

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**Major Mailers Association's
Third Set Of Interrogatories and Document Production Requests To
United States Postal Service Witness John P. Kelley (MMA/USPS-T30-21-28)
(July 14, 2006)**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to United States Postal Service Witness John P. Kelley (MMA/USPS-T30-21-28).

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
July 14, 2006**

MMA/USPS-T30-21

Please refer to your response to Interrogatory MMA/USPS-T30-17. In your response you isolate and identify which delivery cost segments have changed significantly from the test years in R2005-1 and R2006-1.

- A. In your response to Part (B), you note that cost segment 6.1 (direct casing) appears to increase by 3.6% for First-Class presort but just 0.5% for First-Class single piece. Can these results be explained by some specific phenomenon, for example, a change in the way cost data was collected or a significant change in the number of letters that can be delivery point sequenced (DPSed), or simply the result of unanticipated year to year fluctuations in the make-up of mail and/or the manner in which the Postal Service processes the letters for delivery? Please explain your answer.
- B. In your response to Part (C), you note that cost segment 6.1 (direct casing) appears to increase by 3.6% for First-Class Automation but decreases by 0.7% for Standard Machinable Can these results be explained by some specific phenomenon, for example, a change in the way cost data was collected or a significant change in the number of letters that can be DPSed, or simply the result of unanticipated year to year fluctuations in the make-up of mail and/or the manner in which the Postal Service processes the letters for delivery? Please explain your answer.
- C. In your response to Part (F), you note that cost segment 6.1 (direct casing) appears to increase by 1.7% for First-Class Presort but decreases by 3.0% for Standard Regular. Can these results be explained by some specific phenomenon, for example, a change in the way cost data was collected or a significant change in the number of letters that can be DPSed, or simply the result of unanticipated year to year fluctuations in the make-up of mail and/or the manner in which the Postal Service processes the letters for delivery? Please explain your answer.

MMA/USPS-T30-22

Please refer to your response to Interrogatory MMA/USPS-T30-18, which asked you about your **original** response to Interrogatory MMA/USPS-T30-6, where you showed, among other things, that, for TY 2008, the unit delivery cost per originating piece for stamped letters (7.608 cents) is lower than the comparable unit delivery cost for metered letters (9.316 cents).

On July 12, 2006, you filed a revised response to Interrogatory MMA/USPS-T30-6 showing that, for TY 2008, the unit delivery cost per originating piece for stamped letters (7.613 cents) is lower than the comparable unit delivery cost for metered letters (7.960 cents). Based on those revisions, in response to Part B of MMA/USPS-T30-18 you state that you do not conclude that Single Piece stamped letters cost **more** to deliver than metered letters.

Can you now confirm that stamped letters cost **less** to deliver than metered letters? If yes, please support your answer. If no, please explain why not.

MMA/USPS-T30-23

In response to Interrogatory MMA/USPS-T30-19 (C) you state “[t]he unit delivery costs, derived in this manner, for metered letters are more than for stamped or other letters because the unit direct casing costs are higher for metered letters than for stamped or other letters.” Please explain why the unit direct casing costs are higher for metered letters than for stamped letters. Do you believe these results are reasonable? If yes, please explain why. If no, please explain why not.

MMA/USPS-T30-24

Please refer to your revised attachment to Interrogatory MMA/USPS-T30-6, particularly where you compute the total piggybacked costs for R2006-1 BY 2005 using the USPS attributable cost methodology. Please explain why the base year total piggybacked cost for all First-Class single piece letters is now

\$3,094,367 (in 000's) when the comparable figure in your original answer and the comparable figure shown in USPS-LR-L-67 is \$2,795,360 (in 000's).

MMA/USPS-T30-25

Please refer to your revised response to Interrogatory MMA/USPS-T30-2. In that revised answer you show that, if a letter is delivered by a city or rural carrier, it costs the Postal Service 13.01 cents to deliver a First-Class metered letter and 4.55 cents to deliver a First-Class automation letter.

