

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

COMPELLED RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF VALPAK DIRECT MARKETING SYSTEMS, INC., AND
VALPAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM WITNESS
TAUFIQUE (VP/USPS-T28-23-27, 48, AND 51)
(July 15, 2005)

Pursuant to Presiding Officer's Ruling No. R2005-1/47, issued on July 8, 2005,
the Postal Service hereby provides its institutional responses to interrogatories
VP/USPS-T28-23-27, 48, and 51, redirected from witness Taufique.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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VP/USPS-T28-23.

Please refer to the "COST" spreadsheet of workbook USPS-LR-J-131-WP1.xls, Docket No. R2001-1, containing mail processing and delivery costs (in cents per piece) for various rate categories of Standard ECR mail, on which the current rates are based, the relative levels of which are being perpetuated by the Postal Service's across-the-board proposal in the instant docket.

a. Please describe the mail processing received by Saturation flats leading to the cost of 1.152 cents, including a general outline of the steps through which the cost is developed and what proportion of Saturation flats receive each processing step.

b. Please describe the mail processing received by High Density flats leading to the cost of 1.152 cents, including a general outline of the steps through which the cost is developed and what proportion of High Density flats receive each processing step.

c. Please describe the mail processing received by Basic flats leading to the cost of 3.331 cents, including a general outline of the steps through which the cost is developed and what proportion of Basic flats receive each processing step.

d. Drawing on the descriptions you provided in response to parts a through c of this question, and supplementing them as needed, please explain why Basic flats receive 2.891 ($3.331/1.152$) times as much mail processing cost as either High Density or Saturation flats, including why it is that High Density and Saturation flats receive exactly the same amount of mail processing. Where appropriate, please include references to the effect of pieces-per-bundle, any effects of dropshipment by mailers, and third-bundle treatment discussed in the testimony of Postal Service witness Jeffery W. Lewis (USPS-T-30, Section 2.2, pp. 2-3).

e. Please describe of how the mail processing cost for Saturation flats of 1.152 cents picks up and accounts for the mail processing costs of any Detached Address Labels ("DALs") accompanying the flats, including the proportion of the flats that have such labels. If any of the cost of 1.152 cents is for bundle sorts of flats, please include a discussion of the nature of the equivalent sorts received by any associated DALs.

RESPONSE:

(a)-(c) Mail processing encompasses all clerk and mail handler activities associated with distribution of mail, allied labor operations, and miscellaneous work (including mail processing support activities). For the purposes of cost analysis, these activities are grouped into distinct mail processing cost pools. Mailers present Standard ECR flats as

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bundles loaded on pallets or in sacks. Depending on the presort and drop-ship levels of the container, clerks and mail handlers perform a variety of container and bundle sorting activities to move the mail to the destination carrier route. Container handling activities take place in plants and BMCs (particularly in the 1PLATFORM, BMC PLA, BMC OTH, and 1OPTRANS cost pools) as well as in delivery units (non-MODS ALLIED).

Container break-down and bundle and sack sorting operations take place in plants, BMCs, and delivery units (including the MECPARC, 1SACKS_M, 1SACKS_H, SPBSOTH, SPBSPRIO, 1OPBULK, 1OPREF, 1POUCHING, BMC SPB, BMC SSM, and non-MODS Allied cost pools). Some individual piece sorting may be required for broken bundles.

Container handling activities at upstream facilities will typically be avoided by mail drop-shipped to the destinating BMC or plant, and plant and BMC operations in their entirety will typically be avoided by mail drop-shipped to the destinating delivery unit. However, it is not possible as a general matter to specify the proportion of ECR flat volume handled in each processing step.

The test year costs by cost pool for each ECR rate category and shape are reported in the "Summary TY Data" worksheet of the "LR-J-59.xls" workbook as found in USPS-LR-J-59. The procedures for the derivation of these cost estimates as well as the resulting unit cost estimates are described in USPS-LR-J-59 and the response to VP/USPS-T26-2(c).

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(d) The final unit cost values in USPS-LR-J-59 were adjusted to control for the effects of differing drop-ship entry profiles. Hence, the mail processing unit cost differential between basic ECR flats and saturation/high density ECR flats is tied to factors other than drop-shipping. Saturation and high density ECR flats are likely to be in containers that are more finely presorted than containers of basic ECR flats. Accordingly, containers of high-density and saturation ECR flats will tend to be handled intact deeper into the mail processing system, and thus will require fewer bundle sorts. Also, because of differing presort requirements, the average bundle size is larger for saturation/high density ECR flats than for basic ECR flats, so the cost per piece of bundle handlings will tend to be lower for saturation/high-density ECR than for basic ECR, other things equal. In light of the bundle and container sorting activities needed for ECR flats, both of these factors could have an important impact on mail processing costs when measured on a per-piece basis.

Please note that separate unit costs for high-density and saturation ECR flats were not estimated in USPS-LR-J-59; the measured high-density and saturation costs are identical because the categories were pooled.

(e) If a selected employee's activity at the time of an IOCS reading is associated with a detached address label (DAL), the data collector uses the parent piece to determine shape. Hence, the costs associated with handling DALs accompanying saturation ECR flats would be included in ECR flat costs. The Postal Service has no data system that measures the volume of saturation ECR flats accompanied by DALs.

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As noted in witness Kingsley's response to VP/USPS-T39-1-2 in Docket No. R2001-1, the operational standard at the time the unit costs were developed in USPS-LR-J-59 was to ensure that DALs remained with their host pieces during mail processing activities. DALs were unlikely to be separated from their host pieces and processed as individual pieces, such as being processed on letter automation equipment. Hence, the mail processing activities associated with saturation ECR flats and their accompanying DALs were likely to include keeping pieces and DALs in close proximity to one another.

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VP/USPS-T28-24.

