

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO  
FOLLOW-UP INTERROGATORY OF MAJOR MAILERS ASSOCIATION  
(MMA/USPS-T22-53)

The United States Postal Service hereby provides the response of witness  
Abdirahman to the above referenced interrogatory of Major Mailers Association filed on  
July 26, 2006.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Nan K. McKenzie

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August 7, 2006

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INTERROGATORY OF MAJOR MAILERS ASSOCIATION

**MMA/USPS-T22-53**

Please refer to your revised responses to Interrogatory MMA/USPS-T22-2 (E) and (F), 3 (C), (E) and (F), and 4 (D) and (E). In each of those answers you claim that CRA cost changes from R2005-1 TY 2006 and R2006-1 TY 2008 cannot be properly compared because “there was a change to the method used to collect and assign IOCS tallies.” On the other hand you did confirm the percentages shown a table that is reproduced for your convenience below:

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	11.42	12.02	5.3%	7.16	7.66	7.0%
Presorted	4.12	4.59	11.4%	2.41	2.80	16.2%
Standard Presorted	4.34	4.06	-6.5%	2.53	2.40	-5.1%

- A. Is it your position that, even though the CRA data indicates that total unit costs have increased much more for First-Class presorted letters (11.4%) than for First-Class single piece letters (5.3%), actual costs probably did not increase by those amounts? Please explain your answer.
- B. Is it your position that, even though the CRA data indicates that proportional unit costs have increased much more for First-Class presorted letters (16.2%) than for First-Class single piece letters (7.0%), actual costs probably did not increase by those amounts? Please explain your answer.
- C. Please explain how a change to the method used to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B).
- D. Please explain where in any Postal Service witness testimony it is specifically explained how the change in the method to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B) and provide citations to the specific portions of such testimony, if any.

**Response:**

(A) Yes. My position is that this increase should not be construed as the actual change in unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY

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2008 costs, there was a change to the method used to collect and assign IOCS tallies. I do not know what the reported change in unit cost might have been if there had been no change in IOCS.

(B) Yes. I note that the CRA data do not provide the proportional unit costs, which are derived from my cost models. I use the total unit costs provided by the CRA as inputs into my models. My position is that this increase should not be construed as the actual change in proportional unit costs because between the base year used in R2005-1 (FY 2004) to develop TY 2006 costs and the base year used in R2006-1 (FY 2005) to develop TY 2008 costs, there was a change to the method used to collect and assign IOCS tallies. I do not know what the reported change in unit cost might have been if there had been no change in IOCS.

(C,D) Redirected to witness Bozzo.

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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August 7, 2006