

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**Major Mailers Association's
First Set Of Interrogatories and Document Production Requests To APWU
Witness Kathryn L. Kobe (MMA/APWU-T1-1-14)
(September 8, 2006)**

Pursuant to the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to APWU Witness Kathryn L. Kobe (MMA/APWU-T1-1-14).

Respectfully submitted,

Major Mailers Association

By: _____

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**Dated: Middleburg, Virginia
September 8, 2006**

MMA/APWU-T1-1

On pages 3 of your testimony, you indicate that bulk metered mail has been used as the benchmark mail piece since R97-1. Is it your view that First-Class presort volumes are still growing and exhibit similar volume shifts from First-Class single piece to workshared in the same manner that such shifts occurred in R97-1. Please explain your answer.

MMA/APWU-T1-2

On page 7 of your testimony you indicate that the Postal Service's current methodology for supporting workshared discounts results "in the mailer of the Single Piece 'clean' letter paying a larger contribution to overhead than the mailer of the Presort 'clean' letter."

- A. Please confirm that classification is an averaging process whereby mail with similar attributes are combined and assessed the same rate. If you cannot confirm, please explain.
- B. Please confirm that, whenever there is an averaging process, there will be some mail within that category that pays more towards institutional costs than other mail. If you cannot confirm, please explain.
- C. Please provide the TY AR unit contribution to overhead for an average single piece "clean letter at the USPS proposed rates, indicating all sources used and explaining how you derived it.
- D. Please provide the TY AR unit contribution to overhead for an average Presort "clean letter at the USPS proposed rates, indicating all sources used and explaining how you derived it.
- E. By how much is the contribution from the single piece "clean" letter higher than the Presort "clean" letter?

MMA/APWU-T1-3

On page 7 of your testimony you indicate that the Postal Service's current methodology for supporting workshared discounts results "in the mailer of the Single Piece "clean" letter paying a larger contribution to overhead than the mailer of the Presort "clean" letter".

- A. Please define "cleanliness" as you use the term.
- B. Has "cleanliness" ever been a cost sparing attribute that has been recognized with a discount? If so, please explain.
- C. Please confirm that "dirty" and "clean" letters within First-Class single piece have always paid the same rate. If you cannot confirm, please explain.
- D. Do you believe that a problem exists within First-Class single piece because the Postal Service makes a higher profit on "clean" letters than on "dirty" letters? Please explain your answer.

MMA/APWU-T1-4

On page 7 of your testimony you indicate that the Postal Service's current methodology for supporting workshared discounts results "in the mailer of the Single Piece "clean" letter paying a larger contribution to overhead than the mailer of the Presort "clean" letter".

- A. Does a Single Piece "clean" letter bypass collection costs? Please explain your answer.
- B. Does a Single Piece "clean" letter incur window service costs? Please explain your answer.
- C. Does a Single Piece "clean" letter incur mail preparation costs? Please explain your answer.
- D. On average, is a Single Piece "clean" letter rejected from automation equipment more often than, less often as or as often as a pre-approved, automation-compatible prebarcoded letter? Please explain your answer.

- E. Does a Presort “clean” letter incur collection, window service or mail preparation costs? If so, please explain your answer.
- F. What other costs do Single Piece “clean” letters incur that Presort “clean” letters do not?
- G. How do you know that the discounts offered by the Postal Service to Presort “clean” letters are more than the additional costs incurred by single piece “clean” letters that incur collection, window service and mail preparation costs?

MMA/APWU-T1-5

On page 10 of your testimony, you propose higher First-Class presorted rates than your cost savings indicate because “a ‘one step’ adjustment is likely to result in rate shock that probably would cause undue disruption to both mailers and the Postal Service.” Please provide copies of any studies that were performed by or for you prior to filing your testimony in this proceeding that you relied on as the basis for concluding that First-Class presorted rates based on the cost savings you calculated in Table 1 of the Column titled Total Workshare Related Unit Cost Savings on page 8 of your testimony will cause undue disruption to both mailers and the Postal Service.

MMA/APWU-T1-6

On page 10 of your testimony, you propose higher First-Class presorted rates than your cost savings indicate because “a ‘one step’ adjustment is likely to result in rate shock that probably would cause undue disruption to both mailers and the Postal Service.” Please provide copies of any studies that were performed by or for you prior to filing your testimony in this proceeding that you relied on as the basis for concluding that the First-Class presorted rates you propose will not cause undue disruption to both mailers and the Postal Service.

MMA/APWU-T1-7

On page 15 of your testimony, you claim “it seems highly unlikely that the mail that is converting to presort mail is equivalent to the average collection mail that is coming from individual households, nonprofit organizations, and small businesses.”

- A. Please provide all studies or other information you relied upon in concluding that the mail that is converting from First Class single piece to presort is not equivalent to the average collection mail that is coming from individual households, nonprofit organizations, and small businesses.
- B. How much First Class single piece mail do you believe still “converts” to presort mail? Please support your answer.
- C. Is it your position that, in the absence of worksharing discounts, mailers will voluntarily bring their letters to a local post office, properly faced in trays that are labeled, sleeved and banded? If so, please support your answer.
- D. Is your use of BMM as the benchmark from which to measure workshared cost savings dependent upon the continued existence of significant volume shifts from Single Piece to Presort? Please explain your answer.

MMA/APWU-T1-8

On pages 19 and 20 you discuss your method to de-average Automation and NonAutomation costs in the same manner as USPS witness Abdirahman.

- A. Please confirm your de-averaged mail processing unit costs and those derived by the Postal Service model, as shown in the following table. If you cannot confirm, please provide corrections, along with your derivations.

