

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF
AMERICAN BANKERS ASSOCIATION &
NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA&NAPM/USPS-T22-2, 3, 5-10, 12(A,B), AND 14)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of American Bankers Association & National Association of Presort Mailers: ABA&NAPM/USPS-T22-2, 3, 5 through 10, 12(a,b), and 14, filed on November 15, 2001.

Interrogatories ABA&NAPM/USPS-T22-1, 4, 11, 12(c), and 13 have been redirected to the Postal Service for response.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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ABA&NAPM/USPS-T22-2 At page 9, line 30 through page 10, line 4 of your Direct Testimony, you state that the cost pools "1suppf1" and "1suppf4" related to tasks performed in Function 1 (the accounting definition of "mail processing") and the identical tasks performed in Function 4 (the accounting definition of "customer service") respectively, and that the tasks included in these cost pools are for union activities, quality of working life programs, travel time for training or other reasons, and clerical administrative activities, and that such tasks "are not affected by whether an individual mail piece is presorted and/or prebarcoded." How then do you explain why the costs for these cost pools are .4428 cents per piece for metered letters and only .1011 cents for automated letters?

RESPONSE:

The costs for these cost pools are actually 0.4428 and 0.1024 cents per piece for Bulk Metered Mail (BMM) letters and automation presort letters, respectively. It is my understanding that these cost pools are not tally-based cost pools. The specific value for these cost pools is a function of the attribution methodology. The cost pool classifications I use are task based. The MODS operation numbers mapped to these cost pools do not represent tasks that would be avoided were mailers to presort and/or prebarcode their mailings.

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ABA&NAPM/USPS-T22-3 Please confirm that had you used delivery unit costs of First-Class Mail Nonautomation Presort Letters as the proxy for delivery unit costs of the benchmark, Metered letters, as both you and the Commission did in R2000-1, the Worksharing Related Savings shown in column 5 of page 1 of USPS LR-J-60 ("First-Class Mail Presort Letters Summary"), revised 11-05-01, would have been 1.867 cents higher for each of the FCLM automation rate categories shown on such page 1, resulting in the following "Worksharing Related Savings": 6.94 cents for Automation Mixed AADC Letters; 7.815 cents for Automation AADC Letters; 8.131 cents for Automation Three-Digit Presort Letters; and 9.268 cents for Automation Five-Digit Presort Letters. If you cannot confirm, please explain why.

RESPONSE:

The benchmark for the First-Class automation presort rate categories is not metered letters, but is Bulk Metered Mail (BMM) letters. However, the IOCS system cannot be used to isolate BMM letters mail processing unit costs. Consequently, the costs for all metered letters are used as a proxy.

In Docket No. R2000-1, I used the aggregate nonautomation presort letters delivery unit cost as the proxy for Bulk Metered Mail (BMM) letters. Witness Clifton criticized this cost methodology (please see Docket No. R2000-1, Tr.26/12421 at 1-3). The Commission, however, subsequently relied upon this methodology.

In this docket, the nonautomation presort letters costs are de-averaged based on mail piece machinability and presort level. Consequently, more detailed delivery unit cost estimates are available. Given that BMM letters are machinable letters, I use the nonautomation machinable mixed AADC presort letters delivery unit cost estimate as the proxy for BMM letters in this docket. Please see the response to MMA/USPS-T22-19(B) for further discussion as to why this methodology is appropriate.

The aggregate nonautomation presort letters delivery unit cost found on page 1 of USPS LR-J-60 is 5.942 cents (please see the revisions filed on 11/15/01). This figure is 1.859 cents higher than the delivery unit costs for BMM letters. Were this figure to be adopted as an alternative, the worksharing related savings estimates for the automation presort categories would inflate to the following figures:

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RESPONSE TO ABA&NAPM/USPS-T22-3 (CONTINUED)

Automation Mixed AADC	6.950 cents
Automation AADC	7.825 cents
Automation 3-Digit	8.142 cents
Automation 5-Digit	9.278 cents

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ABA&NAPM/USPS-T22-5 Are all First-Class Metered Letters machinable? Are any First-Class Metered Letters handwritten?

RESPONSE:

No. Yes.

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ABA&NAPM/USPS-T22-6 See Library Reference USPS LR-J-60, page 1 ("First-Class Mail Presort Letters Summary") revised 11-05-01. At column 3 thereof you set forth "Delivery Worksharing Related Unit Costs" for various types of Nonautomated Nonmachinable First-Class letters and Nonautomated Machinable First-Class letters. Explain why the Delivery Worksharing Related Unit Costs of Nonautomated Nonmachinable First-Class letters is the same for ADC and Mixed AADC as it is for 3-Digit and 5-Digit (i.e., 8.408 cents), while such unit costs for Nonautomated Machinable First-Class Letters differ between Mixed AADC and AADC (4.066 cents) and 3-Digit and 5-Digit (3.937 cents).

RESPONSE:

Please see USPS LR-J-117 for the delivery unit costs developed by witness Schenk. Witness Schenk uses the Delivery Point Sequencing (DPS) percentages from my cost models to de-average the presort letters delivery unit costs.

Nonmachinable mail pieces will all have to be cased by a carrier. There will be no delivery savings related to DPS. Consequently, the delivery unit costs are the same for all nonautomation nonmachinable presort letters categories.

Nonautomation machinable mixed AADC and AADC presort letters would first be processed on the outgoing Input Sub System (ISS). These mail pieces follow the same processing path in the cost models and therefore have the same DPS percentage. Consequently, the delivery unit costs are the same.

Nonautomation machinable 3-digit and 5-digit presort letters would first be processed on the incoming ISS. These mail pieces follow the same processing path in the cost models and therefore have the same DPS percentage. Consequently, the delivery unit costs are the same.