Please refer to the "COST" spreadsheet of workbook USPS-LR-J-131-WP1.xls, Docket No. R2001-1, containing mail processing and delivery costs (in cents per piece) for various rate categories of Standard ECR mail, on which the current rates are based, the relative levels of which are being perpetuated by the Postal Service's across-the-board proposal in the instant docket.

a. Footnote 2 on the referenced spreadsheet indicates that the costs of delivery (column G) come from USPS-LR-J-59. Please provide details concerning the files and the specific locations in USPS-LR-J-59 of each delivery-cost figure.

b. Please provide a breakout of each of the seven delivery-cost figures into a city delivery component and a rural-delivery component, indicating the weights given to each. Then, for the city-carrier component, to the extent applicable, please break out the figures into an in-office portion and a street portion.

c. The following questions concern the delivery cost of 6.070 cents for Basic flats and 4.862 cents for High Density flats.

(i) Please identify and discuss all reasons for the two costs being different.

(ii) To the extent that differences in the two costs reflect the amount of carrier time incurred, please indicate the wage rates on which the figures are based.

(iii) Please discuss the extent to which these costs are properly viewed as marginal costs. In the case of the High Density figure of 4.862 cents, for example, if the High Density discount were to be increased and the volume of High Density flats were to increase according to the appropriate elasticity, would you expect the unit additional cost associated with these additional pieces to be 4.862 cents? Please explain your answer.

(iv) If you indicate that each cost figure is a marginal cost, please outline all of the assumptions which must be made in order to justify the marginal conclusion. If you do not so indicate, please present and discuss the costing theory underlying the nature of these costs.

Response

a. The source of the delivery costs in column G of the 'COST' worksheet is not LR-J-59. It is instead "LR-J-117_revised.xls", worksheet 'summary TY', cells O85-O88 and O101-O103.

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b. The breakouts requested for the LR-J-131 TY delivery costs are in the following table.

ECR Shape/Rate Subcategory	Total City Plus Rural Delivery Cost Per Piece	Total City Delivery Cost Per Piece	City In-Office Delivery Cost Per Piece	City Street-Time Delivery Cost Per Piece	Total Rural Delivery Cost Per Piece
	(1)	(2)	(3)	(4)	(5)
ECR Letters					
Auto	4.596	1.876	0.457	1.419	2.720
Basic	6.384	4.103	2.377	1.726	2.282
High Density	4.684	3.405	1.776	1.630	1.279
Saturation	3.374	2.096	0.646	1.449	1.279
ECR Non-Letters					
Basic	6.070	4.363	2.265	2.098	1.707
High Density	4.862	3.469	1.494	1.975	1.392
Saturation	4.031	2.639	0.778	1.861	1.392

There are no weights involved in the analysis. The unit costs in the above table are all costs per RPW. Thus, the total city delivery costs per piece in column 2 equal the simple addition of the component unit costs in columns 3 and 4. The total city plus rural costs per piece in column 1 likewise equal the sum of the total city and total rural unit costs in columns 2 and 5.

c(i). First, the unit costs referred to in this question were the ECR Basic and High Density nonletters unit costs, not the Basic and High Density flats unit costs. The two main sources of the 25% excess of the 6.070-cent unit cost for Basic nonletters over the 4.862-cent cost for High Density nonletters were the big differences in city in-office direct labor flats costs, and in total rural-carrier flats costs. (Virtually all ECR nonletter costs came from flats). The Basic flats city in-office direct labor and total rural-carrier costs per RPW piece exceeded the corresponding High Density unit costs by 52% and 23%, respectively. (In contrast, the Basic flats total city street-time cost per piece

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exceeded the High Density street-time cost per piece by only 6%). This much higher Basic flats city in-office direct-labor cost very likely resulted from the combination of a higher percentage of pieces going through casing operations, and a higher cost per cased piece. Given data limitations, it is not possible to actually quantify these differing casing rates and costs per cased piece. The higher Basic flats total rural cost per RPW piece resulted from the way in which LR-K-117 allocated RCCS ECR Basic flats and High Density flats to the rural evaluation categories. Virtually all Basic flats were allocated to the “flats-delivered” category, which had a BY 2000 cost per delivered piece of \$0.0576. Virtually all High Density flats, however, were allocated to the “boxholder” category, which had a 41% lower BY 2000 cost per delivered piece equal to \$0.0337.

(ii). The city costs reflect a TY03 city-carrier wage rate of \$32.617, listed in cell C34 of “LR-J-117_revised.xls”, worksheet ‘letters 93’. LR-J-117 does not report a TY03 rural-carrier wage rate. However, the National Payroll Hour Summary Report, Accounting Period 13 – 2003 at page 61 reports a ratio of aggregate annual FY 2003 rural-carrier wages over corresponding workhours equal to \$26.284.

(iii). Please see R2005-1, USPS-LR-K-1, Summary Description, Appendix H for an analysis of the conditions under which a total delivery cost per RPW piece, such as the 4.862-cent High-Density cost, can be regarded as a marginal cost. In any event, it is unclear what is meant by the reference in your question to High-Density flats volume that increases “according to the appropriate elasticity”. As a marginal cost, the 4.862 cents only measures the increase in cost resulting from a one-piece increase in volume.

(iv). Please see the response to c(iii) and R2005-1, USPS-LR-K-1, Summary Description, Appendix H.

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VP/USPS-T28-25.

Please refer to the "COST" spreadsheet of workbook USPS-LR-J-131-WP1.xls, Docket No. R2001-1, containing mail processing and delivery costs (in cents per piece) for various rate categories of Standard ECR mail, on which the current rates are based, the relative levels of which are being perpetuated by the Postal Service's across-the-board proposal in the instant docket.

a. Please refer to the delivery cost for Basic (presorted to carrier route) **letters** of 6.384 cents and for Basic (presorted to carrier route) **flats** of 6.070 cents.

(i) What portions of these two costs, if any, are **not** associated with carrier activities?

