

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
AMERICAN BANKERS ASSOCIATION &
NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA&NAPM/USPS-T22-1, 4, 11, 12(C) AND 13)

The United States Postal Service hereby provides its responses to the following interrogatories of American Bankers Association & National Association of Presort Mailers: ABA&NAPM/USPS-T22-1, 4, 11, 12(c) and 13, filed on November 15, 2001.

These interrogatories have been redirected from witness Miller 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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November 29, 2001

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T22-1 At page 10, line 3 of your Direct Testimony you state that you have reclassified cost pools "1suppf1" and "1suppf4" as "nonworksharing related fixed." Please see page 1 of USPS LR-J-84 ("First-Class Mail Presort Letters Summary PRC Version") revised 11-5-01 where you calculate Workshare Related Savings for the First-Class letters automated rate categories using the PRC Version. In calculating the Worksharing Related Savings reflected in column 5 of this USPS LR-J-84, revised 11-5-01, did you treat these two cost pools, 1suppf1 and 1suppf4, as "nonworksharing related fixed," thereby excluding them from the calculation of Worksharing Related Savings? If you did not, please explain fully. If you did exclude all or any portion of these two cost pools, please provide a revised page 1 of Library Reference USPS LR-J-84 (First-Class Mail Presort Letters Summary PRC Version, revised 11-05-01, showing the effect of treating cost pools "1suppf1" and "1suppf4" as "worksharing related fixed" cost pools instead of "nonworksharing related fixed."

RESPONSE:

Yes, the "1SUPPF1" and "1SUPPF4" cost pools have been classified as "non-worksharing related fixed" cost pools. Attachment 1 shows the results were these cost pools treated as "worksharing related fixed." Please note that USPS LR-J-84 was revised on 11/15/01.

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ABA&NAPM/USPS-T22-4 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-84 ("First-Class Mail Presort Letters Summary PRC Version"), 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": 7.825 cents for Automation Mixed AADC Letters; 8.907 cents for Automation AADC Letters; 9.27 cents for Automation Three-Digit Presort Letters; and 10.542 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, the aggregate nonautomation presort letters delivery unit cost was used 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, the nonautomation machinable mixed AADC presort letters delivery unit cost estimate is used 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-84 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

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RESPONSE TO ABA&NAPM/USPS-T22-4 (CONTINUED)

adopted as an alternative, the worksharing related savings estimates for the automation presort categories would inflate to the following figures:

Automation Mixed AADC	7.835 cents
Automation AADC	8.918 cents
Automation 3-Digit	9.280 cents
Automation 5-Digit	10.552 cents

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ABA&NAPM/USPS-T22-11

- (a) Please confirm that the Postal Service itself has acknowledged that the move update program saved it more than \$1.5 billion in forwarding and return costs in FY 98 alone (see response of United States Postal Service to Interrogatory MMA/USPS-1(j) at Tr. Vol. 21 pages 8897 and 8899 in R2000-1.
- (b) Please indicate whether the Postal Service has obtained any updates to the Price Waterhouse 1995 study on First-Class Undeliverable As Addressed ("UAA") mail, or any other studies since 1995, quantifying USPS forwarding and return costs of UAA First-Class Mail, and please produce such studies.
- (c) What are the most recent cost figures which the Postal Service has for the cost per piece of forwarded First-Class UAA Mail and the cost per piece of returned First-Class UAA Mail?
- (d) What percent of First Class Automated Letters is UAA mail? What percent of First Class metered letters is UAA mail?

RESPONSE:

- (a) Confirmed.
- (b) The Postal Service has not updated the 1995 study.
- (c) Given that the 1995 study has not been updated, the Postal Service does not have data responsive to this request.
- (d) The Postal Service does not have data responsive to this request.

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ABA&NAPM/USPS-T22-12

- (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:

- (c) The data required to support this analysis are not available, given that MLOCRs are staffed by two mail processing clerks.

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ABA&NAPM/USPS-T22-13 Your testimony relies on certain library references for unit mail processing cost pools for letters. LR-J-81 presents PRC version by test year and also by base year. LR-J-53 using the USPS methodology presents data for the test year only. Please cite where the corresponding base year unit costs for letters appears that corresponds to the LR-53 spreadsheet for the test year.

RESPONSE:

Please see USPS LR-J-46.

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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