

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
) Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES)

VOLUME #14

Date: August 24, 2006
Place: Washington, D.C.
Pages: 3870 through 4320

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C O N T E N T S

WITNESSES APPEARING:

SAMUEL T. CUTTING (Not Present)
 DREW MITCHUM
 MARC A. SMITH

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Drew Mitchum	3903	--	4206	--	--
by Ms. Dreifuss	--	4140	--	--	--
Marc A. Smith	4208	--	--	--	--
by	--	4304	--	--	--

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
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Corrected designated written cross-examination of Drew Mitchum, USPS-T-40	3907
Cross-examination exhibits of Office of Consumer Advocate, OCA-XE-1 and OCA-XE-2	4147
Corrected designated written cross-examination of Marc A. Smith, USPS-T-13	4211

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Corrected direct testimony of Samuel T. Cutting on behalf of the United States Postal Service, USPS-T-26	3875	3875
Corrected designated written cross-examination of Samuel T. Cutting, USPS-T-26	3876	3876
Corrected direct testimony of Drew Mitchum on behalf the the United States Postal Service, USPS-T-40	3903	3905
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Cross-examination exhibits of Office of the Consumer Advocate, OCA-XE-1 and OCA-XE-2	4146	4146
Direct testimony of Marc A. Smith, on behalf of the United States Postal Service, USPS-T-13	4207	4209
Corrected designated written cross-examination of Marc A. Smith, USPS-T-13	4209	4210

1 today it would be the same.

2 CHAIRMAN OMAS: Is there any objection?

3 (No response.)

4 CHAIRMAN OMAS: Hearing none, I will direct
5 counsel to provide the reporter with two copies of the
6 corrected direct testimony of Samuel T. Cutting.

7 That testimony is received into evidence.
8 However, as is our practice, it will not be
9 transcribed.

10 (The document referred to was
11 marked for identification as
12 Exhibit No. USPS-T-26 and was
13 received in evidence.)

14 CHAIRMAN OMAS: Ms. McKenzie, have the
15 answers to the designated written cross-examination
16 been reviewed and corrected?

17 MS. MCKENZIE: Yes, Mr. Chairman.

18 CHAIRMAN OMAS: Please provide two copies of
19 the corrected designated written cross-examination of
20 Witness Cutting to the reporter.

21 That material is received into evidence and
22 is to be transcribed into the record.

23 MS. MCKENZIE: Also I would like to note
24 that I have two original declarations from Witness
25 Cutting that also attest to the accuracy of these

1 answers.

2 CHAIRMAN OMAS: Thank you.

3 (The document referred to was
4 marked for identification as
5 Exhibit No. USPS-T-26 and was
6 received in evidence.)

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**POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF SAMUEL T. CUTTING**

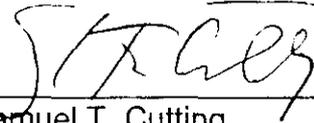
I, Samuel T. Cutting, hereby declare under penalty of perjury that:

I prepared the interrogatory responses which were filed under my name and which have been designated for inclusion in the record of this docket, and

If I were to respond to those interrogatories orally, the responses would be the same.

I prepared the Presiding Officer's Information Request responses which were filed under my name and which have been designated for inclusion in the record of this docket, and

If I were to respond to those Presiding Officer's Information Request questions orally, the responses would be the same.



Samuel T. Cutting

8-22-20
Date

BEFORE THE
 POSTAL RATE COMMISSION
 WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
 OF UNITED STATES POSTAL SERVICE
 WITNESS SAMUEL T. CUTTING
 (USPS-T-26)

Party

Interrogatories

Postal Rate Commission

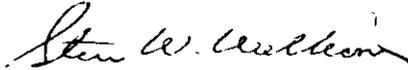
DFC/USPS-T26-1
 MMA/USPS-T26-1
 PostCorn/USPS-T26-1a
 PRC/USPS-POIR No.9 - Q07, 08, 09-10, 11, 12
 redirected to T26
 VP/USPS-T26-1-7
 VP/USPS-T40-1b, 2c redirected to T26

Valpak Direct Marketing Systems,
 Inc. and Valpak Dealers'
 Association Inc.