(ii) At this carrier route presort level, please identify and discuss the reasons why the delivery cost of letters is higher than the delivery cost of equivalently-prepared flats.

b. Please consider that (i) the delivery cost shown for Basic flats is 0.314 (6.384 minus 6.070) cents **lower** than the corresponding cost shown for letters and (ii) the delivery cost shown for High Density flats is 0.178 (4.862 minus 4.684) cents **higher** than the corresponding cost shown for letters.

(i) Please explain the extent to which your general expectation would be that carrier costs decline as the level of preparation and the density of the mail increase, measuring density as the proportion of possible stops on a route that receive mail.

(ii) Please suppose that 1,000 Basic letters were replaced by 1,000 Basic flats, for the same addresses on the same routes, and that the addresses and routes are typical and representative. Would you expect a **decline** in postal costs in the amount of \$3.14 (1,000 times 0.314 cents)? If you would not, please explain what cost change you would expect, stating all assumptions made and drawing on the characteristics of the mail involved and the work to be performed.

(iii) Please suppose that 1,000 High Density letters were replaced by 1,000 High Density flats, for the same addresses on the same routes, and that the addresses and routes are typical and representative. Would you expect an increase in postal costs in the amount of \$1.78 (1,000 times 0.178 cents)? If you would not, please explain what cost change you would expect, stating all assumptions made and drawing on the characteristics of the mail involved and the work to be performed.

(iv) Please explain any extent to which you do not agree that for typical and representative routes, the fundamental difference between a mailing (letters or flats) qualifying for the Basic (presorted to carrier route) rates and a mailing qualifying for the High Density rates is that the mailing qualifying for the High Density rates has more pieces per route. If you do not agree, please explain all reasons for disagreeing.

(v) Drawing on the characteristics of the mail involved and the work to be performed, please provide a narrative explanation of all of the reasons why, compared to High Density letters, High Density flats cost **more** for carriers to process and deliver while, compared to Basic letters, Basic flats cost **less** for carriers to process and deliver.

Response

a.(i) All portions of both costs are associated strictly with carrier activities.

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(ii) First, the 6.070 cost referred to in this question is really the cost for ECR Basic nonletters, not ECR Basic flats. The primary reason for the 5% excess of the Basic letters total delivery cost per RPW (6.384 cents) over this Basic nonletters total delivery cost per RPW is the 34% excess of the Basic letters rural-carrier cost per RPW over the corresponding Basic nonletters rural cost. Moreover, the source of this 34% excess lays entirely in the much higher Basic-letters ratio of RCCS pieces to RPW pieces.

The significance of this much higher volume ratio is made apparent when the LR-J-117 rural-carrier costs per RPW are expressed as the product of this ratio and the rural costs per RCCS piece. For Basic letters, the TY rural cost per RPW equaled 1.833 cents, which equaled an RCCS-to-RPW volume ratio of 0.375 times a rural cost per RCCS piece of 4.891 cents. For Basic nonletters, the TY rural cost per RPW equaled only 1.371 cents, which equaled an RCCS-to-RPW volume ratio of only 0.230 times a rural cost per RCCS piece of 5.956 cents.

Thus, the Basic nonletters rural cost per RCCS, at 5.956 cents, was actually higher than the corresponding 4.891-cent Basic letters cost. It was only because this 5.956 cents was multiplied by a low 0.230 ratio of RCCS Basic nonletters to RPW Basic nonletters that it translated into a low 1.371 cents per RPW piece. In contrast, the much lower 4.891-cent Basic letters cost per RCCS – as compared with the nonletters cost per RCCS - translated, via the high 0.375 ratio of RCCS Basic letters to RPW Basic letters, into a correspondingly high 1.833 cents per RPW.

To see why this result is so critical, suppose the Basic nonletters RCCS-to-RPW ratio had equaled the same 0.375 that it equaled for letters. Then the TY rural Basic nonletters cost per RPW would have equaled 0.375 times 5.956 cents, or 2.232 cents,

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which would have been 22% higher than the 1.833-cent rural Basic letters cost per RPW. This 22% excess would, in turn, have caused the TY Basic nonletters total delivery cost per RPW (including piggybacks) to increase from 6.070 cents to 7.142 cents, which would have been 12% higher than the 6.384-cent TY Basic letters total delivery cost (including piggybacks) per RPW.

b(i) As the level of preparation increases, the expectation is that carrier costs per RPW would decline, since increased preparation should cause reductions in the percentages of pieces that go through city in-office casing, and in the costs per cased piece.

However, it would not be expected that an increase in the proportion of possible stops that receive mail would also reduce the LR-J-117 carrier costs per RPW. The total "LR-J-117_revised.xls" TY city-carrier route, access, and load-time costs per RPW piece (from columns F-H and L of 'summary TY') are the same for Basic letters as they are for High Density letters. The corresponding unit costs for Basic flats are likewise the same as the High Density flats unit costs. These results suggest that the LR-J-117 costing methodology does not reduce street-time costs per piece in response to increases in stop coverages.

(ii). Assuming solely for the sake of this question that the LR-J-117 costing methodology were correct, and assuming that the \$3.14 cost differential applies to all 1,000 pieces, it would be expected that the substitution of 1,000 Basic flats for 1,000 Basic letters would cause a \$3.14 decline in total costs.

(iii). Yes, subject to the same assumptions stated in the response to question 25 b(ii).

(iv). Agreed.

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(v). High density flats cost more for carriers to deliver than High Density letters because city street-time costs per delivered piece and total rural costs per delivered piece are higher for flats than for letters. Observe, also, that because the LR-J-117 ratios of CCS to RPW pieces and RCCS to RPW pieces did not differ substantially between High Density flats and High Density letters, this excess of the High Density flats cost per delivered piece over the High Density letters cost translated into correspondingly higher LR-J-117 base year and test year flats costs per RPW piece.

