

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

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS ABDIRAHMAN TO INTERROGATORIES OF AMERICAN BANKERS
ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA&NAPM/USPS-T21-20 b. and c., 22-26, 27 a., 28-29, 31-32)

The United States Postal Service hereby files the responses of witness Abdirahman to the above listed interrogatories of the American Bankers Association and the National Association of Presort Mailers, filed on May 11, 2005. The following Interrogatories have been redirected: ABA&NAPM/USPS-T21-20 a. has been redirected to witness Taufique and ABA&NAPM/USPS-T21-21, 27b, 30, 33-36 have been redirected to witness Smith.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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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. Redirected to witness Taufique.
- b-c. Please refer to page 11 of USPS LR-K-48 for the list of each activity, productivity and unit cost from the mail flow model associated with 3 digit First Class Mail letters. Please refer to page 65 of LR-K-48STD LRS for the list of each activity, productivity and unit cost from the mail flow model associated with 3/5 digit Standard Mail. My understanding is that MODS data for 3 Digit mail is not available. Please refer to the response of ABA&NAPM/USPS-T21-1.

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ABA&NAPM/USPS-T21-22.

- a. For each change in the BMM mail processing and delivery cost cells between R2001-1 and R2005-1, at the most disaggregated level such as 3 digit MODS or other, please cross walk the old categories to the new categories. Please note in each instance where a MODS or other cost proxy is being used to estimate a BMM cost pool.
- b. In your cost pool re-partitioning did you identify any new cost avoidances not previously measured? Please list.
- c. In your cost pool re-partitioning did you identify any old cost avoidances that have been deleted, or reclassified from worksharing related into nonworksharing related, or worksharing related proportional into worksharing related fixed? Please list.
- b. In your cost pool re-partitioning did you identify any old cost avoidances that have been reclassified from worksharing related fixed into worksharing related proportional, or nonworksharing related into worksharing related? Please list.

Response:

- a. In this Docket, I obtain my BMM proxy costs from USPS-LR-K-53 and the BMM delivery costs from USPS-K-67. In Docket No.R2001-1, the BMM proxy costs were obtained from USPS-LR-J-53 and the BMM delivery unit costs were obtained from USPS-LR-J-117. Please note that, for BMM, I do not use a MODS or other cost proxy to estimate any BMM cost pool. Instead, I use the cost pools for metered mail as a proxy for BMM. Also, my understanding is that mail processing and delivery costs are not provided at the 3-digit operational level.

(b-d). The term "re-partitioning" is unclear. If the interrogatory seeks to identify cost pools that have been combined, separated, created, eliminated, renamed or otherwise changed, please refer to USPS-LR-K-55 for Management Operating Data system (MODS) operations

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Response to ABA&NAPM/USPS-T21-22(Continued)

numbers that are 'mapped" to this cost pool. Also please see the responses provided to TW/USPS-T11-1-12 and ABA&NAPM/USPS-T21-35. If, however, the term "partitioning" means classifying or reclassifying cost pools to worksharing related proportional, worksharing related fixed and non worksharing related fixed, please refer to USPS-LR-K-48, page 2.

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ABA&NAPM/USPS-T21-23. For the BMM mail flow model, please explain the notable decline in the pieces per hour for incoming secondaries during the "Auto 3-Pass DPS" operation, down from 32,363 pieces per hour in R2001-1 to 21,505 in R2005-1 (Ref. LR-K-48, page 3, and LR-J-60, page 15, rev, 11/15/01).

Response:

This change is due to MODS productivity volumes which were updated with new productivity data. Please refer to LR-K-56 for MODS productivity numbers.

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ABA&NAPM/USPS-T21-24. Please refer to LR-K-48, p. 11 and LR-J-60, page 33 from R2001-1. Confirm that under the Outgoing RBCS operation, while the productivity or pieces per hour under the ISS operation have increased by 7.2%, the wage rate has increased by even more, namely by 16%.

Response:

Confirmed.