VP/USPS-T26-1-7

 VP/USPS-T40-1b, 2c redirected to T26

Respectfully submitted,


 Steven W. Williams
 Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS SAMUEL T. CUTTING (T-26)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
DFC/USPS-T26-1	PRC
MMA/USPS-T26-1	PRC
PostCom/USPS-T26-1a	PRC
PRC/USPS-POIR No.9 - Q07 redirected to T26	PRC
PRC/USPS-POIR No.9 - Q08 redirected to T26	PRC
PRC/USPS-POIR No.9 - Q09 redirected to T26	PRC
PRC/USPS-POIR No.9 - Q10 redirected to T26	PRC
PRC/USPS-POIR No.9 - Q11 redirected to T26	PRC
PRC/USPS-POIR No.9 - Q12 redirected to T26	PRC
VP/USPS-T26-1	PRC, Valpak
VP/USPS-T26-2	PRC, Valpak
VP/USPS-T26-3	PRC, Valpak
VP/USPS-T26-4	PRC, Valpak
VP/USPS-T26-5	PRC, Valpak
VP/USPS-T26-6	PRC, Valpak
VP/USPS-T26-7	PRC, Valpak
VP/USPS-T40-1b redirected to T26	PRC, Valpak
VP/USPS-T40-2c redirected to T26	PRC, Valpak

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T26-1

Please refer to your testimony at page 12, lines 1–4. Please explain how the 4-state bar code will allow PARS to identify letters that require an electronic notice.

RESPONSE:

Once PARS is fully deployed with the ability to read and process 4-state barcodes, it is my understanding that PARS-enabled sorting equipment will identify machinable UAA letters that require an electronic address correction notice (i.e., Address Change Service (ACS) letters) by reading customer- and mail piece-specific ACS codes which will be embedded in the barcode itself. Processing computers will then match this information to the appropriate mailer and send an electronic address correction notice. This process will apply to all types of machinable UAA letters, whether initially intercepted by PARS-enabled sorting equipment or identified by carriers and other personnel at the delivery unit associated with the original address on the UAA mail piece.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTTING TO
INTERROGATORY OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T26-1

Please refer to Table 1 on page 5 of your direct testimony where you provide the percentages of mail that are undeliverable-as-addressed (UAA) by subclass. It appears that within First Class, single piece (2.5%) has the lowest percentage of UAA mail, followed by Automation mail (4.1%) and then Presorted mail (6.9%). Please provide specific explanations as to why single piece mail has the lowest UAA percentage, why the UAA percentage for Automation mail, which is subject to frequent, stringent move update requirements, is so much higher than that of single piece, and why Presorted mail has the highest UAA percentage of all.

RESPONSE:

Although the FY 2004 UAA study does not explicitly address the reasons for differences in UAA percentages across mail categories, there are some plausible explanations for the percentage differences. The First-Class Single-Piece mail stream includes several types of mail that are likely to have lower UAA occurrences relative to the workshare categories. Most notably, Courtesy Reply Mail (CRM) and Business Reply Mail (BRM)—which, taken together, represent a sizable portion of the single-piece mail stream—are likely to have a low amount of UAA mail since they are based on pre-addressed, printed envelopes and cards designed to quickly and accurately route payments and responses to offers back to the businesses which provided the envelopes and cards for the customers' use. There are reasons that may explain why other segments of the single-piece mail stream may also have fewer UAA occurrences relative to the workshare categories. For instance, household-to-household personal correspondence mail may have a low UAA percentage since households are more likely to know the addresses of friends and family with whom they correspond. Business-to-business single-piece office mail may have a low UAA percentage since businesses move less often, on average, than households.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTTING TO
INTERROGATORY OF MAJOR MAILERS ASSOCIATION

Response to MMA-T26-1 continued

It is also important to note the impact of advertising mail within the First-Class workshare categories. Some proportion of workshare mail is used for business-to-customer advertising. Without an existing business relationship between the business generating the letters and the individuals to whom the letters are addressed, the address lists used for such campaigns may include incorrect or outdated addresses. This could tend to increase the percentage of UAA mail in the workshare categories compared to single-piece.