As explained in the response to question 25a(ii), the LR-J-1117 cost per delivered piece was also greater for Basic nonletters (most of which are flats) than for Basic letters, and this was the case for the same reason that the High Density flats costs per delivered piece exceeded the High Density letters cost per delivered piece. This result is confirmed by the finding that, had the Basic-nonletters RCCS to RPW volume ratio equaled the Basic letters ratio, LR-J-117 would have computed a TY Basic nonletters total delivery cost per RPW equal to 1.12 times the Basic letters total delivery unit cost. The only reason LR-J-117 reported lower TY total delivery unit costs for Basic nonletters than for Basic letters was that the actual LR-J-117 TY ratio of RCCS to RPW volume was much lower for nonletters (at 0.230) than for letters (at 0.375).

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VP/USPS-T28-26.

Please refer to the "COST" spreadsheet of workbook USPS-LR-J-131-WP1.xls, Docket No. R2001-1, containing mail processing and delivery costs (in cents per piece) for various rate categories of Standard ECR mail, on which the current rates are based, the relative levels of which are being perpetuated by the Postal Service's across-the-board proposal in the instant docket, and specifically to the delivery cost of Saturation flats, shown to be 4.031 cents.

- a. Please discuss the extent to which this cost is properly viewed as a marginal cost.
- b. Please suppose the Saturation discount were to be increased and the volume of Saturation flats were to increase according to the appropriate elasticity. Would you expect the unit additional cost associated with these additional pieces to be 4.031 cents? If not, please explain what you would expect the unit additional cost to be.
- c. If you indicate that the cost figure of 4.031 cents is a marginal cost, please outline all of the assumptions which must be made in order to justify the marginal conclusion. If you do not so indicate, please present and discuss the costing theory underlying the nature of this cost.

Response

a. and b. Please see R2005-1, USPS-LR-K-1, Summary Description, Appendix H for an analysis of the conditions under which a total delivery cost per RPW piece, such as the 4.031-cent Saturations flats cost, can be regarded as a marginal cost. Also, it is unclear what is meant by the reference in part b of your question to Saturation-flats volume that increases "according to the appropriate elasticity". In any event, as a marginal cost, the 4.031 cents would measure only the increase in cost resulting from a one-piece increase in volume.

(c) Please see the response to parts a. and b. of this question, and R2005-1, USPS-LR-K-1, Summary Description, Appendix H.

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VP/USPS-T28-27

Please refer to spreadsheets "COST" and "NCOST" in files USPS-LR-J-131-WP1.xls and USPS-LR-J-131-WP2.xls, respectively, Docket No. R2001-1, which provide cost information behind the current Standard (Commercial) ECR and Standard Nonprofit ECR rates, which are being elevated in this case by application of an across-the-board percentage, 5.6 percent and 5.9 percent, respectively. See columns G in both spreadsheets, which contain delivery costs. Please provide a specific source for each delivery-cost cell in both spreadsheets, one being for commercial ECR and the other for Nonprofit ECR. Note that the source shown on the sheet may not be the correct one. Note also that USPS-J-LR-117 is a candidate source, but does not appear to show separate costs for Standard (Commercial) ECR and Standard Nonprofit ECR.

Response

The source of the delivery costs in column G for both the 'COST' worksheet and the 'NCOST' worksheet is USPS-LR-J-117, worksheet 'summary TY', cells O85-O88 and O101-O103. Note, also, that the relevant LR-J-131 workbooks are the errata versions, "lr131e~1.xls" and "lr131e~2.xls", filed on January 3, 2002. These replaced "USPS-LR-J-131-WP1.xls" and "USPS-LR-J-131-WP2.xls".

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VP/USPS-T28-48. In presort-tree form, Chart Nos. 1 and 2 attached show costs (cents per piece), workshare-related and not, as appropriate, for Standard Regular (above the uneven line) and Standard ECR (below the uneven line) mail. Chart No. 1 is for the commercial category, and Chart No. 2 is for the nonprofit category. Both charts show USPS costs from Docket No. R2001-1, upon which the current rates are based, which in turn would be elevated by the Postal Service's across-the-board proposal in the instant docket, thus perpetuating relative rate levels.

The columns on each chart are labeled. Boxes with **one** layer set out either total or workshare-related costs, as appropriate. Boxes with **two** layers set out total costs on the top layer and workshare-related costs on the bottom layer. Boxes with **three** layers set out a cost difference in the top layer, a percentage passthrough in the middle layer, and a rounded discount in the bottom layer. The arrows show the sources of the cost differences.

- a. With respect to the columns labeled (i) barcode letter, (ii) letter, (iii) flat, and (iv) barcode flat, please confirm that the cost shown in each single-layer box is correct. If any are incorrect, please provide the correct cost and a reference to its source.
- b. With respect to the columns labeled (i) letter and (ii) flat, please confirm that the unit cost in each of the double-layer boxes is correct. If any are incorrect, please provide the correct cost and a reference to its source.

RESPONSE:

(a)-(b) Please see the attached charts, which have also been filed in Excel format.