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ABA&NAPM/USPS-T21-25.

- a. Please confirm that in R2000-1, the entire difference in unit mail processing costs between bulk metered mail (BMM) and single piece metered mail was assumed to be the MODS 17 cost pool 1CANCMPP, which was set at 0.30 cents for single piece metered in the test year for that case, and set with no entry for BMM in USPS witness Smith's spread sheets from LR-I-81. (See TY Letters (4), page 2 of 4, rows 45 and 47, column V; and column BC, total unit costs.)
- b. Please confirm that in this case, you have eliminated the 1CANCMPP cost pool.
- c. Please confirm that in this case you have replaced the 1CANCMPP cost pool with a MODS 17 cost pool 1MTRPREP and/or 1CANCEL and/or 1DISPATCH.
- d. Please confirm that the BMM unit cost for 1CANCMPP in R2001-1 was 0.668 cents, LR-J-60, (p. 8 rev. 11/05/01) whereas the new value in R2005-1 for the 1MTRPREP cost pool is 0.10 cents.
- e. What has been the level of craft wages associated with this meter prep activity by year since 1999?
- f. What factor(s) explain the fall in your BMM unit cost estimate for this activity, however labeled, from 0.668 cents to 0.100 cents? If more cost pools in MODS 17 than this one replace the 1CANCMPP cost pool, then please do the appropriate "apples to apples" comparison, and then answer the question.
- g. Why have you chosen to label this MODS 17 activity 1MTRPREP worksharing related proportional, whereas you did not label 1CANCMPP worksharing related proportional?
- h. Why are the new cost pools that may have been part of 1CANCMPP, 1 CANCEL and 1DISPATCH classified as non-worksharing related when the older category, 1CANCMPP was listed as worksharing related fixed?

Response:

These cost pools are inputs to my cost studies. I obtain the cost pools from witness Smith (USPS-T-13)

- a. Confirmed.

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Response to ABA&NAPM/USPS-T21-25 (Continued)

- b. Not Confirmed. 1CANCMPP cost pool has been separated into 1CANCEL and 1MTRPREP.
- c. Please refer to my response to b.
- d. Partially confirmed. 1MTRPREP cost pool is 0.10 cents and 1CANCEL cost pool is 0.270.
- e. Please refer to Docket No. R2001-1, LR-J-55, and in the instant proceeding, please refer to LR-K-55 for wage rate data used in LR-K-48.
- f. My understanding is that the volume variability is lower. Please refer to my response to d.
- g. The two cost pools have been reclassified to worksharing related fixed. Please refer to the revised model filed on 5/24/05.
- h. Please refer the revised model filed on 5/24/04 where the 1CANCEL and 1MTRPREP were revised to be classified as workshare related fixed. 1DISPATCH is a new cost pool that contains the costs related to preparation for dispatch and should not be affected by mailer worksharing activities related to letters and cards.

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ABA&NAPM/USPS-T21-26. In LR-K-53, the row of MODS costs for BMM is missing, and only single piece metered figures are provided, unlike the corresponding LR's for the past two rate cases, LR-I-81 and LR-J-60. Further, the BMM total provided in LR-K-48, page 2, is 10.906 cents, the same as the single piece metered total provided in LR-K-53.

- a. Are you using a BMM or single piece metered benchmark for FCLM in this case?
- b. Please provide the full comparison by MODS and NON MODS cost categories between BMM and single piece unit mail processing costs for this case in the LR-K-53 format.
- c. If the source of the BMM MODS unit costs is not "From USPS LR-K-53" as stated on page 2 of LR-K-48, then please provide the full citations as to where to find these cost derivations. In all cases where these are cost proxies borrowed from other rate categories, and not directly measured or modeled BMM costs, please so state and cite for each cost component from which rate category the proxy for BMM comes from.

Response:

- a. BMM is the benchmark in this case.
- b. The MODS and NON MODS costs for BMM and single piece mail processing unit cost can be obtained from USPS-LR-K-53.
- c. Please see my responses to a. and b.

