

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-T21-55-71)

The United States Postal Service hereby files the responses of witness
Abdirahman to the above-listed interrogatories of the Major Mailers Association, filed on
May 18, 2005.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 8, 2005

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

MMA/USPS-T21-55

Please refer to your response to Interrogatory MMA/USPS-T21-12, which sought information regarding your knowledge of specific enumerated workshare activities performed by a High Volume (HV) First-Class workshare mailer (defined as a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month). In your response, you state "I am not an expert on how HV workshare mailers perform their internal mail preparation operations, nor is it necessary for me to understand the mailer's [sic] Activities."

- A. Please explain how you can possibly provide accurate estimates of postal cost savings due to worksharing if you do not understand nor are you familiar with the specific requirements, in addition to those listed in postal regulations, that comprise worksharing?
- B. Please explain your view of how changes in technology have changed the nature and extent of mailer worksharing over the past ten years.
- C. Please explain how your workshare cost savings methodology focuses on the appropriate cost drivers that are affected by worksharing as it existed in FY 2004 or will exist in TY 2006.

Response:

- A. Redirected to Altaf Taufique (USPS-T-28).
- B. Redirected to Altaf Taufique (USPS-T28).
- C. My cost studies focus on the costs avoided as a result of mailer prebarcoding and/or presorting efforts. Each of my cost models consist of two spreadsheets: a mail flow spreadsheet and cost spreadsheet. Cost factors and inputs that are used in the mail flow model and the cost spreadsheet are explained in my direct testimony, which was revised on 5/24/05, USPS-T-21, pages 6 -10.

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MMA/USPS-T21-56

Please refer to your response to MMA/USPS-T21-13. Your answer does not seem responsive to the original question MMA posed to you. For **each** of the activities listed in Interrogatory MMA/USPS-T21-12, please state whether the task would have to be performed by Postal Service employees if HV First-Class mailers did not perform the task. For purposes of this interrogatory, please assume that HV First-Class mailers do in fact perform all of the tasks listed in Interrogatory MMA/USPS-T21-12. For purposes of clarity, please reproduce all the activities listed in Interrogatory MMA/USPS-T21-12 A-C. Please place a check mark before each task that Postal Service employees would have to perform if HV First-Class mailers did not perform the task. If there are any tasks that you do not check, please explain separately for each specific task why Postal Service employees would not have to perform that task.

Response:

Some of the tasks are performed by the Postal Service whether or not the tasks are performed by the HV mailers. Moreover, not all HV mailers perform all tasks.

A. Traying letters

1. Unloading empty trays provided by USPS, storing them, and distributing them to appropriate workstations; **Postal employees would not unload or store or move trays at mailer facilities.**
2. Removing old tray labels and printing and inserting new labels; ✓
3. Sleeving the trays; ✓
4. Banding the trays; ✓
5. Preparing and applying Destination and Routing (D&R) labels; ✓
6. Preparing and applying Air Contract Transportation (ACT) tags;
7. Postage verification; **HV mailers do not perform postage verification**
8. Electronic transmission of weight and volume data to Postal data centers, including the use of Postal One; **Postal Service employees enter data from the postage statement into the PostalOne! system, whether or not the mailer uses PostalOne! to prepare the postage statement.**
9. Electronic transmissions of all postal paperwork, including the use of Postal One; **See A 8.**
10. Presorting the trays of mail prior to placing them onto pallets, including the use of the Automated Mail Processing System (AMPS). **The Postal Service does not use pallets for letters and cards operations. Trays and rolling stock are often used.**

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Response to MMA/USPS-T21-56 (Continued).

B. Palletizing the trays *The Postal Service does not use pallets for letters and cards operations. Trays and rolling stock are often used.*

1. Unloading, storing, and distributing to appropriate workstations empty pallets provided by the USPS;
2. Stacking trays onto pallets;
3. Shrinkwrapping full pallets to secure trays during transport by USPS;
4. Labeling pallets; and ;
5. Separating and presorting pallets prior to the point at which they are loaded onto trucks.

C. Loading mail onto trucks

6. Moving full labeled pallets to the workshare mailer's loading dock. ***Please see the response to part B.***
7. Loading pallets onto USPS trucks. ***Please see the response to part B.***
8. Meeting USPS scheduling requirements; and ***Postal Service employees meet scheduling requirements, whether or not mailers do.***
9. Presorting trucks with presorted pallets. ***Please see the response to part B.***

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MMA/USPS-T21-57

In your response to Interrogatory MMA/USPS-T21-12, you state “[m]y responsibility is to consider the costs to the Postal Service of different types of mail prepared in accordance with postal regulations.” In your responses to Interrogatories MMA/USPS-T21-14 and 33, you claim that you are not familiar with the manner in which Low Volume (LV) First-Class mailers prepare their mail. (Note that Interrogatory MMA/USPS-T21-14 defined a LV First-Class workshare mailer as a mailer that mails on its own behalf and/or on behalf of other First-Class mailers at least 500 pieces but not more than 2,500 pieces in a given mailing).