- A. Please confirm that, on average, a single piece metered letter costs 8.46 (13.01 – 4.55) cents more to prepare for delivery and deliver than a First-Class automation letter. If you cannot confirm without qualification, please explain.
- B. Please confirm that on average, 89.6% of First-Class automation letters are delivered by city or rural carriers. (See your response to MMA/USPS-T30-11). If you cannot confirm, please explain.
- C. Please confirm that of the 8.46 cent difference between the cost of preparing for delivery and delivering a First-Class single piece metered letter and the comparable cost for a First-Class automation letter, 89.6% of the difference, or 7.58 cents, is the result of delivery cost differences and 10.4% of the difference or 0.88 cents is due to the fact that 10.4% of automation letters do not require delivery service. If you cannot confirm, please explain.

MMA/USPS-T30-26

Please refer to the attachment to your July 12, 2006 revised response to Interrogatory MMA/USPS-T30-6 and the following explanatory statement on the cover of that response:

The response to MMA/USPS-T30-6 is being revised because the in [sic] original response, Information Based indicia (IBI) volume was included with 'Other Letters,' but the costs were included with 'Metered Letters'. In the revised

response, both the costs and volumes associated with IBI are included with 'Metered Letters'.

- A. When you provided a similar response to R2005-1 Interrogatory MMA/USPS-T16-6, please confirm that IBI volumes were included with 'Other Letters'. If no, please indicate where IBI volumes were included and why it was done that way.
- B. When you provided a similar response to R2005-1 Interrogatory MMA/USPS-T16-6, were IBI costs included with 'Metered Letters' or with 'Other Letters'?
- C. When you provided a similar response to R2005-1 Interrogatory MMA/USPS-T16-6, was that response accurate or should you have made the same modifications to the IBI volumes that you have made in your revised response to Interrogatory MMA/USPS-T30-6?

MMA/USPS-T30-27

Please refer to your response to Part A of Interrogatory MMA/USPS-T30-18 where you state that you think that two delivery costs per originating piece are comparable "in some sense" even if some portion of the originating pieces does not incur delivery costs. Please assume that there are two categories of letters: Category A has a unit delivery cost per originating letter of 5 cents and Category B has a unit delivery cost per originating letter of 7 cents. The percentage of pieces that are actually delivered by city and rural carriers are different.

- A. Which category of letters, A or B, costs more to deliver? Please explain your answer.
- B. Now please assume that 60% of Category A letters are actually delivered by city and rural carriers while 90% of Category B letters are actually delivered by city and rural carriers. Under this assumption, please confirm that the unit cost to deliver letters in Category A is 8.3 cents and the unit cost to deliver letters in Category B is 7.8 cents. If you cannot confirm, please explain.

- C. Under the assumption in Part (B), which category of letters, A or B costs more to deliver. Please explain your answer.
- D. Please explain in what “sense” the unit delivery costs per originating piece are comparable.

MMA/USPS-T30-28

Please refer to your response to Interrogatory MMA/USPS-T30-13. That interrogatory referred you to R2006-1 Library Reference USPS-LR-L-67, book UDCModel.USPS.xls, sheets 2.Summary TY and 11.Summary BY and your response to R2005-1 Interrogatory MMA/USPS-T16-13. You were then asked to provide a table, similar to the one you provided in R2005-1, showing delivery costs for First Class single piece letters with collection costs removed for R2006-1 BY 2005 and TY 2008.

Instead of providing the requested table, your response provided the results and instructions on how to derive them.

As part of informal discussions to clarify your instructions, MMA received the attached table (MMA.13.rewrite.collect.xls) from USPS counsel.

- A. Please confirm that the attached table was prepared by you or under your direction and supervision.
- B. Please confirm that the table accurately shows, for R2006-1 BY 2005 and TY 2008, collection costs for First Class single piece letters, flats, and parcels, and the total and unit delivery costs without collection costs by shape.