulk Metered Mail letters. If you do not confirm, please explain.

Response:

Confirmed.

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PBI/USPS-T21-4. Please refer to page 11, lines 26-27 of your testimony which states that “BMM letters is the mail most likely to convert to worksharing.”

(a) Please discuss if BMM letters are the average or marginal mail pieces most likely to convert to worksharing.

(b) Please confirm that other types of single-piece letters could convert to worksharing. If you do not confirm, please explain.

(c) Please confirm that PRC Op., R2000-1, paragraph 5089 states that the Commission “also views a benchmark as a “two-way street.” It represents not only that mail most likely to convert to worksharing, but also, to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities.”

(d) Do you agree that the benchmark “represents not only that mail most likely to convert to worksharing, but also, to what category current worksharing mail would be most likely to revert if the discounts no longer outweigh the cost of performing the worksharing activities.” If you agree, please discuss if BMM letters are the average or marginal mail pieces most likely to revert. If you do not agree, please explain.

(e) Please confirm that PRC Op., MC95-1, page IV-102, footnote 37 states that, for a mature workshare category such as presort First-Class Mail, “additional volume is considered less likely to come from low-cost nonpresort mail that requires few changes to convert, and more likely to come either from average-cost nonpresort mail that requires more extensive change in order to convert, or from new mail.”

(f) Do you agree that, for a mature workshare category of mail whose volumes have stabilized, additional volume is considered less likely to come from low-cost nonpresort mail and more likely to come either from average-cost nonpresort mail or new mail? If you do not agree, please explain.

(g) Please confirm that BMM letters, when compared to other non-workshared letters, require relatively few changes to convert to worksharing. If you do not confirm, please explain.

RESPONSE:

(a) BMM letters are the marginal mail pieces, assuming that the term “marginal” refers to whether a BMM piece is the next piece to convert to worksharing.

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(b) Partially confirmed. There are single piece letters that will not convert to worksharing such as Courtesy Reply Mail, Business Reply Mail pieces and hand written greeting cards. It is possible that some machine printed mail that is typically generated by business might convert to worksharing. However, from a cost standpoint, those machine printed mail pieces would be quite similar to BMM letters.

(c) Confirmed.

(d) I agree. Please see the response to (a) above.

(e) Confirmed.

(f) I have not studied this issue and therefore have no basis for forming an opinion.

(g). Confirmed.

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PBI/USPS-T21-5. Please confirm that, all else equal, addressing requirements, including Move Update requirements, decrease in-office delivery unit costs for First-Class Mail workshared mail as compared to what these costs would be if there were not addressing requirements. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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PBI/USPS-T21-6. Please provide any analyses, research, reports, studies, or data that quantify the volume or describe the mail characteristics of the First-Class Mail letters that have converted from single piece to presort or that reverted from presort to single piece within the past five years.

RESPONSE:

It is my understanding that no such analyses, research, reports, studies or data have been conducted or produced.

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PBI/USPS-T21-7. Please refer to USPS-LR-K-48 and confirm that, ignoring the CRA component of your costing methodology, flipping trays onto the equipment ledge, and sweeping letter trays during piece distribution, the First-Class Mail letter mail processing mailflow models model piece sortation/handling activities (and, for nonmachinable presort letters, package sortation activities) and do not model tray and container sortation/handling activities. If you do not confirm, please describe with specificity how the models model tray and container sortation/handling activities.

RESPONSE:

It can be confirmed that USPS-LR-K-48 model takes into account the piece and package distribution costs of letters and cards and does not model tray and container sortation/handling costs.

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PBI/USPS-T21-8. Please refer to USPS-LR-K-48. Ignoring the CRA component of your costing methodology, please confirm that the First-Class Mail letter mail processing mailflow models explicitly model (i.e., using activity-specific data such as productivities, accept rates, and downflow densities) loading, inducting, sorting, and sweeping letters in outgoing and incoming piece distribution schemes, sweeping letter trays onto rolling stock, some disposal of empty letter trays, some retrieval, staging, and labeling of empty letter trays, some scheme loading, and piggybacks. If you do not confirm, please explain.

RESPONSE:

Confirmed. Please see my response to PBI/USPS-T21-7.

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PBI/USPS-T21-9. Please refer to USPS-LR-K-48. Ignoring the CRA component of your costing methodology, please confirm that the First-Class Mail letter mail processing mailflow models do not explicitly model (i.e., using activity-specific data such as productivities, accept rates, and downflow densities) tray sorting, dispatch, opening unit, platform, scanning mail, general mail processing support, allied labor, and empty equipment handling operations and moving mail to staging areas in the plant, moving mail between operations, and moving the mail from the final sorting operation to the outbound dock. If you do not confirm, please explain.

RESPONSE:

Confirmed. Please see my response to PBI/USPS-T21-7.

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.

Nan K. McKenzie

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June 7, 2005