

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

REVISED RESPONSES OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T40-31-32) (Errata)

The United States Postal Service hereby provides the revised responses of witness Mitchum to the above-listed interrogatories of the Office of the Consumer Advocate: OCA/USPS-T40-31-32, filed on June 30, 2006. This corrects header problems, and deletes a blank page. No wording is changed.

Each 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

David H. Rubin
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -6187
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RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

Revised August 18, 2006

OCA/USPS-T40-31. This interrogatory seeks to clarify the proposed pricing of Confirm service for First-Class Mail and Standard Mail. Please refer to your response to OCA/USPS-T40-14(e), where it states, "First-Class Mail has features that are different from Standard Mail, and it is my understanding that the pricing reflects these differences."

- a. Please confirm that you are the "pricing" witness for Confirm service in this proceeding. If you do not confirm, please explain.
- b. Please provide quotes and page citations to your testimony that discuss and support your claim that the different service features of First-Class Mail and Standard Mail are reflected in the pricing of Confirm service.
- c. Please confirm that the different service features of First-Class Mail and Standard Mail, respectively, were not reflected in the pricing of Confirm service when the permanent mail classification for Confirm service was established pursuant to Docket No. MC2002-1. If you do not confirm, please provide quotes and page citations to the testimony of witness James F. Kiefer (USPS-T-5) in the above referenced docket that discusses and supports your claim that the different service features of First-Class Mail and Standard Mail are reflected in the pricing of Confirm service.
- d. With respect to your reference to the "long-standing practice of treating First-Class Mail and Standard Mail . . . differently," (part e. of 14), please provide a complete set of examples where Special Services or ancillary services have been priced differently when they are associated with different classes or subclasses of mail. In this set of examples, state whether cost differences exist when providing the Special Service or ancillary service together with the underlying class of service.

RESPONSE:

- a. Confirmed.
- b. The common understanding that First-Class Mail and Standard Mail have different features was not explicitly discussed in my direct testimony, but its relationship to the pricing of Confirm service is addressed in my responses to OCA/USPS-T40-14(e) and OCA/USPS-T40-32.
- c. Confirmed.
- d. There are a multitude of cases where the availability of special services are restricted by the class of mail the mailpiece is shipped under, many of which involve distinctions between First-Class Mail and Standard Mail. Some examples are:

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i. Delivery Confirmation is priced differently based on the underlying subclass, though the differences are based on costs and whether those costs are included in the base subclass.

ii. Registered Mail is not available with Standard Mail.

iii. Certified Mail is not available with Standard Mail.

iv. Repositionable notes are priced differently depending on the class of mail they are used with.

v. Insurance is not available for Standard Mail, except bulk insurance.

vi. Certificates of Mailing are not available with Standard Mail.

vii. Signature Confirmation is not available for Standard Mail.

viii. COD is not available with Standard Mail.

ix. Special Handling is not available with Standard Mail.

x. Forwarding and return are part of First-Class Mail.

There are greater restrictions for the use of return receipt, return receipt for merchandise, and restricted delivery with Standard Mail, including the requirement that the residual shape surcharge be paid.

While I am not a costing witness, I am aware that the costs for providing Address Correction Service for different classes of mail are different. And it is difficult to determine if there would be cost differences where special services are restricted for one or more classes of mail, as I am unaware of any efforts by the Postal Service to estimate costs for special services for those classes of mail for which they are not eligible.

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OCA/USPS-T40-32. This interrogatory seeks to clarify the proposed pricing of Confirm service for First-Class Mail and Standard Mail. Please refer to your response to OCA/USPS-T40-14(e), where it states, "First-Class Mail has features that are different from Standard Mail, and it is my understanding that the pricing reflects these differences."

- a. Please identify the service features of First-Class Mail and Standard Mail that should be reflected in the pricing of Confirm service, and explain your "understanding" as to how the different service features of First-Class Mail and Standard Mail should affect the pricing of Confirm service. Also, please explain and analyze the nine pricing criteria of section 3622(b) for Confirm service discussing the different service features of First-Class Mail and Standard Mail, respectively, that are relevant to the pricing of Confirm service.
- b. Please confirm that Confirm service is not a "bundled," or included, service feature of First-Class Mail or Standard Mail. If you do not confirm, please explain.
- c. Please confirm that Confirm service is 1) a special service having a separate mail classification, 2) offered as an ancillary service to First-Class Mail and Standard Mail, and 3) separately priced based upon volume variable costs specific to Confirm service. If you do not confirm, please explain.

RESPONSE:

a. First-Class Mail has more features than Standard Mail, including free forwarding and return, priority handling, and the ability to use some special services which are not available with Standard Mail (see my response to OCA/USPS-T40-31(d) for more examples).

b. Confirmed.

c. 1) Confirmed.

2) Confirm is a separate service that allows monitoring of mail bearing PLANET Codes that is processed on the appropriate equipment. To become a subscriber, there is no requirement that any underlying service be purchased.

3) Confirmed. Confirm service is priced separately based on the incremental costs associated with the product, as well as the other statutory pricing factors. It is not the existence of the different features by subclass that requires different Confirm pricing.

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Instead, the existence of these different features shows that it is not unreasonable to treat the classes differently with respect to their ancillary services.