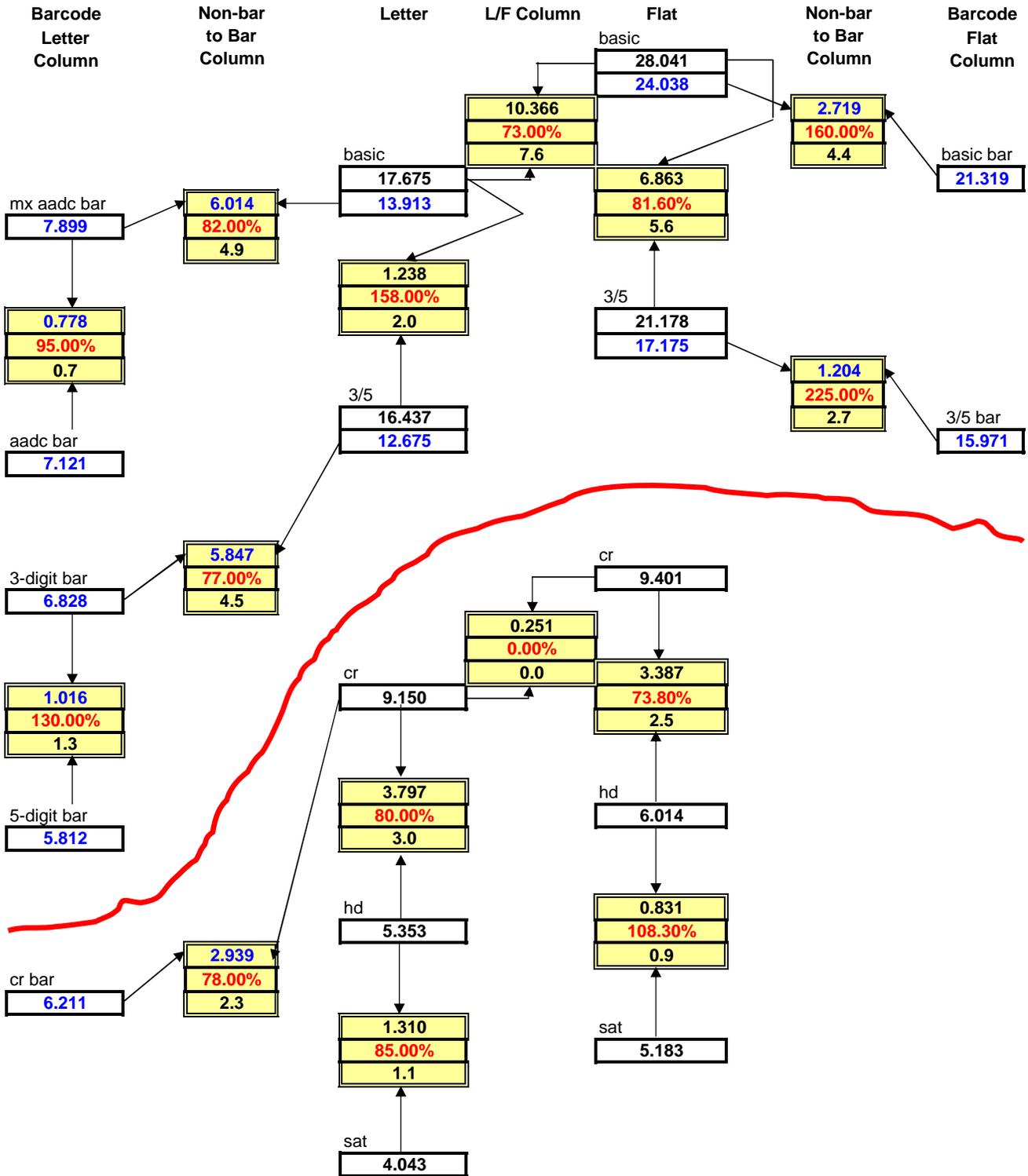
Note the following:

- The mail processing and delivery unit cost values on rows 12-15 of the input table for Chart 1 (sheet 9 on the Excel file) have been changed to reflect the revised estimates in USPS-LR-J-60 as submitted on 11/15/01. Also, the source descriptions on rows 30-31 have been changed from USPS-LR-J-131 to USPS-LR-J-132.
- The delivery unit cost values of rows 9, 16-18, and 25-27 of the input table for Chart 2 (sheet 10 on the Excel file) have been changed to reflect the revised estimated in USPS-LR-J-131 as submitted on 1/3/02.
- Spreadsheet formulas have been added to link the cost values on the input sheets (sheets 9 and 10 on the Excel file) to the costs values on the presort tree sheets (sheets 1 and 2 on the Excel file). Accordingly, some of the cost values in the presort

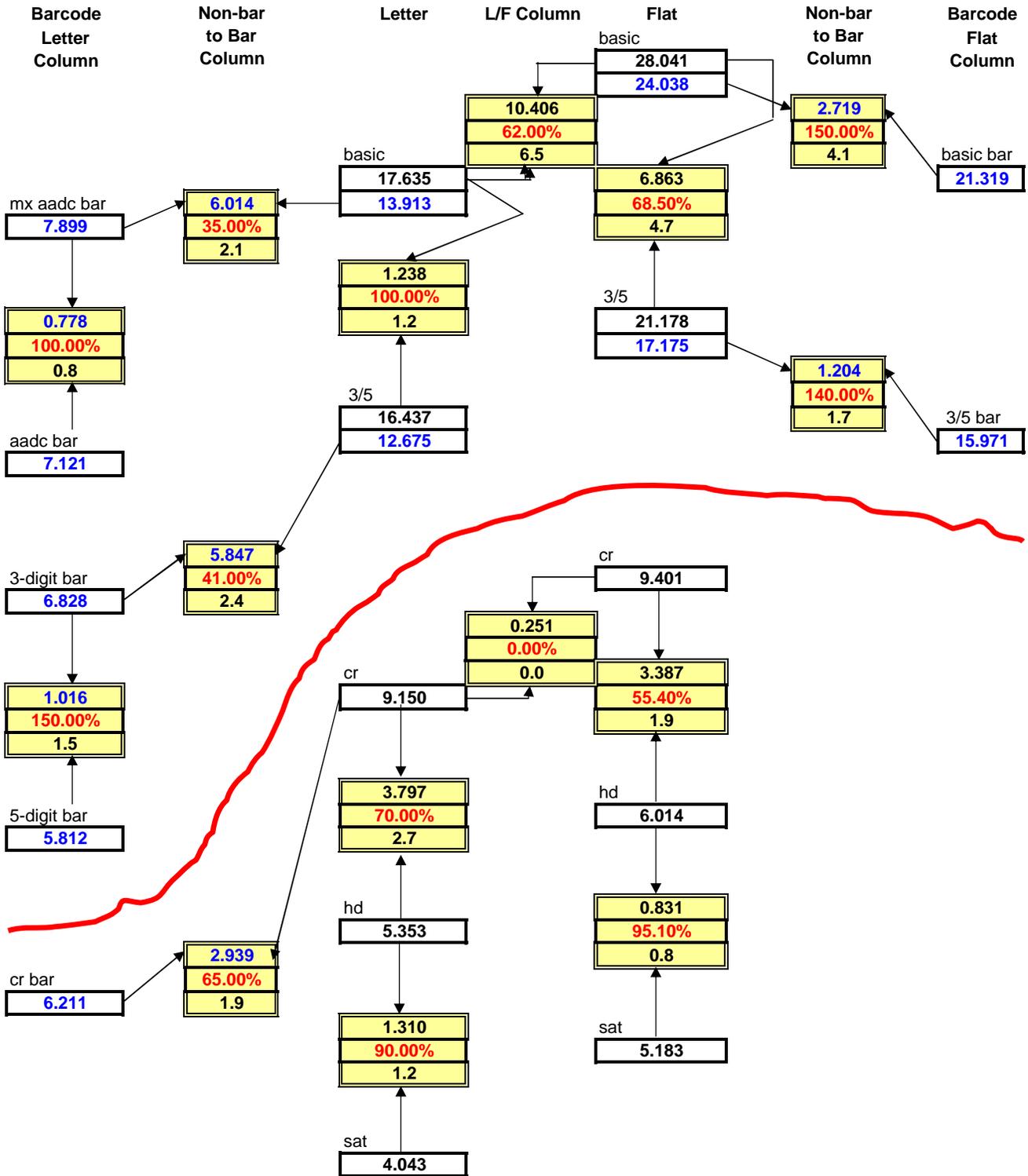
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tree sheets have changed from those values originally submitted. The formulas within the presort trees used to calculate cost differentials have not been checked or confirmed, nor have the passthrough percentages.

