

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 REDIRECTED FROM WITNESS KELLEY
(ABA&NAPM/USPS-T16-13-14)

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 17, 2005. These interrogatories have been redirected from witness Kelley.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 27, 2005

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

ABA&NAPM/USPS-T16-13.

- a. Please explain fully why you believe the non-automation machinable mixed AADC unit delivery cost figure of 3.029 cents is a good “proxy” for corresponding BMM unit delivery costs.
- b. Is BMM a residual mail category that is the result of an initial 3 digit sort, like mixed AADC mail is?
- c. In what sense does mixed AADC mail have the attributes BMM is supposed to have, namely the mail next most likely to convert to worksharing?
- d. In light of your BMM proxy, please explain why machinable mixed AADC mail would be the next most likely mailstream to convert to worksharing, when in fact it is a rate category already workshared.

RESPONSE:

- a. The nonautomation machinable mixed AADC presort letters delivery unit cost estimate was used as a proxy for BMM letters because they exhibit similar mail piece characteristics.
- b. BMM letters is not a rate category, but is a “mail type.” It is similar to nonautomation mixed AADC. Depending on the mailer operations, BMM mail could be either the only type of mail preparation that a mailer does or the pieces that remain after other mail is workshared.
- c. The non-automation machinable mixed AADC letters like BMM are machinable, non-barcoded mail pieces with machine printed address that more likely to be read directly by the MLOCR-ISS.
- d. The use of the delivery unit cost proxy is based on the similar mail piece characteristics exhibited by both BMM letters and nonauto MAADC letters; those mail piece characteristics affect costs. No one has ever said that nonauto MAADC is the “most likely mail stream to convert to worksharing.”

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ABA&NAPM/USPS-T16-14.

- a. Since most single piece letters are now machinable because of improved RCR read rates, why did you not use the single piece unit delivery cost of 7.189 cents as your BMM proxy?
- b. Please confirm that the BMM mail processing costs in USPS witness Smith's LR-K-53 TY2006 total mail processing unit costs (Page VI-, TY Letters (4) 4 of 4) are very close to those for single piece, 10.906 cents versus 11.421 cents.
- c. Please explain in light of your answer to b. why you would use a BMM proxy for unit delivery costs that is not only unrelated to single piece mail generally, but in fact has a unit delivery cost below that of the two de-averaged basic automation categories.
- d. Please provide a table using both USPS and PRC methodology for workshared unit delivery cost savings using single piece as the proxy for BMM unit delivery costs

RESPONSE:

- a. Both BMM letters and nonauto MAADC letters exhibit similar mail characteristics and are homogeneous in nature (all pieces are machinable, non-barcoded, and bear machine printed addresses). In contrast, the single-piece letters mail stream is heterogeneous in nature. It contains both machinable and non-machinable mail pieces, mail pieces that are barcoded and not barcoded, and mail pieces that contain either handwritten or machine printed addresses.
- b. It is confirmed that the single-piece letters mail processing unit cost estimate is 11.421 cents and the BMM letters mail processing unit cost estimate is 10.906 cents.
- c. The decision was based on the similar mail piece characteristics and not on the results from other rate categories.

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Response to ABA&NAPM T16-14 continued:

A table using both USPS and PRC methodology for workshared unit delivery cost savings using single piece as the proxy for BMM unit delivery costs is attached.