The FY 2004 UAA study provides some tabulations for the reasons that mail becomes undeliverable. These tabulations can be used to help to explain the higher UAA percentage of First-Class Presorted mail (i.e., non-automation mail) relative to First-Class Automation mail. Consider the table below.

Response to MMA/USPS-T-26-1									
UAA First-Class Workshare Mail UAA Volumes (000) and Percentages									
FY 2004									
	[A]	[B]		[C]	[D]	[E]		[F]	[G]
Mail	RPW Volume	UAA Volume (000) (2)				UAA Percentage			
Category	(000) (1)	Move	Non-Move	Total		Move	Non-Move	Total	
		Related (3)	Related (4)			Related (5)	Related (6)	Total (7)	
[1] Presorted	2,553,576	88,292	88,823	177,115		3.5%	3.5%	6.9%	
[2] Automation	47,685,143	1,254,052	689,997	1,944,048		2.6%	1.4%	4.1%	
[3] Total	50,238,719	1,342,344	778,820	2,121,164		2.7%	1.6%	4.2%	

Notes

(1) Source USPS-LR-L-61, Table 2.3

(2) Source USPS-LR-L-61, Table 5.1

(3) UAA mail based on change-of-address orders on file

(4) UAA mail based on bad address elements, expired change-of-address orders, vacant addresses, no mailing receptacles, etc

(5) Column B / Column A

(6) Column C / Column A

(7) Column D / Column A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF MAJOR MAILERS ASSOCIATION

Response to MMA-T26-1 continued

UAA reasons are divided into two general groups: move-related and non-move-related. As shown in columns E and F, presorted mail has a higher UAA percentage than automation mail both for pieces that are UAA due to move-related reasons as well as non-move-related reasons.

A partial explanation for the higher UAA percentages of presorted mail may involve machinable pieces that fail the barcode quality standards of the Coding Accuracy Support System (CASS). It is my understanding that this mail would have been eligible for automation rates but for the quality of the addresses on the pieces. Because the addresses on these pieces fail CASS, the pieces are mailed at presorted/nonautomation rates. This phenomenon may tend to increase the UAA percentage of non-move-related presorted mail. In addition, because the addresses on these pieces fail CASS, they are precluded from NCOALink Move-Update processing, the predominant Move-Update tool. With no check against the NCOA database, such addresses would tend to increase move-related UAA volume.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTTING TO
INTERROGATORY OF THE ASSOCIATION FOR POSTAL COMMERCE AND THE
MAILING AND FULFILLMENT SERVICE ASSOCIATION

POSTCOM/USPS-T26-1

In your testimony at p. 11, line 9 you state that unit cost differences in the processing of electronic notices "are primarily driven by shape." Witness McCrery states in USPS-T-42 at 18 that PARS will be implemented for flats at all processing plants that handle flat mail and the delivery units they service beginning in February 2008.

- a. How will the implementation of PARS for flats affect the unit-cost differences by class for Address Correction Service notices in the test year?
- b. Please provide any and all studies and data related to the implementation of PARS for flats and its effects on the test year costs of Address Correction Service.

RESPONSE:

- a. I did not consider PARS implementation for flats when calculating test-year unit costs by class for Address Correction Service electronic notices. If I had, the overall effect on unit costs would likely have been small. This is because most of the implementation period for this program occurs after the test year, meaning that most of the cost savings would likely occur after the test year as well.
- b. Redirected to the Postal Service.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 7

7. Please refer to USPS-LR-L-62, Appendix A, PARS08 BaseTabs.xls, UAA Baseline Cost Model Tables, PARS Environment, TY2008, Table 3.29, Derivation of UAA Mail in Mail Processing and Transportation Unit Costs. The return cost for machinable parcels is identified as zero. Please explain the rationale for this.

