

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**Major Mailers Association's Follow Up
Interrogatories and Document Production Requests To The United States
Postal Service For Institutional Responses (MMA/USPS-21-23)
(July 17, 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 the United States Postal Service for institutional responses (MMA/USPS-21-23).

Respectfully submitted,

Major Mailers Association

By: _____

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July 17, 2006**

MMA/USPS-21

Please refer to your response to MMA/USPS-T22-33 Part (B) (redirected from USPS witness Abdirahman).

The interrogatory referred you to pages 2 and 3 of Library Reference USPS-LR-L-141 (filed in response to POIR No. 5) which show the BMM “proportional” mail processing unit costs derived from the CRA (8.108 cents) and the mail-flow model (5.193 cents), respectively. Part (B) of MMA/USPS-T22-33 then asked confirmation that the BMM model provided by the Postal Service in response to POIR No. 5 is the only indication in R2006-1 that showed how well the mail flow models represent actual costs for letters that require processing within the Remote Bar Code System (RBCS).

You failed to confirm the statement in Part (B) and state that another portion of Library Reference USPS-LR-L-141, as well as portions of USPS-LR-L-48 and L-110, show that single piece nonmachinable letters are also processed in the RBCS.

Part (B) of MMA/USPS-T22-33 did *not* ask whether any other letter categories that were modeled also required processing within the RBCS.

You were asked to confirm that the BMM model was the only model in R2006-1 whose results *could be compared to a CRA standard* in order to assess how well the mail flow models represent actual costs.

- A. Please confirm that there are no CRA costs available for single piece nonmachinable letters to compare how well the model results for such letters represent the actual costs obtained from the CRA. If you cannot confirm, please explain where CRA costs for single piece nonmachinable letters can be found in the R2006-1 record.
- B. Please confirm that the results of the BMM model provided in response to POIR No. 5 provide the only indication in R2006-1 as to how well the mail flow models represent actual costs (as obtained from the CRA) for a letter category that must be processed within the RBCS. If you cannot confirm, please explain.

MMA/USPS-22

Please refer to your response to Part (B) of Interrogatory MMA/USPS-T22-34 (redirected from USPS witness Abdirahman), which asked you to assume that

the BMM mail flow model understates the number of letters that could be processed by automation. Using this assumption you were asked to confirm that the BMM model derived DPS % of 82.65% would be too high.

Your answer was no. You go on to explain that the DPS % would be higher if more letters were processed by automation.

- A. Please assume that the BMM mail flow model shows that 9,125 of 10,000 letters can be processed by automation, the model-derived DPS% is 82.65% and that the model-derived unit cost is 5.183 cents. Assume further that in fact only 7,500 of 10,000 letters can be processed by automation. Using this hypothetical, please confirm that it is likely that (1) the model derived DPS% of 82.65% is too high and (2) the model-derived unit cost of 5.183 cents is too low. If you cannot confirm, please explain.
- B. Please assume that the BMM mail flow model shows that 9,125 of 10,000 letters can be processed by automation, the model-derived DPS% is 82.65% and that the model-derived unit cost is 5.183 cents. Assume further that in fact the actual unit cost to process BMM letters is 8.0 cents. Using this hypothetical, please confirm that it is likely that (1) the model derived DPS% of 82.65% is too high and (2) the model-derived assumption that 9,125 of 10,000 letters can be processed by automation is overstated. If you cannot confirm, please explain.
- C. Please assume that the BMM mail flow model shows that 9,125 of 10,000 letters can be processed by automation, the model derived DPS% is 82.65% and that the model-derived unit cost is 5.183 cents. Assume further that in fact the actual DPS % for BMM letters is 70%. Using this hypothetical, please confirm that it is likely that (1) the model-derived assumption that 9,125 of 10,000 letters can be processed by automation is overstated and (2) the model-derived unit cost of 5.183 cents is too low. If you cannot confirm, please explain. If you cannot confirm, please explain.

MMA/USPS-23

Please refer to your responses to Part (A) of Interrogatory MMA/USPS-T22-32 and Parts (B) and (D) of Interrogatory MMA/USPS-T22-35. In response to Part (A) of MMA/USPS-T22-32, you confirmed that, compared to the CRA cost for processing BMM, the model-derived unit cost was low by 2.915 cents or 36%. In your response to Part (B) of MMA/USPS-T22-35, you confirmed that BMM and NAMMA letters have similar physical characteristics and would be expected to have similar cost characteristics. However, your response to Part (D) of MMA/USPS-T22-35 failed to confirm that it is *likely* that the model-derived unit cost for NAMMA letters is as understated as the model-derived unit cost for BMM.

- A. Please confirm that USPS witness Abdirahman utilizes the CRA Proportional Adjustment factor derived for BMM letters (in R2005-1) to increase the model-derived unit cost for hand-addressed letters. See Library Reference USPS-LR-L-69, Schedule A, page 1. If you cannot confirm, please explain.
- B. Please confirm that the reason why USPS witness Abdirahman applies the BMM CRA Proportional Adjustment factor to increase the model-derived unit cost for hand-addressed letters is that it is likely that the model for hand-addressed letters understates actual CRA costs in the same way that the model for BMM model does. If you cannot confirm, please explain why the BMM CRA Proportional Adjustment factor was utilized to increase the model-derived unit cost for hand-addressed letters.
- C. Why doesn't Postal Service find it necessary to increase the model-derived unit cost for NAMMA letters by a percentage similar to the increase applied to the model-derived unit cost for hand-addressed letters?
- D. Please confirm that the Postal Service uses the CRA-derived unit cost for single piece metered letters as a proxy for the unit cost of its BMM benchmark, notwithstanding the fact that the BMM model produces a unit cost estimate that is 36% lower. If you cannot confirm, please explain.

- E. In light of your confirmation that BMM and NAMMA letters can be expected to exhibit similar cost characteristics, please explain why the Postal Service's model-derived unit cost for NAMMA letters is not adjusted upward in the same manner as the model-derived unit cost for hand-addressed letters is.
- F. What is meant by the reference to Part D in your response to Part (D) of MMA/USPS-35?