FIRST-CLASS MAIL PRESORT LETTERS SUMMARY

BENCHMARK RATE CATEGORY	Mail Processing		Delivery	Total	Total
	Total	Worksharing	Worksharing	Worksharing	Worksharing
	Unit Cost	Related	Related	Related	Related
(1)	Unit Cost	Unit Cost	Unit Cost	Unit Cost Savings	(5)
Bulk Metered Mail (BMM) Letters	10.906	9.641	7.189	16.830	
Nonautomation Presort Letters	18.965	16.302	6.939	23.241	(6.410)
Nonautomation Nonmachinable Mixed	36.148	33.484	10.918	44.402	(27.572)
Nonautomation Nonmachinable ADC	31.470	28.806	10.918	39.724	(22.893)
Nonautomation Nonmachinable 3-Digit	27.876	25.212	10.918	36.130	(19.300)
Nonautomation Nonmachinable 5-Digit	18.544	15.880	10.918	26.798	(9.968)
Nonautomation Machinable Mixed AAD	14.030	11.366	3.929	15.295	1.535
Nonautomation Machinable AADC	14.030	11.366	3.929	15.295	1.535
Nonautomation Machinable 3-Digit	13.548	10.884	3.737	14.621	2.209
Nonautomation Machinable 5-Digit	13.548	10.884	3.737	14.621	2.209
Nonautomation Machinable Letters (All Presort Lev	13.737	11.073	3.812	14.885	1.945
Automation Mixed AADC Letters	4.827	4.321	4.148	8.469	8.361
Automation AADC Letters	4.053	3.547	3.940	7.487	9.344
Automation 3-Digit Presort Letters	3.780	3.274	3.846	7.120	9.710
Automation 5-Digit Presort Letters	2.842	2.336	3.597	5.933	10.897
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	3.084	2.578	6.691	9.269	n/a
Automation Carrier Route Presort Letters	2.317	1.811	6.520	8.331	0.938

		Single Piece	Presort
Additional Nonmachinable Letter Costs (Shape)	1/	23.71	12.18
Additional Nonmachinable Letter Costs (Nonauto Letters)	2/	25.70	18.99

Sources

- [1]: Total estimatead costs including CRA adjustment factors.
- [2]: Estimated mail processing cost excluding non-worksharing fixed CRA adjustment factor.
- [3]: LR-K-67.
- [4]: [2] + [3].
- [5]: Appropriate benchmark [4] - rate category [4].

- 1/: NonStandard worksheet.
- 2/: Non Machinable worksheet

FIRST-CLASS MAIL PRESORT LETTERS SUMMARY

BENCHMARK RATE CATEGORY	Mail Processing		Delivery	Total	Total
	Worksharing		Worksharing	Worksharing	Worksharing
	Total Unit Cost (1)	Related Unit Cost (2)	Related Unit Cost (3)	Related Unit Cost (4)	Related Unit Cost Savings (5)
Bulk Metered Mail (BMM) Letters	12.773	11.231	5.784	17.015	
Nonautomation Presort Letters	22.275	19.222	6.486	25.708	(8.693)
Nonautomation Nonmachinable Mixed ADC	43.333	40.280	9.810	50.090	(33.075)
Nonautomation Nonmachinable ADC	37.735	34.683	9.810	44.493	(27.477)
Nonautomation Nonmachinable 3-Digit	33.135	30.082	9.810	39.892	(22.877)
Nonautomation Nonmachinable 5-Digit	21.526	18.474	9.810	28.284	(11.268)
Nonautomation Machinable Mixed AADC	16.244	13.192	3.972	17.164	(0.148)
Nonautomation Machinable AADC	16.244	13.192	3.972	17.164	(0.148)
Nonautomation Machinable 3-Digit	15.750	12.697	3.812	16.509	0.506
Nonautomation Machinable 5-Digit	15.750	12.697	3.812	16.509	0.506
Nonautomation Machinable Letters (All Presort Levels)	15.944	12.891	3.875	16.766	0.249
Automation Mixed AADC Letters	5.426	4.917	4.155	9.072	7.943
Automation AADC Letters	4.501	3.992	3.981	7.973	9.042
Automation 3-Digit Presort Letters	4.168	3.659	3.903	7.562	9.453
Automation 5-Digit Presort Letters	3.051	2.542	3.695	6.237	10.778
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	3.320	2.811	6.280	9.091	n/a
Automation Carrier Route Presort Letters	2.407	1.898	6.136	8.034	1.056

		Single Piece	Presort
Additional Nonmachinable Letter Costs (Shape)	1/	25.15	13.30
Additional Nonmachinable Letter Costs (Nonauto Letters)	2/	29.60	20.32

Sources

- [1]: Total estimatead costs including CRA adjustment factors.
- [2]: Estimated mail processing cost excluding non-worksharing fixed CRA adjustment factor.
- [3]: LR-K-101.
- [4]: [2] + [3].
- [5]: Appropriate benchmark [4] - rate category [4].

- 1/: NonStandard worksheet.
- 2/: Non Machinable worksheet

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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