RESPONSE:

The unit cost for returned machinable parcels in Table 3.29 is intended to be blank not zero. According to USPS Handbook PO-441, *Rehandling of Mail Best Practices*, all returned-to-sender parcels are manually processed once they have been redirected from the originating delivery unit or CFS unit. Even returned machinable parcels are manually processed. The unit cost estimate reported in Table 3.29 is based on manual processing of both machinable and non-machinable returned parcels, meaning that it represents the average across both types of returned parcels. For forwarded parcels, separate unit costs are reported in the table because the mail processing practices for machinable parcels differ from those for non-machinable parcels. Please see Section 3.6 of USPS-LR-L-61 for more details.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 8

8. Please refer to USPS-LR-L-61, Appendix C, Tables, PrePARS OthTabs_v.xls, Table 5.5, Direct Cost (1), Volume, and Unit Cost of UAA Other Mail By UAA Reason (2), Pre-PARS Environment, FY 04.
- a. Please discuss why the "incorrect [address] number" costs for Priority Mail are high relative to other categories of mail, and when compared with other reasons for undeliverability of Priority Mail.
 - b. Please explain why USPS Penalty Mail exhibits a high "vacant" UAA figure (8.292 million pieces) relative to other categories of mail.
 - c. In USPS-LR-L-61, Appendix C, Tables, PrePARS OthTabs_v.xls, Table 5.10, Total UAA Cost (1), Volume, and Unit Cost of UAA Packages Services Mail By UAA Reason (2), Pre-PARS Environment, FY 04, please explain why the cost for a missing apartment number on Media Mail is so high (\$9.63) as compared with other categories of mail.

RESPONSE:

- a. For each UAA reason, the unit cost estimates in Table 5.5 are aggregated over all mail shapes within a category. The measured volume mix over shape (as recorded in the Delivery Unit Route Survey of the 2004 UAA study) is a principal driver of the unit cost for any particular UAA reason. The unit cost for "incorrect number" is comparatively high because only parcel-shaped Priority Mail pieces were found in the mail stream associated with this UAA reason, most likely due to small sample size. On a per-unit basis, parcels are generally more costly to process than letters or flats. If Priority Mail letters or flats had been found in the mail stream associated with this UAA reason, the unit cost would have been lower because these shapes are generally less costly to process than parcels. This principle applies throughout all tables in USPS-LR-L-61 that report volumes and costs by UAA or PKR reason (i.e., Tables 5.1 – 5.12, 5.15 – 5.20).
- b. It is conceivable that a substantial portion of UAA pieces for this category would be based on vacant addresses. When an individual, family, or business submits

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 8

a change-of-address order, the Postal Service's National Customer Support Center sends a validation letter to the old address to help guard against fraud. These letters are sent as USPS Penalty Mail. The recipient portion in the address block of these letters contains two elements: "Current Resident Or" as well as the name of the individual, family, or business who submitted the order. In cases where an individual, family, or business has moved away but the old address is yet to be re-occupied (i.e., there is no current resident at the old address), the letters are marked as vacant and returned to the local CFS unit as UAA mail. These validation letters compose most of the USPS Penalty Mail vacant-address mail pieces recorded in the 2004 UAA study.

- c. As noted in the response to 8.a., volume mix over shape is a principal driver of the unit cost for any particular UAA reason. Because only parcel-shaped Media/Library pieces were found in the mail stream associated with this UAA reason (most likely due to small sample size), the unit cost is comparatively high. Final disposition is also an important factor. In Table 5.10, note the relatively low unit cost of processing BPM mail with a missing apartment number (\$0.060 per piece). USPS UAA regulations allow BPM mail to be wasted at the delivery unit, a relatively inexpensive process. In contrast, non-move related Media/Library mail must be returned to the sender (unless otherwise specified by the regulations associated with the ancillary service endorsement on the mail piece), which requires more costly processing steps (e.g., mail mark up activities, mail processing and transportation activities, and postage due activities).

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 9

9. The fraction of UAA and waste from certain types of mail in 2004 (as given in the Direct Testimony of Samuel Cutting (USPS-T-26, page 5, Table 1) has increased markedly since the 1998 data provided in the September 1999 PriceWaterhouseCoopers (PWC) UAA Study, page 12, Table 4.2 (submitted in R2000-1). For example:
- a. The Cutting testimony presents an overall weighted volume average of 6.4 percent for Standard UAA mail compared with a 2.48 percent UAA figure for Standard mail in 1998, from the 1999 PWC study. Please describe any known causes or explanations for the increase.
 - b. In 2004, 97.9 percent of UAA Standard mail was waste, according to the Cutting testimony, increased from the figure of 91.6 percent of UAA Standard A mail was waste, according to the PWC report, page 14, Table 4.3.3. Please explain.
 - c. The UAA rate for international mail in 2004 is 3.5 percent, up from 0.49 percent in the 1999 PWC study. Please explain any known causes or explanations for the large increase in the percentage of international mail that is undeliverable.