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ABA&NAPM/USPS-T22-7 Is part of the volume of First-Class Bulk Metered Mail which you claim exists, Bulk Metered Mail delivered to the Postal Service from other Postal Service sites? If so, can you quantify what percentage of the volume of First-Class Bulk Metered Mail letters which you claim exists comes from mailers and presort bureaus on the one hand and from other Postal Service sites on the other hand? Did you make any effort in the preparation of your testimony to quantify these percentages?

RESPONSE:

No. Bulk Metered Mail (BMM) letters as they are defined are trays of machinable metered letters submitted by businesses. Some plants have made arrangements with some Delivery Units where metered packages are unpackaged and trayed at those facilities before they are sent to the plant. By definition, meter mail that has been trayed by postal employees would not be BMM letters. To the best of my knowledge, the extent to which metered packages are unpackaged and trayed at Delivery Units has not been quantified. I made no attempt to determine what percentage of metered packages are processed in this manner as it was not necessary to know this information prior to developing my cost studies.

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ABA&NAPM/USPS-T22-8 Major Mailers Association Interrogatory MMA/USPS-T22-5(a) asked you to describe "in detail" the "cases" in which you claimed that increased wage rates do not appear to have offset the impact that Letter Recognition Enhancement Programs have had on Workshare Related Savings. In your November 5, 2001 response to this question, you state that, "the most obvious example is the QBRM Cost Study..." Please answer the above-referenced MMA interrogatory fully by identifying each case of which you are aware that the increased wage rates do not appear to have offset the impact that Letter Recognition Enhancement Programs have had on Worksharing Related Savings.

RESPONSE:

The QBRM savings test year (2003) estimate found in USPS LR-J-60 on page 10 is currently 1.647 cents. This estimate would have been 2.528 cents were Docket No. R2000-1 test year (2001) data to have been used. This analysis can be accomplished by making the following changes:

- (1) Change the MLOCR-ISS/RCR finalization rate for handwritten mail (page 51) from 82.77% to 69.03%
- (2) Change the wages rates and premium pay factors (page 47) to those used in Docket No. R2000-1, USPS LR-I-467.

In this instance, the improvements to letter recognition enhancements programs have not been offset by wage rate increases.

As stated in the response to MMA/USPS-T22-5(a), it is difficult to engage in a similar analysis for the First-Class presort worksharing categories because of cost methodology changes. I have therefore changed the wording in footnotes 7, 14, and 16 in my testimony. In all three footnotes, the phrase "some cases" has been changed to "one case." Please see the revisions filed on 11/29/01.

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ABA&NAPM/USPS-T22-9

- (a) Please confirm that mail delivered in all Automated First-Class Letter Mail rate categories is required, in order to qualify for the automated rate category discounts, to be sleeved, banded and ACT tagged.
- (b) Please confirm that this requirement was imposed upon implementation of MC95-1 on July 1, 1996.
- (c) Please confirm that there is no such requirement for First-Class Bulk Metered mail Letters that they be sleeved, banded or ACT tagged.

RESPONSE:

- (a) Not confirmed. It is my understanding that mail that destinate within the service area of the plant does not have to be sleeved and banded. In addition, plant managers can grant exceptions that would preclude mailers from having to sleeve and band trays. Air Transportation Contract (ACT) tags are never required.
- (b) It can be confirmed that the requirements as stated in the response to ABA&NAPM/USPS-T22-9(a) were implemented on July 1, 1996.
- (c) Confirmed. BMM letters are not presorted and would require immediately processing during the outgoing processing window. Consequently, the Postal Service would not require that these trays be sleeved and banded. As stated in the response to ABA&NAPM/USPS-T22-9(a), ACT tags are never required.

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ABA&NAPM/USPS-T22-10

- (a) Please confirm that mail delivered in all Automated First-Class Letter Mail rate categories is required, in order to qualify for the automated rate category discounts, to comply with specified Postal Service move update requirements.
- (b) Please confirm that First-Class Bulk Metered Mail Letters are not required to comply with any Postal Service move update requirements. If you cannot confirm please explain why.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.

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ABA&NAPM/USPS-T22-12

- (a) Please see the Direct Testimony of Linda Kingsley (USPS-T-39) at page 4, line 22 and footnote 7 where she assumes that MLOCRs can be staffed by two clerks, with one feeding and the other sweeping its 60 stackers. Was your calculation of worksharing related savings for the Automated First-Class Letter Mail rate categories affected by the assumption that MLOCRs are staffed by two clerks?
- (b) Please recalculate the Worksharing Related Savings set forth in column 5 of page one of Library Reference USPS LR-J-60 ("First-Class Mail Presort Letters Summary"), revised 11-05-01, for all Automated First-Class Letter Mail rate categories, assuming that three clerks are used to staff a MLOCR. Please do the same assuming that four clerks are used to staff the MLOCR.
- (c) Please provide the same revised Worksharing Related Savings shown on Library Reference USPS LR-J-84 ("First-Class Mail Presort Letters Summary PRC Version"), revised 11-05-01, assuming MLOCRs are staffed by four clerks.

RESPONSE:

- (a) Witness Kingsley does not "assume" that MLOCRs are staffed by two mail processing clerks. These machines are staffed by two mail processing clerks. This staffing is reflected in the productivity figures I use in USPS LR-J-60.
- (b) The data required to support this analysis are not available, given that MLOCRs are staffed by two mail processing clerks.
- (c) Redirected to the Postal Service.

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ABA&NAPM/USPS-T22-14 Do you agree, all else being equal, cost avoidance of First Class workshare mail can be more accurately measured by use of a benchmark which is a grouping of mail which is a rate category, than by use of a grouping of mail which is not a rate category?

RESPONSE:

No.

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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