Commercial Standard, USPS Costs, Docket No. R2001-1



Nonprofit Standard, USPS Costs, Docket No. R2001-1



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Sources for figures in Chart 1 of Attachment to VP/USPS-T28-48

Figure Column 1	Component Mail Processing	Source	Component Delivery	Source
7.899	4.012	USPS-LR-J-132-WP1.xls sheet 'COST'	3.887	USPS-LR-J-132-WP1.xls sheet 'COST'
7.121	3.294		3.827	
6.828	3.016		3.812	
5.812	2.074		3.738	
6.211	1.615	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02	4.596	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02

Column 5

17.675	13.474	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'SAVINGS'	4.201	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'SAVINGS'
13.913	9.712	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'LETTERS SUMMARY'	4.201	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'LETTERS SUMMARY'
16.437	12.019	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'SAVINGS'	4.418	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'SAVINGS'
12.675	8.257	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'LETTERS SUMMARY'	4.418	USPS-LR-J-60, revised 11/15/01, file STDREV.xls sheet 'LETTERS SUMMARY'
9.150	2.766	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02	6.384	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02
5.353	0.669		4.684	
4.043	0.669		3.374	

Column 7

28.041	19.729	USPS-LR-J-132-WP1.xls sheet 'COST'	8.312	USPS-LR-J-132-WP1.xls sheet 'COST'
24.038	15.726		8.312	
21.178	12.866		8.312	
17.175	8.863		8.312	
9.401	3.331	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02	6.070	USPS-LR-J-131-WP1.xls sheet 'COST', revised 1/3/02
6.014	1.152		4.862	
5.183	1.152		4.031	

Column 11

21.319	13.007	USPS-LR-J-132-WP1.xls sheet 'COST'	8.312	USPS-LR-J-132-WP1.xls sheet 'COST'
15.971	7.659		8.312	

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO VALPAK INTERROGATORY, REDIRECTED FROM WITNESS
TAUFIQUE

Sources for figures in Chart 2 of Attachment to VP/USPS-T28-48

Figure Column 1	Component Mail Processing	Source	Component Delivery	Source
7.899	4.012	USPS-LR-J-132-WP2.xls sheet 'NCOST'	3.887	USPS-LR-J-132-WP2.xls sheet 'NCOST'
7.121	3.294		3.827	
6.828	3.016		3.812	
5.812	2.074		3.738	
6.211	1.615	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02	4.596	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02
Column 5				
17.635	13.434	USPS-LR-J-132-WP2.xls sheet 'NCOST'	4.201	USPS-LR-J-132-WP2.xls sheet 'NCOST'
13.913	9.712		4.201	
16.437	12.019		4.418	
12.675	8.257		4.418	
9.150	2.766	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02	6.384	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02
5.353	0.669		4.684	
4.043	0.669		3.374	
Column 7				
28.041	19.729	USPS-LR-J-132-WP2.xls sheet 'NCOST'	8.312	USPS-LR-J-132-WP2.xls sheet 'NCOST'
24.038	15.726		8.312	
21.178	12.866		8.312	
17.175	8.863		8.312	
9.401	3.331	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02	6.070	USPS-LR-J-131-WP2 sheet 'NCOST', revised 1/3/02
6.014	1.152		4.862	
5.183	1.152		4.031	
Column 11				
21.319	13.007	USPS-LR-J-132-WP2.xls sheet 'NCOST'	8.312	USPS-LR-J-132-WP2.xls sheet 'NCOST'
15.971	7.659		8.312	

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO VALPAK INTERROGATORY, REDIRECTED FROM WITNESS TAUFIQUE

VP/USPS-T28-51. In presort-tree form, Chart Nos. 1 and 2 attached show costs (cents per piece), workshare-related and not, as appropriate, for Standard Regular (above the uneven line) and Standard ECR (below the uneven line) mail. Chart No. 1 is for the commercial category, and Chart No. 2 is for the nonprofit category. Both charts show PRC costs from Docket No. R2001-1, taken from library references filed by the Postal Service, plus PRC-LR-7.

The columns on each chart are labeled. Boxes with **one** layer set out either total or workshare-related costs, as appropriate. Boxes with **two** layers set out total costs on the top layer and workshare-related costs on the bottom layer. The largest boxes with **three** possible layers set out a cost difference in the top layer, with the second two layers empty. The arrows show the sources of the cost differences.