RESPONSE:

- a.-b. Because of differences in sampling protocols and inflation techniques, a direct comparison of Standard Mail volumes and percentages between the 1999 and 2004 UAA studies is not meaningful. That being said, the Standard Mail volumes from the 2004 study were carefully cross-checked as explained below.

First, there was evidence at the outset of the 2004 study that the UAA mail stream contained a high proportion of UAA Standard Mail waste. During the pre-survey field work at various delivery units, carriers and box clerks were observed processing many more pieces of waste mail relative to non-waste mail per route per day. Based on these observations, the sampling skip rate for waste mail (Form 5D) was set higher than for non-waste mail (Form 4D) in order to avoid inundating the sample with unendorsed Standard Mail.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 9

Next, the waste mail results of the 2004 UAA study were close to what was expected by experienced field personnel. Referring to the top panel of Table 2.2 in USPS-LR-L-61, the inflated amount of Standard Mail waste measured in the 2004 UAA study was 5.9 billion pieces. This translates to about 70 pieces of waste mail per route per delivery day (after adjusting P.O. box sections to route equivalents). Following the completion of the survey portion of the UAA study, an informal questionnaire was sent to the managers of the delivery units that participated in the UAA surveys asking for an estimate of the average amount of UAA waste mail processed per route per delivery day for all routes in the unit. The average response was about 76 pieces per route per delivery day, a value close to the weighted estimate from the UAA survey.

- c. Because of differences in sampling protocols and inflation techniques, a direct *comparison of international mail volumes and percentages between the 1999 and 2004 UAA studies* is not meaningful. That being said, it is important to note that the 2004 study followed standardized IOCS mail identification rules to determine the class, rate category, and other applicable characteristics of all sampled mail pieces, including international mail. Furthermore, photocopies were made of all sampled mail pieces and sent from each participating delivery unit to the offices of Christensen Associates. These photocopies were used to determine mail characteristics of the sampled pieces in a controlled environment where mail identification rules were applied consistently and accurately.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 10

10. Please refer to Tables 1 and 2 of the Cutting Testimony (USPS-T-26). Please also refer to USPS-LR-L-61, Table 5.13, Cost, Volume, and Unit Cost of UAA Mail By Ancillary Service Endorsements and Class (1), Pre-PARS Environment, FY 04. According to these tables, 95.6 billion pieces of Standard mail were sent in 2004. Of that number, according to Table 2, only a tiny fraction, 53.8 million pieces, had Return Service Requested ancillary service endorsement. Only 17.5 million pieces had Forwarding Service Requested ancillary endorsement. If these numbers are generally accurate, please explain how the total Return to Sender (RTS) figure for Standard mail was as high as 93.9 million, according to Table 1. Please explain how the total Forwarded figure was as high as 32.9 million, according to Table 1.

RESPONSE:

Standard Mail pieces containing the "Address Service Requested" ancillary service endorsement are included in the volumes for the forwarded and returned-to-sender dispositions reported in Table 1 of the Cutting testimony. Please refer to DMM 507.1.5.3 for a description of the Postal Service's treatment of Standard Mail bearing this endorsement.

Some Standard Mail pieces with no ancillary service endorsement are also included in the reported volumes for these dispositions. Examples of these pieces were identified during the Delivery Unit Route Survey of the 2004 UAA study. These pieces should have been wasted but were unintentionally directed from the carrier to the nixie unit for additional redirection processing. The mail flow assumptions in the UAA model allow for such misdirected pieces.

Finally, the reported volume for the returned-to-sender disposition contains a small number of pieces bearing an old or invalid ancillary service endorsement.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 11

11. Does the UAA cost model account for costs due to First-Class Mail that is misdelivered to the old address despite a proper forwarding order, and relabeled by the recipient/new occupant (or new business recipient) and returned to the mailstream for reprocessing and redelivery? Can you supply any data on the degree to which such "new occupant forwarding" occurs for a typical household move, and the presumptive costs such additional forwarding activity would incur?

