

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 AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA&NAPM/USPS-T21-58, 59 b-c, 61, 62 a-c)

The United States Postal Service hereby files the responses of witness
Abdirahman to the above-listed interrogatories of the American Bankers Association
and the National Association of Presort Mailers, filed on June 9, 2005 and revised on
June 13, 2005. The following interrogatories have been redirected:

ABA&NAPM/USPS-T21-56, 57, 62 d-e have been redirected to witness Taufique,
ABA&NAPM T21-59 a has been redirected to witness Smith and ABA&NAPM/USPS-
T21-60 has been redirected to witness Bozzo.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 23, 2005

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS
ABDIRAHMAN TO THE INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS**

REVISED JUNE 13, 2005

ABA&NAPM/USPS-T21-58

In your answer to ABA&NAPM/USPS-T21-20 b-c., you state “My understanding is that MODS data for 3 Digit mail is not available.” What was being referenced in the question was not MODS data for the 3 Digit Presort prebarcode rate categories, but the full current listing for the 3 digit operation codes within each MODS cost pool. Please answer the original question with the side by side comparisons for 3 Digit Presort prebarcode FCLM and 3 Digit Presort prebarcode Standard A Regular letter mail.

Response:

It is not possible to provide the requested side by side comparison because the necessary class-specific cost data are not available. In general, First-Class Mail letters and Standard Mail Letters are processed using same MODS operations number. Consequently, it is not always possible to collect data by class using postal data collection systems. CRA adjustment factors are applied to the model costs to compensate for the fact that disaggregated data are not available. On occasion, it is possible to collect data by class using postal data collections systems. For example, premium pay factors can be isolated by class of mail. In other instances, it is not possible to collect class specific data. For example, the MODS system does not collect productivity data by class of mail.

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ABA&NAPM/USPS-T21-59

In your answer to ABA&NAPM/USPS-T21-22, you state “Also, my understanding is that mail processing and delivery costs are not provided at the 3-digit operational level.”

- a. What do you mean by “3-digit operational level”? What was referenced in the question was the operation codes for MODS cost pools which are identified with 3 numbers in front of the operation name. With this clarification, please answer the question.
- b. Please confirm that in your answer to a., where you state you are using “the cost pools for metered mail”, that in fact you are using a “First Class single piece metered letters” unit cost measurement, which label appears explicitly in row 47 of USPS Witness Smith’s TY2006 spread sheets in LR-K-53, page VI-, 4 of 4.
- c. With respect to your answer to b.-d., the questions are perfectly clear, and the references to two library references do not answer the questions. Please state whose responsibility it is, or was as the USPS witness in this case, to reclassify cost pools, for example, from worksharing related proportional to worksharing related fixed, or worksharing related fixed to nonworksharing related. If that was your responsibility, as it was USPS witness Miller’s in R2000-1 and R2001-1, please answer the questions. If it was not your responsibility, please redirect this question and have that witness answer the questions.

Response:

- a. Redirected to witness Smith
- b. Confirmed.
- c. As I noted in the response to Interrogatory 22 (b-d), the classification of cost pools can be found USPS-LR-K-48, which I further note is a library reference that I sponsor. With the clarification now provided that the term “repartitioning” means changes in the classification of cost pools, please see my response to MMA/USPS-T-21-1 (A). For changes in the cost pools themselves, please see witness Smith’s answer to part a.

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ABA&NAPM/USPS-T21-61

In your answer to ABA&NAPM/USPS-T21-26 a., you state “BMM is the benchmark in this case”.

- a. Please confirm that unlike R2000-1, no USPS witness has made any effort to create a unit mail processing cost estimate for “F-C Single Piece Bulk Entered Metered Letters”, which was row 45 in USPS witness Smith’s spread sheet from LR-J-81, TY Letters (4), page VI- 4 of 4, in R2000-1.
- b. Please confirm that empirically you are in fact using mail processing unit costs for single piece metered letters as the benchmark in this case. If you can not confirm this, explain what you are using as the relevant benchmark.

Response:

- a. It can be confirmed that the postal cost system does not isolate BMM letters mail processing unit costs. Consequently, the cost for all metered letters are used as a proxy.
- b. Not confirmed. FCM single-piece metered letters are not the cost benchmark. BMM letters is the cost benchmark. No BMM letters cost estimate is available so the FCM single-piece metered letters estimate is used as a proxy.

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ABA&NAPM/USPS-T21-62

In your answer to ABA&NAPM/USPS-T21-27, you cite a Commission statement from R2000-1 that “BMM letters is the mail most likely to convert to worksharing.”

- a. Are you aware that the RCR read rates for processing single piece letters have increased substantially since R2000-1 due to better camera technology, and that compared to R2000-1, the “calculated total” TY unit mail processing costs for single piece letters has dropped in USPS witness Smith’s spread sheets from 12.3 cents in R2000-1 (see LR-I-81) to 11.421 cents in this case (see LR-K-53).
- b. Are you aware that presort bureaus and worksharing mailers also use the improved camera technology that has enabled more successful RCR read rates, and less manual keying in of OCR machine-unreadable addresses?
- c. Please confirm that the difference in unit mail processing costs has shrunk dramatically between BMM/single piece metered and other single piece letters in USPS witness Smith’s above referenced TY spreadsheets between R2000-1 and R2005-1, namely from 114.2% of the single piece unit cost (using the s. p. metered letter as reference) in R2000-1 to only 104.7%.
- d. With the cost of processing all single piece letter mail in First Class rapidly converging to the costs of processing metered mail, what practical relevance does any metered mail benchmark (whether bulk or non-bulk) have any longer as a benchmark?
- e. Assuming presort bureaus had equitable access relative to the Postal Service for all collection box mail, including blue boxes, residential mail boxes and other pick-up sources for First Class single piece letter mail, and assuming the costs of sorting BMM and other single piece mail were basically equivalent, please confirm that BMM would be no more likely to “convert to worksharing” than any other First Class single piece letter mail. If you do not confirm please fully explain your answer, including but not limited to a full economic explanation of why the apparent changes in, and convergence of, the relative costs of processing metered versus other single piece letter mail would not act as a strong economic signal for presort bureaus to process USPS collection box mail as willingly as BMM.

Response:

- a. Yes, although RCR improvements may only be part of reason why costs declined. See witness Smith’s responses to ABA/NAPM/USPS-T21-34 and 40.

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Response to ABA&NAPM T21-62 continued:

- b. I am aware that presort bureaus and worksharing mailers use mail processing technology to prebarcode and presort mail. I am not particularly aware of their use of camera technology or mailer RCR rates.
- c. I confirm that the change is from 114% to 104%.
- d. Redirected to witness Taufique (USPS-T-28).
- e. Redirected to witness Taufique (USPS-T-28).

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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