

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-1-3, 9-12)

The United States Postal Service hereby files its responses to the above-listed interrogatories, filed on July 7, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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OF MAJOR MAILERS ASSOCIATION

MMA/USPS-1.

Please refer to your responses to R2005-1 Interrogatory MMA/USPS-T21-33 C – G (redirected from USPS witness Abdirahman) where you indicated that, as of May 12, 2005, there were 38 First Class workshare mailers utilizing *PostalOne!*

- A. Please provide the number of First Class workshare mailers who are using *PostalOne!* as of the date you file your response to this interrogatory.
- B. Please provide the number of First Class workshare mailers who were using *PostalOne!* at the end of R2006-1 BY 2005.
- C. Please provide the number of First Class workshare mailers you expect will be using *PostalOne!* by the end of R2006-1 TY 2008.
- D. Please describe the Postal Service's efforts to encourage greater use of *PostalOne!* and provide the amounts budgeted for such efforts in each fiscal year since *PostalOne!* became operational.

RESPONSE:

- A-B. With the understanding that use of a *PostalOne!* shipping system does not, by itself, make a mailer a "workshare mailer," as of July 19, 2006, there are 35 First-Class mailers using *PostalOne!* shipping systems, the same number as at the end of FY 2005.
- C. No estimate is available.
- D. The Postal Service provides informational briefings at customer events such as Mailcom and the National Postal Forum. However, the Postal Service has never had a specific budget for encouraging greater use of *PostalOne!* shipping systems.

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MMA/USPS-2.

Please refer to your response to R2005-1 Interrogatory MMA/USPS-11 where you reported that, in FY 2004, 38 *PostalOne!* mailers entered 9,431,482,023 workshare letters and 115,771,785 workshare cards using permits held in their own names and that some undeterminable subsets of these pieces were entered using *PostalOne!*. Please provide, separately, the total number of workshare letters and the total number of workshare cards that *PostalOne!* mailers entered in their own names in R2006-1 BY 2005 and the same information estimated for R2006-1 TY 2008. In addition, please indicate what data system(s) you used to gather this information.

RESPONSE:

The counts of letters and cards were obtained from CBCIS:

Letters: 25,320,368,604 Cards: 166,176,899

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MMA/USPS-3.

Please refer to your response to R2005-1 Interrogatory MMA/USPS-2, Parts B-E. There you stated that “[a]s of June 7, 2005, of a total of 114 deployed *PostalOne!* systems, 21 systems were purchased by customers and 93 were purchased by the Postal Service. Of the 93 deployed *PostalOne!* systems purchased by the Postal Service, 36 are automated systems and 57 are desktop systems.”

- A. Please update the referenced information as of the date you respond to this interrogatory.
- B. As of June 7, 2005, how many of the 21 *PostalOne!* systems purchased by *PostalOne!* customers were automated systems and how many were desktop systems.
- C. As of the date you respond to this interrogatory, please provide the total number of *PostalOne!* systems purchased by *PostalOne!* customers, the number that are automated systems and the number that are desktop systems.
- D. Please describe in detail and explain all differences between automated and desktop *PostalOne!* systems.
- E. Please provide the total purchase price of the most recently purchased automated and desktop *PostalOne!* systems purchased by the Postal Service.
- F. For *PostalOne!* automated systems that the Postal Service purchases, please describe what installation, mailer training, and run-in costs are paid for by the Postal Service and provide the total of such costs that the Postal Service incurred or paid for during R2005-1 BY 2004 and R2006-1BY 2005, as well as any amount budgeted for such purposes during R2006-1 TY 2008.
- G. For *PostalOne!* desktop systems that the Postal Service purchases, please describe what installation and run-in costs are paid for or incurred by the Postal Service and provide the total of such costs that the Postal Service incurred or paid for during R2005-1 BY 2004 and R2006-1BY 2005, as well as any amount budgeted for such purposes during R2006-1 TY 2008.

H.

RESPONSE:

- A. As of July 19,2006, of a total of 115 deployed *PostalOne!* Systems, 25 systems were purchased by customers and 90 were purchased by the Postal Service. Of the 90 deployed *PostalOne!* Systems purchased by the Postal Service, 37 are automated systems and 53 are desktop systems.
- B. As of June 7, 2005, of the 21 *PostalOne!* Systems purchased by *PostalOne!* customers, 20 were automated systems and 1 was a desktop system.
- C. As of July 19, 2006, of a total of 25 *PostalOne!* systems purchased by *PostalOne!* customers, 24 are automated systems and 1 is a desktop system.
- D. Please see the documents attached to this response.
- E. The capital investment for the Postal Service’s most recently purchased desktop system was about \$17,000. The capital investment for the Postal Service’s most recently purchased automated system was about \$91,000.
- F-G. While the Postal Service facilitates the installation of *PostalOne!* Automated Systems and Desktop Systems, installation and run-in costs are paid by customers. Typically these costs include site preparation, power and phone line

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installation costs, and integration into new or existing automated material handling equipment. As such, there is no past, current, or future allocation in the *PostalOne!* budget for installation and run-in costs. For Automated Systems, equipment and operation training is provided by the vendor, and is included in the purchase price of the system. For Desktop Systems, equipment and operation training is provided by the Postal Service. A user manual is included in the cost of a desktop system. User training, which typically runs 30-45 minutes, is included as part of the Postal Service support. As such, there is no past, current, or future allocation in the program budget for customer training.

