

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORIES OF
AMERICAN BANKERS ASSOCIATION &
NATIONAL ASSOCIATION OF PRESORT MAILERS
[ABA&NAPM/USPS-T28-1 AND 2]

The United States Postal Service hereby files the response of witness Taufique to interrogatories of the American Bankers Association and the National Association of Presort Mailers, filed on June 8, 2005 and June 10, 2005. Filed on separate dates, both interrogatories bore the same number (T28-1). The Postal Service has renumbered the second one to T28-2. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 21, 2005

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO ABA&NAPM INTERROGATORY**

ABA/NAPM-T28-1. Please refer to Table 1A to your response to POIR No. 3, # 1. Please confirm that the title of this table ("Passthroughs Calculated Using the Postal Service Methodology") refers to the method of calculating the passthrough on the entire discount and not merely on the increment; and that the passthroughs in such Table 1A are based upon the mail processing unit costs from LR -K-110, revised 05/24/05. Please prepare an equivalent table showing the resulting Percentage Passthroughs utilizing the differentials which result from the Worksharing Related Savings which result from Mr. Abdirahman's response to ABA/NAPM-T21-55 [i.e., utilizing delivery unit costs of all First Class Mail Nonautomation Presort Letters as the proxy for delivery unit costs of the benchmark, Metered Letters, as the Commission did in the last non-settled rate case (R-2000-1)].

RESPONSE:

Confirmed that the title of Table 1A prepared in response to POIR No. 3, Question 1 refers to the method of calculating the passthrough on the entire discount and not merely on the increment; and that the passthroughs in this table are based upon the mail processing unit costs from USPS-LR -K-110, revised 05/24/05.

The attached table shows the requested calculation and is based on the assumptions provided in ABA/NAPM-T21-55 to witness Abdirahman.

Table 1A. Passthroughs Calculated Using the Postal Service Methodology¹

	Nonautomation Presort	Mixed AADC	AADC	3-Digit Automation Letters	5-Digit Automation Letters
Single Piece	39.0	39.0	39.0	39.0	39.0
Discounted Rate	37.1	32.6	31.7	30.8	29.3
Discount	1.90	6.40	7.30	8.20	9.70
Benchmark	17.717	17.717	17.717	17.717	17.717
Workshare Unit Cost	25.708	9.072	7.973	7.562	6.237
Differential	-7.991	8.645	9.744	10.155	11.480
Percentage Passthrough	-24%	74%	75%	81%	84%

¹This table has been prepared to respond to interrogatory ABA/NAPM-T28-1. The calculations are the same as Table 1A that was prepared in response to POIR # 3, Q. 1. The cost numbers reflect the assumptions listed in ABA/NAPM interrogatory ABA/NAPM-T21-55 applied to PRC-LR-K-110 as requested in the question.

	Carrier Route Automation Letters Carrier Route
5-Digit	29.3
Discounted Rate	29
Discount	0.30
Benchmark (5-Digit Manual)	9.091
Carrier Route	8.034
Differential	1.056
Percentage Passthrough	28%

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO ABA&NAPM INTERROGATORY**

ABA&NAPM/USPS-T28-2. In responding to ABA&NAPM/USPS-T21-20, redirected from USPS witness Abdirahman, you stated that the passthrough of avoided costs for First-Class 3-Digit automation letters is 107 percent. However, the question did not ask what the percentage passthrough of avoided costs is. It asked rather, about the difference in the passthrough percentages for 3-Digit First-Class automation mail and Standard A 3-Digit mail. Please explain the extent to which, using the Commission's incremental approach, the 218% costs avoided passthrough for 3-Digit First-Class automation versus and the 49% costs avoided passthrough for Standard A 3-Digit is a result of using a relatively high cost non-automation presort letter for determining the percentage passthrough for the Standard A 3-Digit Mail versus using a relatively low cost Automation AADC presort rate for benchmarking the 3-Digit First-Class automation "costs avoided".

RESPONSE:

Your interrogatory to witness Abdirahman, ABA&NAPM/USPS-T21-20 asked for a comparison of passthroughs for Standard Mail automation letter 3-Digit presort discount and First-Class Mail automation letter 3-Digit presort discounts, in light of their respective benchmarks. These calculations have been presented in my responses to POIR No. 3 (questions 1 & 3). Your question characterizes the Standard Mail benchmark, 3/5 Digit Nonautomation Letter, as "relatively high cost;" however, my understanding is that of the two Standard Mail nonautomation letter categories that potentially could be used as a benchmark, this particular benchmark is "relatively low cost." The other nonautomation category in Standard Mail letters is Basic Nonautomation which is higher in cost than the 3/5-Digit Nonautomation category. Regarding the use of AADC Automation Letter as benchmark for calculating the First-Class Mail 3-digit automation letter discount, the Postal Service believes that passthroughs should not be calculated on an incremental basis for First-Class Mail for the reasons noted in my responses to POIR No. 3, Question 1 and POIR No. 6,

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO ABA&NAPM INTERROGATORY**

RESPONSE to ABA&NAPM/USPS-T28-2 (continued):

Question 7. Whether the AADC presort automation mail cost is relatively high or low begs the question “In relation to what?” Calling the 3/5 Digit Presort Nonautomation Letter Cost in Standard Mail and the AADC Presort Automation Cost in First-Class Mail as either relatively high or low in relation to each other is problematic, because of the differences in mail characteristics, operations and service standards between the two mail classes.