RESPONSE:

Such First-Class Mail pieces are included in the sample of UAA mail. Generally, these pieces are marked up by the new occupant with "Please Forward" or a similar marking and returned to the carrier. The carrier typically directs these pieces to the CFS unit for redirection processing. Although such pieces are present in the sample, they have not been specifically isolated from other mail sent to the CFS unit. Hence, no specific cost or volume data are available for this type of UAA mail.

RESPONSE OF POSTAL SERVICE WITNESS CUTTING
TO POIR NO. 9, QUESTION 12

12. Please refer to USPS-LR-L-62, at page 10, and Appendix A, PARS08 BaseTabs.xls, Tables 3.1 and 3.24. Please identify whether the cost model includes costs for the riffling/verifying function for non-PARS mail, since such costs are located in the CIOSS segment for PARS mail, and the CIOSS segment is omitted from non-PARS mail.

RESPONSE:

The UAA cost model described in USPS-LR-L-62 includes the cost for the riffling/verifying function for non-PARS mail pieces. The cost for this function is included in the nixie unit cost value for wasted mail as reported in the non-PARS section of Table 3.1. For more details about non-PARS nixie unit activities, please refer to the "all other letters" and "all other shapes" sections in Table 3.18 of USPS-LR-L-62.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T26-1

Please refer to your testimony at page 5, Table 1. According to Table 1:

- the volume of presorted UAA First-Class Mail that was returned to sender in FY 2004 was 96.4 million pieces, and
- the volume of Automation UAA First-Class Mail that was returned to sender was 819.4 million pieces,
- for a total of 915.8 million pieces of discounted First-Class Mail that was returned to sender in FY 2004.

For FY 2005, are comparable volume data available for the volume of discounted UAA First-Class Mail actually returned to sender? If so, please provide.

RESPONSE:

Comparable volume data have not been calculated for FY 2005. The UAA study described in USPS-LR-L-61 measures costs and volumes for FY 2004. In USPS-LR-L-62, these FY 2004 costs and volumes are projected to TY 2008, taking into account anticipated changes in UAA processing procedures due to PARS. However, no costs and volumes are calculated or projected for the intervening years between FY 2004 and TY 2008.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-2

Of the 915.8 million pieces of discounted UAA First-Class Mail that were returned to sender in FY 2004, is it reasonable to infer that all of these were physical returns? If not, please explain.

RESPONSE:

All of the 915.8 million pieces of discounted UAA First-Class Mail in FY 2004 were physically redirected back to the sender. However, keep in mind that, for the purposes of my testimony and library references, I use the term "physical returns" exclusively to mean non-Address Change Service (non-ACS) pieces that are returned to the sender. (These pieces are not eligible for electronic notice processing.) Some ACS pieces are also physically returned to the sender (i.e., ACS pieces containing the "Address Service Requested" endorsement that are UAA due to (1) a move with a change-of-address order that is 13 months of age or older, or (2) reasons other than a move). These ACS pieces are included in the 915.8 million pieces but are not considered to be "physical returns" as this term is used in Section VI of my testimony. Data from Tables 4.6 and 4.9 of USPS-LR-L-61 can be used to distinguish ACS and non-ACS discounted UAA First-Class Mail pieces in the returned-to-sender mail stream. Based on data in those tables, 879.9 million discounted UAA First-Class Mail pieces are non-ACS pieces (i.e., "physical returns") and 35.9 million pieces are ACS pieces.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
.VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-3

- a. Of the 46.0 million pieces of UAA First-Class Mail shown in your Table 1 as wasted in FY 2004, do all of those pieces represent electronic address correction in lieu of physical return of UAA mail, as discussed in your testimony at page 14, lines 2-6? If not, please explain.
- b. What was the wastage in FY 2005?
- c. What is the projected wastage in TY 2008?
- d. Your testimony at page 14, Table 6, shows the unit costs of physical and electronic returns in Test Year 2008. What were the unit costs of physical and electronic returns in FY 2004?
- e. What were the unit costs of physical and electronic returns in FY 2005?

