

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 VAN-TY-SMITH,
USPS-T-11, TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA,
INC. AND ALLIANCE OF NONPROFIT MAILERS (MPA/USPS-T11-2)**
(July 26, 2006)

The United States Postal Service hereby provides the response of Witness Van-Ty-Smith (USPS-T-11) to the following interrogatory of Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers: MPA/USPS-T11-2, filed on July 12, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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MPA/USPS-T11-2. Please refer to your response to MPA/USPS-T11-1, where you state: “From Table 3 of my testimony, the MODS 99 1SUPP_F1 cost pool is the one readily seen to be quasi-administrative. It includes the MODS operation numbers and operation names for the two LDC 18 pools identified as 1misc and 1SUPPORT.”

(a) Is the Non-MODS MISC cost pool quasi-administrative? If not, please explain fully.

(b) Please explain how the activities performed in the Non-MODS MISC cost pool differ from the activities performed in the MODS 1misc cost pool.

(c) Why didn't you use the “piggyback” distribution approach for the Non-MODS MISC cost pool? Please explain fully.

RESPONSE.

In my response to questions (a) through (c) below, I am interpreting the ‘Non-MODS MISC’ cost pool to refer to the MISC cost pool at Post-Offices, Stations and Branches which include the operations for the Non-MODS facilities and the LDC 41-44, and 48 operations at the MODS facilities.

- a. The MISC cost pool at Post-Offices, Stations and Branches (PO/STA/BR) cannot be primarily characterized as being quasi-administrative in the same way as the MODS 1MISC cost pool. The PO/STA/BR MISC cost pool includes all operations, other than those involving the automated, mechanized and manual piece distribution and allied labor, and other than those relating to the Registry and the Express Mail Delivery units. More specifically, it includes the following operations as reported in IOCS Question 18: Computer Forwarding Systems and Mark-Up (16% of the pool labor costs); Business Reply/Postage Due (12%); Nixie (8%); Other Accountable Activities (24%); Bulk Mail Acceptance (14%); Empty Equipment Work (11%); and Other Miscellaneous Mail Processing activities, including Damage Repair/Rewrap (15%). Tallies for the PO/STA/BR office group are assigned to the mail processing, window

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service, and administrative cost components based on the IOCS operation code, so costs associated with IOCS tallies with administrative operation codes are assigned to the administrative cost component. Please see also the response to part (b).

- b. There are two areas where the PO/STA/BR MISC cost pool differs from the MODS 1MISC cost pool:

First, from the response to a) above, note that the PO/STA/BR MISC cost pool includes operations where the MODS-based counterparts are not included in the MODS 1MISC cost pool because they are already identified as separate MODS cost pools: the Computer Forwarding Systems and Mark-Up (LD49 cost pool at the Plants); Business Reply/ Postage due (BUSREPLY at the Plants); Bulk Mail Acceptance (LD79 at the Plants); Empty Equipment Work (1EEQMT at the Plants); Damage Repair/Rewrap (REWRAP at the Plants).

Second, the difference in the assignment of “quasi-administrative” tallies to mail processing versus administrative and window service functions reflects differences in the nature of the “administrative” work at the different types of facilities. In MODS facilities, LDC 18 work is, by definition, mail processing-related—other MODS operations and LDCs would have been used for non-mail processing administrative functions. LDC 48 work (and other PO/STA/BR “administrative” work), in contrast, includes work performed in support of window service and delivery services. See USPS-LR-L-55 at I-27 and I-29. Therefore, it is appropriate to treat “administrative” activities in the MODS 1MISC cost pool as mail processing related (i.e., in a C/S 3.1 cost pool) whereas the PO/STA/BR “administrative” costs are appropriately treated as C/S 3.3 (general) administrative activities and are distributed more broadly.

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- c. From the responses to (a) and (b) above, it can be seen that the 'piggyback' distribution approach over mail processing cost pools is not appropriate for the PO/STA/Br cost pool. The composition of the PO/STA/BR MISC cost pool identifies specific operations, rather than quasi-administrative activities in mail processing as for the MODS 1MISC cost pool. In addition, the LDC 48 operations are defined such that these operations support Customer Services (which would include Window Services and Administrative Services) and Delivery Services, all of which go beyond the mail processing activities in the PO/STA/BR office group. Thus, it is appropriate that these tallies be included with the Administrative cost components.

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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