- A. According to Postal regulations, are LV First-Class mailers required to present their letters in trays? If no, please explain.
- B. According to Postal regulations, are LV First-Class mailers required to bring their letters to the local post office for acceptance at a window, BMEU or postal loading dock? If no, please explain.
- C. Do you have any reason to believe that LV First-Class mailers are not meeting the requirements necessary to qualify for workshare discounts? If yes, please explain.
- D. In view of your work experience described in response to Interrogatory MMA/USPS-T21-11A and your apparent knowledge of postal regulations, please explain why you do not have the necessary expertise to answer the original question posed to you in Interrogatory MMA/USPS-T21-14, which asked you to confirm that LV First-Class mailers trayed their mail and tendered it to the Postal Service.

Response:

The interrogatory provides an incomplete quote of my response to Interrogatory MMA/USPS-T21-12, in which I stated “ I am not an expert on how HV workshare mailers perform their internal mail preparation operations, nor is it necessary for me to understand the mailer’s activities. My responsibility is to consider the costs to the Postal Service of different types of mail prepared in accordance with postal regulations.”

A-C Redirected to the Postal Service.

D. The term LV mailer is not defined in the DMM. However, any mailing, including those by HV or LV mailers as defined in the interrogatories MMA/USPST21-

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Response to MMA/USPS-T21-57 (continued)

12 and 14, that seeks to qualify for the presort rates, must comply with DMM regulations. These include the regulations that require presort mail to be in trays and presented to the Postal Service.

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MMA/USPS-T21-58

Please refer to your response to MMA/USPS-T21-15 where you claim that you are not familiar with the manner in which workshare First-Class mailers prepare their mail. Please assume hypothetically that HV First-Class mailers perform all of the tasks listed in Interrogatory MMA/USPS-T21-12 and that LV First-Class mailers performed only those tasks listed in Interrogatory MMA/USPS-T21-14.

- A. Is it reasonable that Postal Service employees would have to perform all of the tasks listed in Interrogatory MMA/USPS-T21-12, except those listed in Interrogatory MMA/USPS-T21-14 for letters sent out by LV First-Class workshare mailers? If not, please explain.
- B. Do you have any reason to suspect that the assumptions you were asked to make do not represent the real world operations of HV and LV First-Class workshare mailers? If yes, please explain.

Response:

The interrogatory mischaracterizes my response to interrogatory MMA/USPS-T21-15.

- A. No. Please see my responses to MMA/USPS-T21-12, 56 and 57 (D).
- B. I have not studied the “the real world operations of HV and LV First-Class workshare mailers.” Therefore, I cannot make assumptions about whether the tasks listed in MMA/USPS-T21-12 and 14 are representative.

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MMA/USPS-T21-59

Please refer to your response to Interrogatory MMA/USPS-T21-23 where you agree that worksharing saves transportation under certain circumstances. You did not mention whether transportation costs are saved when (1) mailers presort pallets of letters destined to a particular area, or (2) mailers presort trucks of letters destined to a particular area, and the plant loaded trucks are then sent directly to a HASP or airport, bypassing intermediate facilities where cross docking might be necessary.

- A. When HV First-Class mailers perform the tasks described above, are transportation costs saved? If not, please explain.
- B. In your response to Interrogatory MMA/USPS-T21-24, you have already confirmed that your workshare cost savings methodology does not include any such savings. Please explain why the Postal Service in general, and you specifically, did not take such savings into account in determining workshare cost savings.

Response:

- A. Under certain circumstances, yes. Please refer to MMA/USPS-T21-23.
- B. My testimony presents the cost savings estimates associated with the current rate structure. The testimony of witnesses Potter, Robinson and Taufique discuss why the Postal Service has not proposed classification changes in this docket. First Class Mail does not currently have dropship rates, and I was not asked to prepare cost avoidance estimates associated with a potential FCM drop ship rate or any possible transportation savings that have not been incorporated into the cost estimates provided in prior dockets. Therefore, no transportation cost savings measured in this docket.

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MMA/USPS-T21-60

Please refer to your response to MMA/USPS-T21-27C where you were asked about regulations that require BMM to meet machinability requirements.