RESPONSE:

- a. Yes, all of the 46.0 million pieces of wasted UAA First-Class Mail in Table 1 receive electronic notice processing. This can be confirmed by referring to the middle panel of Table 2.2 in USPS-LR-L-61 which shows that only ACS First-Class Mail (move-related and nixie) is wasted. These pieces are referred to as "electronic returns" in Section VI of my testimony.
- b. UAA wasted mail volumes have not been calculated for FY 2005. Please see my response to VP/USPS-T-26-1.
- c. The volume of UAA First-Class Mail that is projected to be wasted in TY 2008 is 42.6 million pieces. This value can be found in several tables in USPS-LR-L-62, including Tables 2.1, 2.2, 2.3, 4.11, and 5.8.
- d. The unit costs of UAA First-Class Mail physical and electronic returns in FY 2004 are reported in the table below. Note that the activities associated with the costs in this table cover all activities from the time a mail piece is identified as UAA until it reaches its final disposition. For physical returns, this includes the costs of carrier preparation, nixie clerk handling, redirection processing, and postage due activities. For electronic returns, this includes the costs of carrier preparation,

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
 INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
 VALPAK DEALERS' ASSOCIATION, INC.

nixie clerk handling, redirection processing, and ACS code identification and recording.

Response to VP/USPS-T-26-3d			
UAA First-Class Mail			
Electronic and Physical Returns			
Costs and Volumes by Shape			
FY 2004			
Letters			
	Cost	Volume	Unit
Return Type	(\$000)	(000)	Cost (Cents)
Physical	\$499,207	1,362,652	36.6 ¢
Electronic	\$11,898	44,552	26.7 ¢
	Unit Cost Difference --->		9.9 ¢
Flats			
	Cost	Volume	Unit
Return Type	(\$000)	(000)	Cost (Cents)
Physical	\$59,489	64,075	92.8 ¢
Electronic	\$785	1,428	55.0 ¢
	Unit Cost Difference --->		37.9 ¢
Source: USPS-LR-L-61, Tables 6.8 and 6.12			

- e. Unit costs of physical and electronic returns have not been calculated for FY 2005. Please see my response to VP/USPS-T-26-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-4

- a. Please assume that a piece of First-Class Mail is UAA and also is nonforwardable for any of the reasons (or conditions) described in your testimony at page 4, lines 9-12. Under what conditions, if any, will the Postal Automation Redirection System ("PARS") be able to intercept such pieces and return them to sender prior to the piece arriving at the DDU?
- b. If PARS can intercept non-forwardable UAA First-Class Mail prior to reaching the DDU, where in the postal network will such intercepts likely occur?
- c. If PARS can intercept non-forwardable UAA First-Class Mail prior to reaching the DDU, then, in TY 2008, how much will such early intercept reduce the unit cost of non-forwardable UAA First-Class Mail below the unit cost figures shown in Table 6 at page 14 of your testimony?

RESPONSE:

- a. It is my understanding that PARS can only intercept move-related UAA letters (i.e., letters that are UAA because the name and address match an active change-of-address order). Letters that are UAA due to reasons other than a move, such as those you reference in my testimony, are not eligible for interception. See Section 3 in USPS-LR-L-62 for a description of PARS.
- b. Not applicable. Please see my response to VP/USPS-T-26-4a.
- c. Not applicable. Please see my response to VP/USPS-T-26-4a.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-5

- a. In FY 2004, what was the total cost of physical returns of UAA First-Class Mail?
- b. In FY 2004, what was the total cost of electronic returns of UAA First-Class Mail, including wastage?
- c. In FY 2005, what was the total cost of physical returns of UAA First-Class Mail?
- d. In FY 2005, what was the total cost of electronic returns of UAA First-Class Mail, including wastage?