First-Class Presort Category	CRA (Cents)	USPS Model (Cents)	APWU Model (Cents)
Nonautomation	21.372	6.302	6.173
Automation	3.904	4.522	4.527
Combined	4.587	4.587	4.587

Sources: USPS-LR-151, USPS-LR-L-48, APWU-LR-1, p. 3

B. Please confirm your adjusted model-derived worksharing-related mail processing costs and those derived by the Postal Service for Nonautomation Mixed AADC (NAMMA) letters and BMM letters, as shown in the following table. If you cannot confirm, please provide corrections.

First-Class Letter Category	Adj Model-Derived Unit Cost (Cents)	
	USPS	APWU
NAMMA	5.797	5.715
BMM	9.559	9.559

Sources: USPS-LR-L-48 APWU-LR-1
Tr. 14/4222-28

C. Please confirm that, as shown by the Postal Service’s analysis and your analysis, respectively, the unit processing costs for BMM are 65% and 67% higher than the unit processing costs for NAMMA letters. If you cannot confirm, please provide the correct percentages and explain how they are derived.

D. Please confirm your adjusted model-derived worksharing-related mail processing costs and those derived by the Postal Service for Nonautomation letters and BMM letters, as shown in the following table. If you cannot confirm, please provide corrections and explain how they are calculated.

First-Class Letter Category	Adj Model-Derived Unit Cost (Cents)	
	USPS	APWU
NonAuto	6.302	6.173
BMM	9.559	9.559

Sources: USPS-LR-L-48 APWU-LR-1
Tr. 14/4228

E. Please confirm that, as shown by the Postal Service’s analysis and your analysis, respectively, the unit processing costs for BMM are 52% higher and 55% higher than the unit processing costs for Nonautomation letters,

If you cannot confirm, please provide the correct percentages and indicate how they are derived.

MMA/APWU-T1-9

On Page 20 of your testimony you indicate that you use Nonautomation letter delivery costs as a proxy for BMM delivery costs since NAMMA delivery costs are not available.

- A. Please confirm that you would have used NAMMA delivery costs as a proxy for BMM letters because NAMMA letters exhibit similar cost attributes to BMM letters. If you cannot confirm, please explain precisely why you would have used NAMMA letter delivery costs as a proxy for BMM delivery costs.
- B. Please confirm that you used Nonautomation delivery costs as a proxy for the delivery costs of BMM letters because Nonautomation letters exhibit similar cost attributes to BMM letters. If you cannot confirm, please explain precisely why you used Nonautomation letter delivery costs as a proxy for BMM delivery costs.
- C. Please confirm that NAMMA letters and Nonautomation letters are both workshared categories, subject to all of the Postal Service's prerequisite requirements for qualifying for discounted First Class rates, while BMM letters are subject to none of those prerequisite requirements. If you cannot confirm, please explain
- D. Please confirm that, in order to isolate delivery cost savings due to worksharing, it is reasonable to compare the delivery costs for one rate category that is workshared to another rate category that is not workshared, all other factors being equal to the extent possible. If you disagree, please explain.

MMA/APWU-T1-10

Please provide the implicit cost coverages for First-Class (1) single piece letters and (2) presorted letters under your proposed rates, and show how you derived them.

MMA/APWU-T1-11

For each of the last 10 fiscal years for which data are available, please provide the volumes of BMM that (1) have converted from First Class single piece to Presort and (2) have not converted from First Class single piece to Presort. Please provide sources for the data you provide in response to this interrogatory. Please explain why BMM pieces have not converted from First Class single piece?

MMA/APWU-T1-12

For TY 2008, please provide (1) the volume of BMM that is expected to convert to First-Class Presort and (2) the volume of BMM that is expected not to convert to First-Class Presort. For the volume of BMM that is not expected to convert to First-Class Presort, please explain why it will remain BMM.

MMA/APWU-13

If a presort bureau offered to pick up Economic Consulting Service's (ECS) First Class letters and mail them at discounted rates, please state whether you would recommend that ECS agree to such an arrangement and explain the reasons for your recommendation.

MMA/APWU-14

Please refer to Table 2 on page 9 of your testimony.

- A. Please confirm the APWU 100% passthrough and proposed rates (in cents) as shown in the following table. If you cannot confirm, please provide any necessary corrections.

First-Class Letter Category	APWU 100% Pass thru Rates	APWU Proposed Rates
Single Piece	42.0	41.0
Nonautomation	38.1	37.1
Mixed AADC	37.8	35.1
AADC	36.6	34.0
3 Digit	36.2	33.6
5 Digit	34.7	32.1

B. Please confirm the APWU 100% passthrough proposed discounts, as compared to the current and USPS proposed discounts (in cents) as shown in the following table. If you cannot confirm, please provide any necessary corrections.

First-Class Letter Category	Current Discounts	USPS Proposed Discounts	APWU 100% Pass thru Discounts	APWU Proposed Discounts
Single Piece				
Nonautomation	1.9	2.0	3.9	3.9
Mixed AADC	6.4	7.4	4.2	5.9
AADC	7.3	8.5	5.4	7.0
3 Digit	8.2	8.9	5.8	7.4
5 Digit	9.7	10.8	7.3	8.9

C. Please confirm that you have not proposed the APWU 100% pass through rates because they are “likely to result in rate shock that probably would cause undue disruption to both mailers and the Postal Service.” (Page 10). If you cannot confirm, please explain.

D. Please explain whether the following set of proposed rates by the OCA (in cents) are “likely to result in rate shock that probably would cause undue disruption to both mailers and the Postal Service.” Please explain your answer.

First-Class Letter Category	APWU 100% Pass thru Rates	OCA Proposed Rates
Single Piece	42.0	42.0
Nonautomation	38.1	40.0
Mixed AADC	37.8	36.2
AADC	36.6	35.0
3 Digit	36.2	34.5
5 Digit	34.7	33.1