- A. Please explain how the machinability requirements for BMM differ, if at all, from the machinability requirements for First-Class automation letters.
- B. Is it your testimony that 100% of BMM is machinable by definition? If so, please provide all information you believe supports that claim.
- C. In your answer, you indicate that you use the costs for metered mail as a proxy for BMM, some of which are not machinable. Please provide your best estimate as to the percentage of metered mail that is not machinable.
- D. Please confirm that in BY 2004, 509 million or only about 1% of First-Class single piece letters paid the nonmachinable surcharge. If you cannot confirm, please explain.

Response:

- A. BMM letters in general, meet the Postal Service's requirements for machinable letters.
- B. No. Most, but not all, BMM letters meet the definition. Please see my response to A.
- C. To the best of my knowledge, these data are not available.
- D. Confirmed.

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MMA/USPS-T21-61

Please refer to your response to Interrogatory MMA/USPS-T21-30 where you indicate that the old cost pool 1CANCMMP was replaced by two new cost pools, 1CANCEL and 1MTRPREP.

- A. Please confirm that the BMM cost pool for 1CANCMMP for TY 2003 in R2001-1 was .668 cents, yet the TY 2006 BMM costs for 1CANCEL and 1MTRPREP combined in this case are only .37 cents. If you cannot confirm, please provide the correct costs and the sources for them.
- B. What is the reason for this decline?
- C. Please confirm that the automation cost pool for 1CANCEL in this case is .013 cents. If you cannot confirm, please explain.
- D. Please explain why Automation letters should incur any costs reported by the 1CANCEL cost pool.

Response:

- A. Confirmed.
- B. Please refer to ABA&NAPM/USPS-T21-25 (f).
- C. Confirmed.
- D. It is my understanding that very small number of automation letters may inadvertently end up in cancellation processing mail as indicated by 0.013 cent cost for cancellation associated with automation letters.

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MMA/USPS-T21-62

Please refer to your response to MMA/USPS-T21-31B where you were asked to explain why in the last three cases the unit costs for “BMM (single piece metered mail)” for the following cost pools are always higher than the unit costs for workshare letters:

1. FSM/1000
2. SPBS OTH
3. MANF
4. MANP
5. 1OPTRANS
6. 1SCAN
7. BUSREPLY
8. REGISTRY
9. REWRAP
10. 1EEQMT
11. INTL ISC
12. Non MODS MANF
13. Non MODS MISC
14. Non MODS REGISTRY

You failed to answer the original interrogatory claiming that the Postal Service does not actually have costs for BMM letters at the cost pool level, even though you use single piece metered mail costs as a proxy for BMM. Please answer the original question with respect to the costs of single piece metered mail letters, the costs of BMM letters, or however you prefer to characterize the costs.

Response:

I do not know.

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MMA/USPS-T21-63

Please refer to your response to MMA/USPS-T21-34A. You failed to confirm that, compared to BMM, workshared MAADC letters should have more readable addresses (addresses in the correct location, no conflict with colors, simple font), more reliable addresses (fewer UAA pieces), better addresses (full and correct), more likely to be machinable, (correct stiffness, not flimsy, square corners, no enclosures). Please provide the specific basis for your conclusion that, as compared with workshared MAADC letters, BMM will not suffer from any of the extra cost-causing deficiencies described above. Please cite all regulations that BMM must meet to ensure that BMM suffers from none of these deficiencies.

Response:

This interrogatory asks for a comparison between BMM and MAADC letters on address quality and machinability. To the best of my knowledge, no one has conducted a study to determine how BMM letters address quality compares to MAADC mail. Therefore, I cannot compare the address quality of BMM and MAADC mail.

BMM is defined as machinable but MAADC mail, unlike BMM, is subject to the machinability requirement. Therefore, I would expect MAADC mail to be more machinable than BMM mail.

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MMA/USPS-T21-64

Please refer to your response to MMA/USPS-T21-34B. You failed to answer the question posed: “[d]oes it seem reasonable to you that the unit costs for the Postal Service to process non-workshared BMM should be *more* than to process Workshared MAADC letters?” In your response, you stated your belief that the costs for BMM and workshared MAADC letters should not be identical because they go through different operations but you failed to indicate whether BMM letters should have a *higher* unit processing cost than workshared MAADC letters. Please provide your expert opinion on the specific question posed to you.

Response:

In my revised model, the modeled costs for MAADC are .089 cents higher than the modeled costs for BMM letters. It is reasonable for the model to yield such results. The models are simplified representations of processing networks which rely on a hybrid approach that incorporates both cost models and CRA data. Furthermore, the model is not designed to compare modeled costs of BMM and MAADC and therefore such a comparison should not be made.