- a. With respect to the columns labeled (i) barcode letter, (ii) letter, (iii) flat, and (iv) barcode flat, please confirm that the cost shown in each single-layer box is correct. If any are incorrect, please provide the correct cost and a reference to its source.
- b. With respect to the columns labeled (i) letter and (ii) flat, please confirm that the unit cost in each of the double-layer boxes is correct. If any are incorrect, please provide the correct cost and a reference to its source.

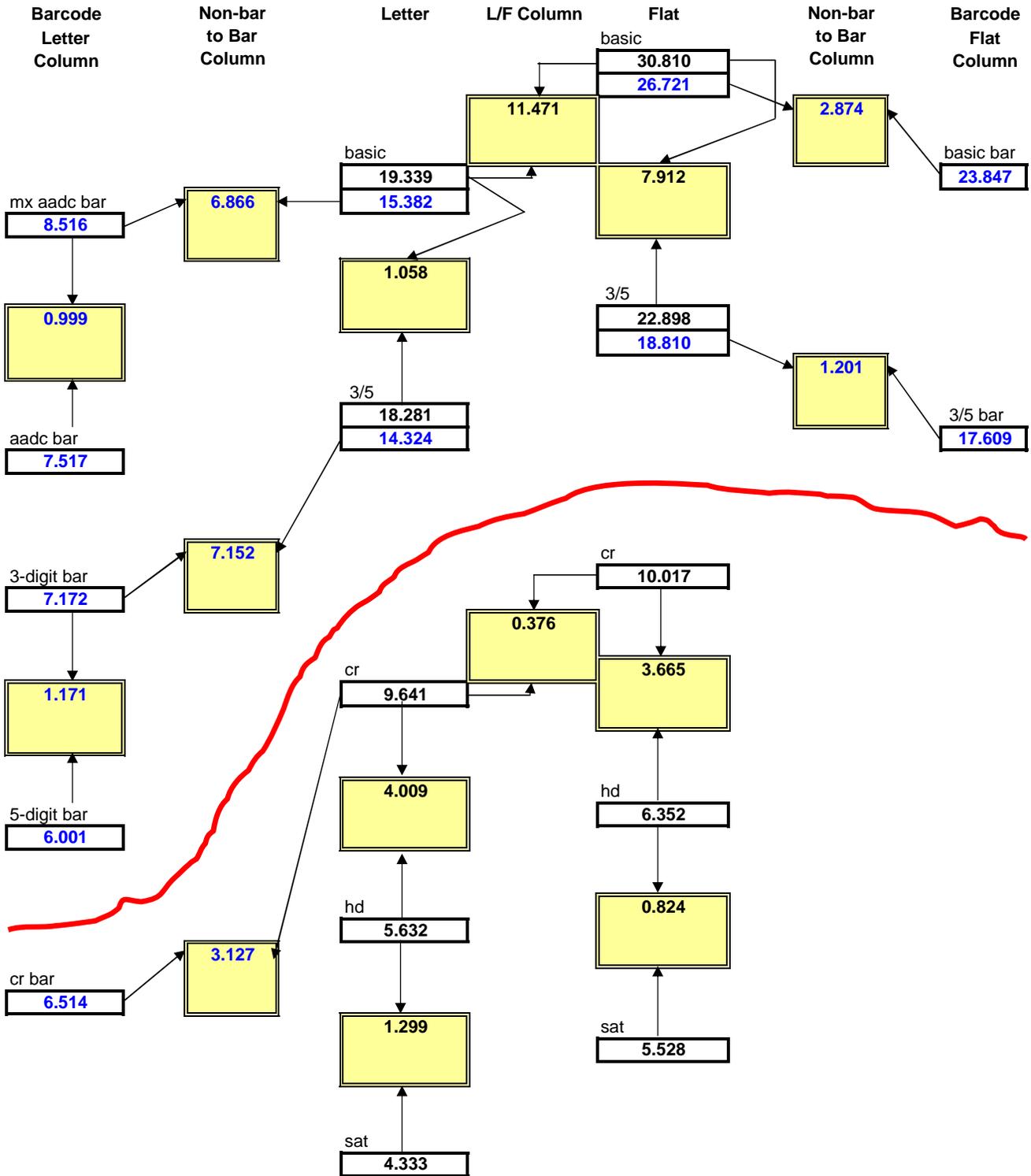
RESPONSE:

(a)-(b) Please see the attached charts, which have also been filed in Excel format.

