

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE TO INTERROGATORY OF
AMERICAN BANKERS ASSOCIATION &
NATIONAL ASSOCIATION OF PRESORT MAILERS [ABA&NAPM/USPS-T21-20(a)]

The United States Postal Service hereby files the response of witness Altaf H. Taufique to the above-listed interrogatory of the American Bankers Association & National Association of Presort Mailers, filed on May 11, 2005.

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

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO ABA&NAPM INTERROGATORY**

ABA&NAPM/USPS-T21-20. The Commission's POIR #3 at Table 1 shows a passthrough percentage on the spread between FCLM AADC and 3-digit presort letters of 218%, and a corresponding passthrough in Table 3A for a Standard A Regular 3-digit presort letter of 49%.

- a. Please confirm that the difference in passthroughs between 218% and 49% is based in part on using a relatively high cost non-automation presort letter for benchmarking the Standard A 3 digit "costs avoided" versus using a relatively low cost basic automation presort letter for benchmarking the FCLM 3 digit costs avoided.
- b. Please create two columns, one each for the 3 digit FCLM letter and 3 digit Standard A Regular letter, and list each activity, productivity, and unit cost from your mail flow models by 3 digit MODS associated with producing that 3 digit letter in each case.
- c. If differences in these activities in b., or differences in the "costs avoided" benchmark in a. do not fully explain the differences between the above percentages, please break down the difference by percentage difference accounted for, e.g. 30% of the 169% difference is due to factor x, another 40% is due to factor y, etc.

Response:

- a. The Postal Service uses Bulk Metered Mail as the benchmark for estimating worksharing cost savings for First-Class Mail. Using this benchmark, the passthrough for the First-Class 3-Digit automation letter is 107 percent instead of 219 percent (based on the revised cost estimates for First-Class automation letters). See my response to POIR3, Question1. My understanding is that the Commission agrees with the Postal Service methodology. The Opinion and Recommended Decision for Docket No. R2000-1, stated: "The Commission continues to accept bulk metered mail as the appropriate benchmark for determining the worksharing cost savings for First-Class Mail." See PRC Op. R2000-1, page 241, ¶5089.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
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Response to ABA&NAPM/USPS-T21-20 (continued):

Standard Mail 3-Digit presort letter passthrough is 48 percent (based on the revised cost estimates for Standard Mail automation letters) and uses the 3/5-Digit sorted nonautomation letters category as the benchmark. Please see my response to POIR3, Question 1.

b&c. Please see the response of witness Abdirahman, USPS-T-21