

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC. (MPA/USPS-
T42-1(c)), REDIRECTED FROM WITNESS McCRERY
(June 8, 2006)

The United States Postal Service hereby provides the response of Witness Smith to the following interrogatory of Magazine Publishers of America, Inc.: MPA/USPS-T42-1(c), filed on May 25, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 8, 2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.
REDIRECTED FROM WITNESS MCCRERY**

MPA/USPS-T42-1. Please refer to lines one through three on page 20 of your testimony, where you state, "Very few delivery units have an FSM, so the vast majority of the incoming secondary processing at the delivery units is manual. Very little manual incoming secondary distribution takes place at plants." Please also refer to lines four through six on page 21 of your testimony where you state, "In FY 2005, 59 percent of flat mail incoming secondary (non carrier-route presort) volume was processed in the plants, and 93 percent of this volume was finalized on automated operations."

(a) In FY 2005, what percentage of non-carrier-route presort flats received manual incoming secondary sorts? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results.

(b) In FY 2005, what percentage of Periodicals Outside County non-carrier route presort flats received manual incoming secondary sorts? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results. If no data specific to the Periodicals Outside County subclass are available, please provide your best estimate and explain the rationale for your estimate.

(c) What was the Postal Service's total piggybacked FY 2005 Periodicals Outside County manual incoming secondary flat sorting cost? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results.

Response:

a-b. Answered by witness McCrery.

c. The attachment to this response shows piggybacked processing costs for Periodicals Outside County for manual incoming secondary flats sorting of \$141.563 million in FY 2005. This calculation is based on determining the incoming secondary share of the Periodicals Outside County labor costs in each of the two cost pools for manual flat sorting (one for the plant and one for the post office, stations and branches). This share is approximated using direct tallies as described in the attachment. Piggyback factors for each cost pool (from USPS LR-L-137) are applied to obtain the piggybacked costs.

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**FY 2005 Periodicals Outside County Piggybacked Processing Costs for
Manual Incoming Secondary Flat Sorting**

Columns	(1) Periodicals Outside County Volume Variable Labor Costs (in 000s of \$)	(2) Share of Costs for Incoming Secondary	(3) Incoming Secondary Labor Costs (in 000s of \$)	(4) Piggyback Factor	(5) Labor and Piggyback Costs (in 000s of \$)
Cost Pool					
Manual Flat Sorting at Plants	49,399	33.65%	16,623	1.258	20,911
Manual Flat Sorting at Post Offices, Stations and Branches	146,602	63.60%	93,239	1.294	120,651
Total Cost			109,862		141,563
Source:	USPS-T-11 Table 3	IOCS-see note	C1 * C2	USPS LR-L-137	C3 * C4

Note: Data from In-Office Cost System (IOCS) was used to determine the incoming secondary share of Periodicals Outside County direct tallies for each of these cost pools. For manual sorting at the plant, this was determined by the percentage of direct tallies with MODS operation no. 175 for manual incoming secondary. For manual sorting at post offices, stations and branches the share of incoming secondary sorting was determined based on the share of direct tallies with the response on IOCS question 18D2, of "D" for incoming secondary. (For manual sorting at plants, the percent of direct tallies for the MODS incoming secondary operation no. 175 is close to the percent based on IOCS incoming secondary scheme, option D of Q18d02, 33.65% vs 32.41%.)

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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