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ABA&NAPM/USPS-T21-27. Since it appears that you could be using a single piece metered benchmark for mail processing costs, please answer the following questions:

- a. Why would single piece metered letters be any more likely to be the mailstream most likely to convert to worksharing than any other single piece letter?
- b. According to the figures in LR-K-53, "calculated total" in column BN relative to those in the last fully litigated case in R2000-1, mail processing unit costs have come down by 0.879 cents for single piece letters but have increased for single piece metered letters by 0.136 cents. Why would metering a letter rather than putting a stamp on it and depositing it, for example, in a USPS blue collection box with a stamped letter, cause the two single piece letter mail processing costs to have exhibited such totally different cost dynamics between R2000-1 and R2005- 1?

Response.

- a. The benchmark for the First-Class Mail Automation presort rate categories is not metered letters, but is Bulk Metered Mail (BMM) letters. However, our cost system does not isolate BMM letters mail processing unit costs. Consequently, the costs for all metered letters are used as a proxy. As the Commission discussed in PRC Op; R2000-1 paragraph 5089, BMM letters is the mail most likely to convert to worksharing.
- b. Redirected to witness Smith (USPST-13)

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ABA&NAPM/USPS-T21-28. Please define the new cost pool MODS 17 1OPTRANS for BMM and explain why it is not worksharing related. Why was this not identified in R2001-1? Does it replace a portion of any previous cost pool(s), if so which one(s) and by how much?

Response:

The 17 1OPTRANS cost pool contains the costs related to transporting containers of mail between work areas. It also contains weighing mail going into or coming from distribution area. Therefore, it should not be affected by mailer worksharing activities related to letters and cards. For the definitions and cost pool changes, please refer to the response of TW/USPST11 #1, #5-12 and USPS-LR-K-55.

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ABA&NAPM/USPS-T21-29. Please define the new cost pool MODS 17 1PRESORT for BMM. Why was this not identified in R2001-1? Does it replace a portion of any previous cost pool(s), if so which one(s) and by how much.

Response:

1BULK PR was renamed to 1PRESORT. For definitions and cost pool changes, please refer to the response of TW/USPST11-1 and USPS-LR-K-55.

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ABA&NAPM/USPS-T21-31. Please confirm that total unit worksharing related mail processing costs for BMM, as you estimate them, have fallen from 9.763 cents in R2001-1 to 9.372 cents in R2005-1, or by 0.391 cents. What are the associated craft wage rates for all these activities making up the total mail processing costs for each period?

Response:

Not confirmed. Please see the revisions filed on 05/24/05. That change is now 0.122 cents. For wage rates data, please refer to USPS-LR-K-55.

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ABA&NAPM/USPS-T21-32. Between R2000-1 and R2005-1, the changes in USPS unit mail processing costs in cents are as follows for the following FCLM letters:

Single piece	-0.879
Single piece metered	+0.136
BMM	-0.391
Non-auto presort average	+3.381
Non-auto presort machinable AADC and mixed	+1.839
Automation 3 digit presort	-0.324

- a. Why would machinable non-auto presort letters exhibit an increase in worksharing related (and total) unit mail processing costs while single piece letters (machinable and non-machinable) exhibit a decrease?
- b. Why would BMM exhibit a decrease while single piece metered letters exhibited an increase?
- c. Why would BMM exhibit a larger decrease in worksharing related unit mail processing costs than 3-digit automation presort letters (other than the obvious answer of accomplishing the mission of further compressing measured cost avoidances)?

Response:

a- Please refer to the response to ABA & NAPM/USPS-T21-27a and 31, answered above, and the response to ABA & NAPM/USPS-T21-27 b, which was redirected to witness Smith. For the auto and non auto cost discussions, please refer to my response to POIR1.

(b-c). Please refer to the response to ABA & NAPM/USPS-T21-27a and 31, answered above, and response to ABA & NAPM/USPS-T21-27 b, which was redirected to witness Smith.

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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