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MMA/USPS-9.

Please refer to your response to R2005-1 Interrogatory MMA/USPS-6 E., where you indicated that the Postal Service realizes labor and transportation cost savings from installing a *PostalOne!* system and that transportation cost savings for the Postal Service come from redirecting mail from air to lower cost surface transportation.

- A. For R2006-1 BY 2005, please provide the average cost of transporting a tray of letters by air and the average cost of transporting a tray of letters by surface transportation.
- B. For R2005-1 BY 2004 and R2006-1 BY 2005, please provide the total volumes of First Class single piece mail that were transported by air.
- C. For R2005-1 BY 2004 and R2006-1 BY 2005, please provide the total volumes of First Class workshare mail that were transported by air.
- D. For R2005-1 BY 2004 and R2006-1 BY 2005, please provide the total volumes of First Class workshare mail that, according to the *PostalOne!* data system, were transported entirely by surface transportation after receipt from *PostalOne!* customers.
- E. For R2005-1 BY 2004 and R2006-1 BY 2005, please provide the total volumes of First Class workshare mail that, according to the *PostalOne!* data system, were transported by air after receipt from *PostalOne!* customers.
- F. Does the Postal Service also realize transportation cost savings when large volumes of First Class workshare mail can bypass one or more HASPs or other intermediate postal facilities and be moved directly from the *PostalOne!* mailer's facility to an airport or destinating mail processing facility? If so, please provide the transportation cost savings that the Postal Service realized from such activities during R2006-1 BY 2005.

RESPONSE:

- A This information is not available.
- B-C No estimates of the requested volumes are available; nor could a way to calculate these be found. Volumes of First-Class Mail single piece and First-Class workshare mail are not tracked.
- D. As stated in the response to MMA/USPS-1, use of a *PostalOne!* shipping system does not make that customer a workshare mailer. In R2005-1 BY 2004 (FY2004), *PostalOne!* customers processed 15,909,517 trays of mail assigned entirely to surface transportation on *PostalOne!* Shipping Systems. In R2006-1 By 2005 (FY2005), *PostalOne!* customers processed 19,702,668 trays of mail assigned entirely to surface transportation on *PostalOne!* Shipping Systems. Since *PostalOne!* shipping systems deal with mail in trays, the volume of mail represented by these tray counts is not available.
- E. As stated in the response to MMA/USPS-1, use of a *PostalOne!* shipping system does not make that customer a workshare mailer. In FY2004, *PostalOne!* customers processed 13,336,759 trays of mail assigned entirely to air

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transportation on *PostalOne!* Shipping Systems. In FY2005, *PostalOne!* customers processed 15,287,056 trays of mail assigned entirely to air transportation on *PostalOne!* Shipping Systems. Since *PostalOne!* shipping systems deal with mail in trays, the volume of mail represented by these tray counts is not available.

- F. Beyond the estimates of cost savings estimated in the response to MMA/USPS-11, no estimates of cost savings requested in MMA/USPS-9(F) are available.

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MMA/USPS-10.

What was the lowest annual volume of workshare mail sent by a mailer who used *PostalOne!* customer throughout FY2005?

RESPONSE:

As stated in the response to MMA/USPS-1, use of a *PostalOne!* shipping system does not make that customer a workshare mailer. The lowest annual volume of mail sent by a mailer who had a positive volume in each month of FY2005 was 18,353 trays.

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MMA/USPS-11.

Please refer to your response to R2005-1 Interrogatories MMA/USPS-T21-33K (redirected from USPS witness Abdirahman), where you indicated that the Postal Service expected total costs savings of \$6,194,735 from *PostalOne!* in FY 2006, and MMA/USPS-7, where you indicated that the total estimated savings for FY 2006 included transportation cost savings of \$877,179.

- A. Please provide the total cost savings and transportation cost savings that the Postal Service realized in R2006-1 BY2005.
- B. Please provide the total cost savings and transportation cost savings that the Postal Service expects in R2006-1 TY2008.

RESPONSE:

- A. In FY2005, the Postal Service realized a total cost savings of \$6,058,577, which includes total transportation cost savings of \$595,446.
- B. In TY2008, the Postal Service expects to realize a total cost savings of approximately \$3,545,840, which includes total transportation cost savings of approximately \$348,490.

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MMA/USPS-12.

Please confirm that mail volume is the primary cost driver for determining whether *PostalOne!* will benefit both the Postal Service and a mailer? If you cannot confirm with an unqualified yes, please explain why and how volume is not the primary factor.

RESPONSE:

Not confirmed. Please see the response to MMA/USPS-2(a)/R2005-1, filed on June 9, 2005.