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MMA/USPS-T21-65

Please refer to your response to MMA/USPS-T21-34E. In your response you claim that it is “not meaningful in the context of hybrid cost model” to compare your model results for BMM letters with the results for workshare MAADC letters. You also state that the BMM cost model is not used to calculate the worksharing related savings estimates.

- A. Please explain what you mean by a “hybrid cost model”.
- B. Please confirm that, notwithstanding any errata that you may file, the BMM model-derived unit cost is less than the MAADC model-derived unit cost and that such a result is the opposite of what you might expect. If you cannot confirm, please explain.
- C. Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you did provide a CRA Proportional Factor, based on that BMM cost model, to USPS witness Hatcher. If you cannot confirm, please explain.
- D. Please confirm that USPS witness Hatcher utilized the CRA Proportional Factor that you provided to adjust her model-derived unit costs for hand-addressed and QBRM letters. If you cannot confirm, please explain.
- E. Please confirm that, while BMM letters and Hand addressed letters require the Postal Service to spray on barcodes in the RBCS operation, QBRM letters completely bypass the RBCS operation because they are required to be prebarcoded by postal regulation. If you cannot confirm, please explain.
- F. Please confirm that, although you did not use the BMM cost model to calculate the worksharing related cost savings estimates, you used the BMM CRA Proportional Factor in your analysis of nonmachinable costs. If you cannot confirm, please explain.

Response:

- A. The hybrid cost model uses a methodology that incorporates both Cost and Revenue Analysis (CRA) and model-based mail processing unit costs to estimate worksharing related savings.
- B. Partially confirmed. Please refer to my response to MMA/USPS-T21-64.
- C. Confirmed.
- D. Confirmed.
- E. Confirmed assuming the barcode is readable and no other processing problems occur.
- F. Confirmed.

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MMA/USPS-T21-66

Please refer to your response to MMA/USPS-T21-34H where you state your belief that your models do not understate actual RBCS costs because “the cost models are a simplified representation of reality and reflect the best data available.”

- A. What sensitivity studies or other tests, if any, have you performed that lead you to conclude that the model’s derived costs for the RBCS operation are not understated?
- B. Please explain the basis for your conclusion that the data subsumed in the derivation of RBCS costs are the “best data available”.
- C. If, as you state, the models reflect the “best data available”, please explain how this alleged fact can prevent the model from understating the actual RBCS costs?
- D. Please confirm that, as shown in the following summary table provided for your review, in all of the Postal Service models since R97-1 where mail is entered at the RBCS operation, the model-derived unit costs are lower than the CRA-derived unit costs. If you cannot confirm, please provide the correct costs and explain.

Docket No.	Model	Model-Derived Unit Cost (Cents)	CRA-Derived Unit Cost (Cents)	Model Understatement (Cents)
R2005-1	BMM	4.46	6.58	2.11
	Non-AUTO	8.20	10.80	2.60
R2001-1	BMM	4.28	6.45	2.17
	Non-AUTO	6.62	9.89	3.27
R97-1	BMM	5.27	6.98	1.71

- E. If you confirm part D, please explain why this fact does not support a conclusion that the model consistently and reliably understates RBCS costs.

Response:

- A. I have not performed sensitivity analyses or studies. The BMM letters cost estimate that is relied upon to measure worksharing related savings are from the CRA. BMM letters cost estimate includes the costs for all metered letters, many of which are entered as metered bundles. Consequently, it is likely overstated.
- B. Please see my response to A. The cost models are a simplified representation of reality and reflect the best data available.
- C. The cost model could understate or overstate the costs.

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Response to MMA/USPS-T21-66 (continued)

- D. It can be confirmed that BMM modeled cost are lower than the CRA- derived BMM unit costs. However, the BMM modeled cost is not used to compare with other rate category modeled costs. The BMM model cost estimates are 4.454 cents and BMM proportional workshare related cost pool is 6.476 cents.
- E. Please see my response to D.

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MMA/USPS-T21-67

Please refer to your response to Interrogatory MMA/USPS-T21-34J where you failed to explain “why it is reasonable that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters, in view of the fact that MAADC must be machinable by definition whereas BMM letters are not required being machinable.” From either a theoretical or a practical point of view, is it reasonable to expect that the DPS percentage for BMM letters should be higher than the DPS percentage for MAADC letters? If so, please explain.

Response:

The two estimates of 82.14% and 79.57% are close to one another. The DPS percentages are a reflection of the cost inputs in the models. I have included the best input data possible.

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MMA/USPS-T21-68

Please refer to your response to MMA/USPS-T21-34L. You indicate that you could not reconcile your derived DPS %'s because you are "not familiar with any data that I could use to make such adjustments".

