

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 BOZZO,  
USPS-T-46, TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION  
(MMA/USPS-T1-2), REDIRECTED FROM WITNESS CZIGLER, USPS-T-1  
(July 6, 2006)**

The United States Postal Service hereby provides the response of witness Bozzo (USPS-T-46) to the following interrogatory of Major Mailers Association: MMA/USPS-T1-2, filed on June 22, 2006, and redirected from witness Czigler (USPS-T-1).

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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July 6, 2006

Response of United States Postal Service Witness A. Thomas Bozzo,  
USPS-T-46, To Interrogatory of Major Mailers Association  
Redirected from Witness Czigler (USPS-T-1)

MMA/USPS-T1-2

Please refer to your testimony on page 5 where you discuss the redesign of the IOCS "survey instrument."

- A. Is there any change in the IOCS that would tend to redistribute attributable costs from Standard presorted letters to First-Class presorted letters? Please explain your answer.
- B. Please confirm the adjusted test year unit costs as shown in the following table. The unit costs are taken directly from USPS library references in this case and in R2005-1. Automation and Nonautomation costs from R2005-1 have been combined using the appropriate volumes as shown so that presorted unit costs from R2006-1 can be compared to similar unit costs from R2006-1. In addition, the R2005-1 costs have been adjusted for the increase in the wage rate and for the premium pay adjustment factor. R2006-1 costs have been adjusted for the premium pay adjustment factor only. If you cannot confirm, please provide the corrected figures as well as your derivations.

Rate Category	(1) R2005-1					(2) R2006-1					(10) % Change R2006-1 Vs. R2005-1
	(3) TY 2006 Total Unit Cost (Cents)	(4) Volume (000)	(5) Hourly Wage Rate	(6) Prem Pay Adj Factor	(7) Adj. Total Unit Cost (Cents)	(8) TY 2008 Total Unit Cost (Cents)	(9) Hourly Wage Rate	(10) Prem Pay Adj Factor	(11) Adj. Total Unit Cost (Cents)		
FC Auto (no CR)	3.5008	43,841,671	35.772	1.0140	3.667		37.992				
FC Carrier Route	1.8591	718,203	35.772	1.0140	1.947		37.992				
FC Auto	3.4743	44,559,875	35.772	1.0140	3.639		37.992				
FC NonAuto	18.9655	1,949,367	35.772	1.0140	19.864		37.992				
FC Presorted	4.1236	46,509,242	35.772	1.0140	4.319	4.587	37.992	1.013	4.5275	4.83%	
Std Auto	3.3988	44,600,687	35.772	0.9711	3.717		37.992				
Std NonAuto	16.2625	3,517,027	35.772	0.9711	17.785		37.992				
Std Presorted	4.3391	48,117,714	35.772	0.9711	4.745	4.059	37.992	0.974	4.1679	-12.17%	
Source: USPS-LR	K-53	K-53	K-48	K-48	(1)*(7)/(5)/(4)	L-53	L-48	L-48	(6)/(8)	(9)/(5) -1	

- C. Please explain why the adjusted unit cost for First-Class Presorted letters would increase 4.8% while the adjusted unit cost for Standard Presorted letters would decrease by 12.2% for data based on two consecutive years (BY2004 and BY 2005)?

Response of United States Postal Service Witness A. Thomas Bozzo,  
USPS-T-46, To Interrogatory of Major Mailers Association  
Redirected from Witness Czigler (USPS-T-1)

Response.

A. No. As shown in USPS-T-46, Table 2 (page 24) and Table 3 (page 26), error rates at the CRA subclass level are lower with the redesigned IOCS questionnaire for FY 2005 than the old IOCS questionnaire used in the FY 2004 production data. Moreover, error rates at the class level are low, and considerably lower than at the subclass level, since most subclass errors are within classes of mail—i.e., the class is correctly determined, but not necessarily the subclass or rate category. This implies that the risks of incorrectly “redistributing” costs have decreased.

B. Not confirmed. A corrected table is provided below.

Rate Category	R2005-1					R2006-1				% Change R2006-1 Vs. R2005-1
	TY 2006 Total Unit Cost (Cents)	Volume (000)	Hourly Wage Rate	Prem Pay Adj Factor	Adj. Total Unit Cost (Cents)	TY 2008 Total Unit Cost (Cents)	Hourly Wage Rate	Prem Pay Adj Factor	Adj. Total Unit Cost, Cents	
FC Auto (no CR)	3.5008	43,841,671	35.772	1.00994	3.681		37.992			
FC Carrier Route	1.8591	718,203	35.772	1.00994	1.955		37.992			
FC Auto	3.3153	44,559,875	35.772	1.00994	3.486		37.992			
FC NonAuto	18.9655	1,949,367	35.772	1.00994	19.944		37.992			
FC Presorted	4.1236	46,509,242	35.772	1.00994	4.336	4.587	37.992	1.013	4.528	4.42%
Std Auto	3.3988	44,600,687	35.772	0.9711	3.717		37.992			
Std NonAuto	16.2625	3,517,027	35.772	0.9711	17.786		37.992			
Std Presorted	4.3391	48,117,714	35.772	0.9711	4.746	4.059	37.992	0.974	4.167	-12.18%
Source: USPS-LR	K-53	K-53	K-48	K-48	(1)*(7)/(3)/(4)	L-53	L-48	L-48	(6)/(8)	(9)/(5) -1

Response of United States Postal Service Witness A. Thomas Bozzo,  
USPS-T-46, To Interrogatory of Major Mailers Association  
Redirected from Witness Czigler (USPS-T-1)

C. Please see the response to MMA/USPS-T22-2, part d.

## 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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