

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

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MITCHUM  
TO INTERROGATORIES OF VALPAK  
(VP/USPS-T40-2(b) and 3)

The United States Postal Service hereby files the responses of Witness Mitchum to the above listed interrogatories, filed on May 19, 2006. Interrogatories VP/USPS-T40-1(a), 2(a), and 4 have been redirected to witness Taufique, and interrogatories VP/USPS-T40-1(b) and 2(c) have been redirected to witness Cutting.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS MITCHUM  
TO INTERROGATORY OF VALPAK

**VP/USPS-T40-2.**

- a. Please refer to your testimony at page 8, lines 6-7. If a piece of discounted (*i.e.*, “bulk”) First-Class Mail is UAA and non-forwardable, when it is returned to sender does the Postal Service indicate the reason for the return?
- b. Could the stated reason(s) for the return be transmitted electronically to “bulk” First-Class Mail mailers?
- c. In FY 2005, what is the Postal Service’s unit cost for electronic return to sender of relevant information concerning non-forwardable UAA First-Class Mail?

**RESPONSE:**

- a. Redirected to witness Taufique.
- b. Yes. For those mailers electing to receive electronic Address Correction Service notifications, the records they receive in their electronic ACS Fulfillment File include a deliverability code identifying the reason a mail piece was not deliverable, when that information is available.
- c. Redirected to witness Cutting.

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**VP/USPS-T40-3.**

Please assume that the Postal Service provides **physical return** of non-forwardable UAA First-Class Mail **free**, while charging **\$0.06** to provide senders with relevant information regarding non-forwardable First-Class Mail **electronically**.

a. Please explain the rationale for providing the Postal Service's most expensive form of information concerning non-deliverability free of charge, while charging a price of \$0.06 for the Postal Service's least expensive form of providing mailers with the same information.

b. Please explain why charging \$0.06 for the least expensive (electronic) method of returning information, while providing far more costly physical return free — *i.e.*, at an effective price of \$0.00 — “establish[es] a fair and equitable fee schedule,” as you assert at page 9, lines 14-15 of your testimony;

c. Please explain what incentives the proposed fee structure would give mailers to elect optional electronic return service in lieu of physical return for nonforwardable UAA First-Class Mail; and

d. Please explain what other steps, if any, the Postal Service plans to implement in order to induce mailers to substitute electronic return service for physical return of UAA First-Class Mail that cannot be forwarded.

**RESPONSE:**

a-c. First-Class Mail postage includes returning the mailpiece to the sender if it cannot be forwarded or if the forwarding period has expired. Thus, the sender of an item mailed at the First-Class Mail rate does not receive free physical return of the mail piece, but rather pays for that service through First-Class Mail postage. The cost of returning the mailpiece is included in the cost underlying the postage. Address Correction Service provides the mailer with a correction notice even if the mailpiece were forwarded to the intended recipient. The \$0.06 fee covers the additional costs for the Address Correction Service notice that the mailer elects to receive.

The incentive to use Address Correction Service, regardless of the method, is that it provides mailers with a notice when an address is not valid, even though the

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mailpiece was forwarded to the intended recipient. This notice, whether electronic or hard copy, provides the mailer with the new address for the intended recipient. The mailer can use the new address information to update the mailing list before the forwarding notice expires, thus allowing the mailer to send subsequent pieces directly to the new address, avoiding the additional time in transit caused by forwarding. Also, many recipients of successively forwarded pieces will probably not wait twelve months before writing or calling the sender to provide their new address, and the mailer's cost of handling this customer contact could well exceed the electronic ACS fee. If the mailer elects to receive these data electronically by choosing to use either the automated or electronic ACS option, the mailer has the added benefit of not having to pay personnel to manually process the data from the hard copy notices. As a result, mailers benefit by potentially reducing labor costs and increasing the effectiveness of their mailings.

d. I am not aware of any additional steps the Postal Service plans to implement.