- A. Do you believe that it would have added a significant degree of confidence to your results had you been able to reconcile your derived DPS %'s in any way to actual data? If no, please explain.
- B. Please explain fully what kind of information you would have needed in order to reconcile your derived DPS %'s to actual DPS %'s.
- C. Did you make any attempt whatsoever to obtain actual information with which to compare your derived DPS %'s in order to judge the reasonableness of your model results? If yes, please provide a complete explanation of what you did and any documents that were produced by or for you in connection with that effort. If you did not attempt to obtain any actual information, please explain why you did not do so.
- D. What is the overall DPS % for all letter-shaped mail?
- E. Do you agree that the DPS % for all nonmachinable letters is zero. If not, please explain.
- F. If the Postal Service knows the DPS % for all letter-shaped mail, why could you not de-average this total into an average DPS % for machinable letters and nonmachinable letters and use that average DPS % to reconcile your model-derived average DPS %?

Response:

- A. I note that I do not use DPS percentages as an input in my model. My model develops the DPS percentage which is then used by witness Kelly to produce the delivery unit cost estimates.
- B. No. If actual DPS data were available then the DPS percentages would not need to modeled and there would be no reason to compare modeled percentages to actual percentages.
- C. No. Please see my response to B.
- D. Please refer to the response to MMA/USPS-T29-4(C).
- E. I agree.
- F. This data are not sufficient to produce DPS percentage for all mail categories.

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MMA/USPS-T21-69

In your response to Interrogatory MMA/USPS-T21-34M you seem to disagree that USPS witness Kelley used your DPS %'s to derive unit delivery cost savings due to worksharing. Do you agree that the purpose of USPS witness Kelley's delivery cost study, which utilized your DPS %'s to de-average unit delivery costs for various rate categories, was to provide you with the unit delivery costs for each workshare rate category, including all eight sub-categories of non-automation presorted letters, so that you could estimate delivery cost savings that result **strictly** from worksharing? If no, please explain why you would bother incorporating delivery costs as part of your study of workshare cost savings.

Response:

If it is assumed that more finely presorted automation mail pieces have higher DPS percentages, then I agree.

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MMA/USPS-T21-70

In your response to Interrogatory MMA/USPS-T21-35E, you were asked whether you had made an implicit assumption regarding the amount of BMM that will destinate at CSBCS/Manual offices. Your answer -- that this data are not available -- is not responsive to MMA's question. When comparing the derived workshare-related unit costs for each Automation rate category to your benchmark BMM, how did you specifically account for the additional costs or the reduced costs subsumed in your BMM workshare-related unit cost associated with CSBCS/Manual offices? If you did nothing, then how do you know that the derived unit cost differences result from worksharing and not from the fact that more or fewer BMM letters than for automation letters are processed for delivery at CSBCS/Manual offices?

Response:

It is my understanding that the unit costs associated with CSBCS/Manual offices appears in the NON-MODS AUTO/MEC cost pool.

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MMA/USPS-T21-71

Please refer to your response to Interrogatory MMA/USPS-T21-11B, which sought general information about the nature and extent of your knowledge of how High Volume (HV) First-Class workshare mailers (defined as mailers that mail on their own behalf and/or on behalf of other First-Class mailers at least 5 million pieces per month) operate. In your response, you refer a tour of one mailer's facility that took place on October 20, 2004 in Boulder. Please indicate whether the mailer in question is an HV First-Class workshare mailer and provide a complete narrative description of the tour, including the approximate length of the tour, and everything you saw, asked, and were told, during that tour. Please indicate whether the mailer palletized its trays, utilized Postal One, or provided "special" separations to meet the specific requests of local postal officials. In addition, please explain the purpose of your trip to Boulder and the particular mailer's facility. Finally, please provide details regarding any other postal or mailer facilities you visited during the referenced trip.

Response:

Please refer to my response to MMA/USPS-T21-11B for an overview of my October 20, 2004 visit in Boulder/Denver. I did not see a heavy volume of mail, therefore, I can not categorize whether the mailer was HV First-Class workshare mailer. There were several employees working while the Multi Line Optical Character Reader (MLOCR) was used to prebarcode/ or presort the outgoing letter mail. I observed trays of mail but not palletization. I did not see Postal One being used. I visited the facility to get an understanding on how mailers workshare their mail.

My general purpose of my visit to Denver was to conduct field observations at Denver P&DC. I conducted a general tour of the plant and observed the various processing operations for letters and cards. I visited the Valmont Station to observe BRM operations. Finally, I conducted a general tour of the Denver BMC parcel sorting operations.

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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June 8, 2005