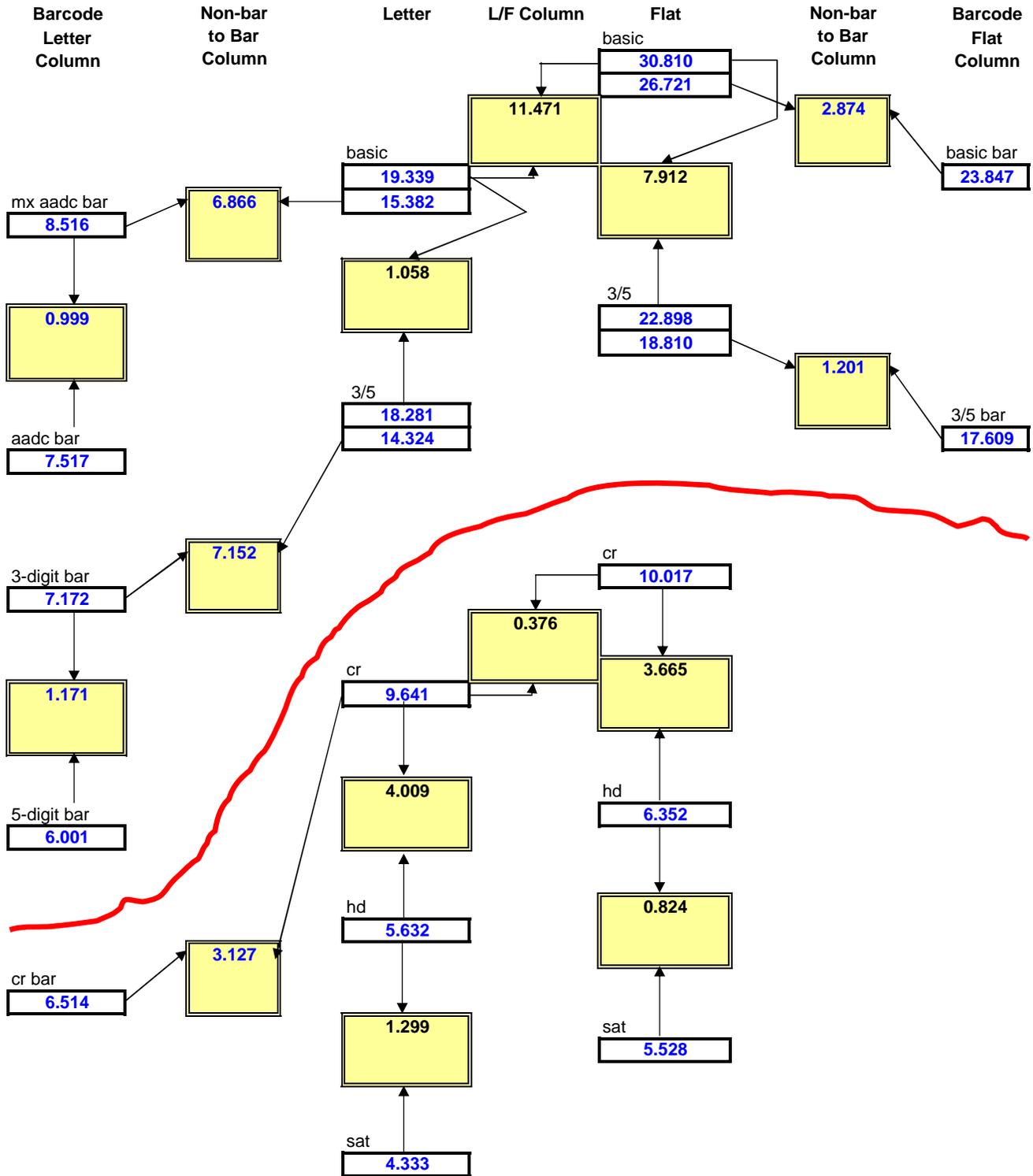
Note the following:

- The mail processing and delivery unit cost values on rows 12-15 of the input table for Charts 1 and 2 (sheet 13 on the Excel file) have been changed to reflect the revised estimates in USPS-LR-J-84 as submitted on 11/15/01.
- Spreadsheet formulas have been added to link the cost values on the input sheet (sheet 13 on the Excel file) to the costs values on the presort tree sheets (sheets 7 and 8 on the Excel file). Accordingly, some of the cost values in the presort tree sheets have changed from those values originally submitted. The formulas within the presort trees used to calculate cost differentials have not been checked or confirmed.

Commercial Standard, PRC Costs, Docket No. R2001-1



Nonprofit Standard, PRC Costs, Docket No. R2001-1



RESPONSE OF THE UNITED STATES POSTAL SERVICE TO VALPAK INTERROGATORY, REDIRECTED FROM WITNESS
TAUFIQUE

Sources for figures in Charts 1 and 2 of Attachment to VP/USPS-T28-51

Figure Column 1	Component Mail Processing	Source	Component Delivery	Source
8.516	4.629	LR-J-84, revised 11/15/01, file STANDARD.xls, sheet 'LETTERS SUMMARY'	3.887	LR-J-84, revised 11/15/01, file STANDARD.xls, sheet 'LETTERS SUMMARY'
7.517	3.690		3.827	
7.172	3.360		3.812	
6.001	2.263		3.738	
6.514	1.625	USPS-LR-J-83, LR83ECR PRC.xls sheet 'Table 1'	4.889	Docket No. R2001-1, PRC-LR-7, sheet 'Table1'
Column 5				
19.339	15.133	LR-J-84, revised 11/15/01, file STANDARD.xls,	4.206	LR-J-84, revised 11/15/01, file STANDARD.xls, s
15.382	11.176	LR-J-84, revised file, 11/15/01, file STANDARD.xls, sheet 'LETTERS SUMMARY'	4.206	LR-J-84, revised 11/15/01, file STANDARD.xls, s
18.281	13.864	LR-J-84, revised 11/15/01, file STANDARD.xls,	4.417	LR-J-84, revised 11/15/01, file STANDARD.xls, s
14.324	9.907	LR-J-84, revised 11/15/01, file STANDARD.xls, sheet 'LETTERS SUMMARY'	4.417	LR-J-84, revised 11/15/01, file STANDARD.xls, s
9.641	2.987	USPS-LR-J-83, LR83ECR PRC.xls sheet 'Table 1'	6.654	Docket No. R2001-1, PRC-LR-7, sheet 'Table1'
5.632	0.684		4.948	
4.333	0.684		3.649	
Column 7				
30.810	22.370	USPS-LR-J-85, STANDARD.xls, sheet 'CRA ADJ UNIT COSTS'	8.440	Docket No. R2001-1, PRC-LR-7, sheet 'Table 1'
26.721	18.281		8.440	
22.898	14.458		8.440	
18.810	10.370		8.440	
10.017	3.649	USPS-LR-J-83, LR83ECR PRC.xls sheet 'Table 1'	6.368	Docket No. R2001-1, PRC-LR-7, sheet 'summary TY' cells F131-F133
6.352	1.189		5.163	
5.528	1.189		4.339	
Column 11				
23.847	15.407	USPS-LR-J-85, STANDARD.xls, sheet 'PRESORT LEVELS HELD CONSTANT'	8.440	Docket No. R2001-1, PRC-LR-7, sheet 'Table1'
17.609	9.169		8.440	