

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORY OF THE UNITED STATES POSTAL SERVICE TO  
MAJOR MAILERS ASSOCIATION WITNESS BENTLEY  
(USPS/MMA-T1-17)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatory to Major Mailers Association witness Bentley: USPS/MMA-T1-17.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**USPS/MMA-T1-17.** Please refer to page 15 of your testimony, including Table 5, and the following sentence at the top of page 16:

There can be no argument that Postal Service data indicate that Presorted letters cost, on average, 3.38 cents less to deliver than single piece letters.

a. Please confirm (or if not confirmed, explain fully) that the following table correctly presents (from the response to MMA/USPS-T30-31) the total delivery costs (without collection) and the relevant volumes, used to derive the respective unit delivery costs shown in columns 1 and 2 of your Table 5 (and reproduced in this table as well) for Single Piece and Presorted letters.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	TY Total Delivery Cost Without Collection (000)	TY Originating Volume (000)	TY Unit Delivery Cost per Originating Piece (without collection)	TY Unit Delivery Cost (Cents) Difference Per Originating Piece	TY Delivered Volume (000)	TY Unit Delivery Cost (Cents) Without Collection Per Delivered Piece	TY Unit Delivery Cost (Cents) Difference per Delivered Piece
Single Piece	\$1,782,394	34,594,330	5.15		21,167,692	8.42	
Presorted	\$1,977,153	47,482,864	4.16	0.99	42,543,546	4.65	3.77

Source – MMA/USPS-T30-31

b. If “Presorted letters cost, on average, 3.38 cents less to deliver than single piece letters” as you say, then there must be some Presorted letters unit delivery cost X, such that X times the Presorted letters volume equals the total delivery costs for Presorted letters (\$1.977 billion), and (X + 3.38 cents) times the Single Piece volume equals the total delivery costs for Single Piece letters (\$1.782 billion). Using the total delivery cost figures and either set of volume figures in the table above, please derive such a value of X that reconciles with the total delivery cost figures for both categories.

c. On page 15, you refer to the 3.77-cent difference between the unit delivery costs per delivered piece of Single Piece letters and that of Presorted letters (shown at the bottom of Column 3 of your Table 5) as the “unit cost savings,” and you state that since the workshared discounts apply to all workshared volume (including those that are not delivered), it is necessary to spread the unit cost savings over all workshared volumes. Suppose that instead of a discount for workshared mail, the relevant rate difference was considered to be a surcharge for Single Piece mail. In that case, please confirm that, in order to develop the surcharge, it would be necessary under your logic to spread the unit cost difference (3.77 cents) over all Single Piece mail, that it would thus be necessary under your methodology to multiply the unit cost difference by the percentage of Single Piece letters that are actually delivered (61 percent), and the conclusion you would reach would be that the Single Piece letters cost, on average, 2.31 cents more to deliver than Presorted letters. If you cannot confirm, please explain fully.

d. Please confirm that it is logically impossible for Presorted letters to cost, on average, 3.38 cents less to deliver than single piece letters, while Single Piece letters cost, on average, 2.31 cents more to deliver than Presorted letters. If you cannot confirm, please explain fully.

e. Please confirm that from your Table 5, one can identify 0.99 cents as the difference between the unit delivery costs (without collection) per originating piece of Single Piece and Presorted letters, and one can identify 3.77 cents as the difference between the unit delivery costs (without collection) per delivered piece of Single Piece and Presorted letters, but that the result of the calculation you present in Column 4 as the “Unit Delivery Cost Savings Per Originating Piece” is meaningless, and does not represent the “Unit Delivery Cost Savings Per Originating Piece,” which is 0.99 cents. If you cannot confirm, please explain fully.

f. Please refer to Table 6 on page 16, and confirm that the Delivery Unit Cost Savings you report in that table are based on the same methodology, and hence are equally as flawed and meaningless, as the figures you derive in Column 4 of Table 5 and mislabel as “Unit Delivery Cost Savings Per Originating Piece.” If you cannot confirm, please explain fully.