RESPONSE:

- a. The total cost of physical returns of UAA First-Class Mail in FY 2004 can be derived from the table provided above in response to VP/USPS-T-26-3d (excluding parcels). Additional details can be found in Tables 6.9 through 6.12 of USPS-LR-L-61.
- b. The total cost of electronic returns of UAA First-Class Mail in FY 2004 can be derived from the table provided above in response to VP/USPS-T-26-3d (excluding parcels). Additional details can be found in Tables 6.5 through 6.8 of USPS-LR-L-61.
- c. The total cost of physical returns has not been calculated for FY 2005. Please see my response to VP/USPS-T-26-1.
- d. The total cost of electronic returns has not been calculated for FY 2005. Please see my response to VP/USPS-T-26-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-6

- a. What is the projected volume of non-forwardable UAA First-Class Mail in TY 2008?
- b. Of the projected volume of non-forwardable UAA First-Class Mail in TY 2008, how much (or what percentage) is assumed to be returned physically, and how much (or what percentage) is assumed to be wasted, with address corrections returned electronically?

RESPONSE:

- a. The projected volume of non-forwarded UAA First-Class Mail in TY 2008 is 1,330.1 million pieces.
- b. Of the projected 1,330.1 million pieces of non-forwarded UAA First-Class Mail in TY 2008, 1,287.5 million pieces are projected to be returned to sender (97%) and 42.6 million pieces are projected to be wasted (3%). These and other relevant details are available in several tables in USPS-LR-L-62, including Tables 2.1, 2.2, 2.3, and 4.11.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T-26-7

Please provide the volumes of UAA First-Class Mail and wastage, for both:

- a. FY 2002 and
- b. FY 2003.

RESPONSE:

- a-b. UAA First-Class Mail volumes for FY 2002 and FY 2003 have not been calculated. Prior to the study of UAA mail in FY 2004 that is described in USPS-LR-L-61, the previous analysis of UAA mail measured FY 1998 volumes (Docket R2000-1, USPS-LR-I-82).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM WITNESS MITCHUM

VP/USPS-T40-1b

What is the Postal Service's unit cost for physical return to sender of nonforwardable UAA First-Class Mail?

RESPONSE:

Assuming you are asking for the TY 2008 value, the unit cost for UAA returned-to-sender First-Class Mail is 36.6 cents. Please see Table 4.11 in USPS-LR-L-62 for the derivation of this and other relevant unit costs for UAA First-Class Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CUTTING TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM WITNESS MITCHUM

VP/USPS-T-40-2c

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:

The unit cost for the generation of electronic address correction notices has not been calculated for FY 2005. Please see my response to VP/USPS-T-26-1.

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Cutting?

3 (No response.)

4 CHAIRMAN OMAS: There being none, our next
5 witness is Drew Mitchum.

6 Mr. Rubin?

7 MR. RUBIN: Thank you.

8 CHAIRMAN OMAS: Excuse me. I need to swear
9 him in.

10 Mr. Mitchum, would you please stand and
11 raise your right hand?

12 Whereupon,

13 DREW MITCHUM

14 having been duly sworn, was called as a
15 witness and was examined and testified as follows:

16 CHAIRMAN OMAS: Thank you. You may be
17 seated.

18 Mr. Rubin, you may proceed.

19 (The document referred to was
20 marked for identification as
21 Exhibit No. USPS-T-40.)

22 DIRECT EXAMINATION

23 BY MR. RUBIN:

24 Q Mr. Mitchum, do you have two copies of a
25 document designated USPS-T-40 entitled Direct

1 Testimony of Drew Mitchum on Behalf of United States
2 Postal Service?

3 A Yes.

4 Q Was this testimony prepared by you or under
5 your supervision?

6 A Yes.

7 Q And if you were to testify orally here today
8 would this be your testimony?

9 A Yes.

10 Q Are you also prepared to sponsor the
11 Category II library reference associated with your
12 testimony as revised on July 3 and August 3?

13 A Yes.

14 Q Is that library reference identified on page
15 3 of your testimony as Library Reference L-124?

16 A Yes.

17 MR. RUBIN: In that case, two copies of the
18 direct testimony of Drew Mitchum on behalf of the
19 United States Postal Service are being handed to the
20 reporter, and I ask that this testimony and the
21 associated library reference be entered into evidence
22 in this docket.

23 CHAIRMAN OMAS: Is there an objection?

24 (No response.)

25 CHAIRMAN OMAS: Hearing none, I will direct

1 counsel to provide the reporter with two copies of the
2 corrected direct testimony of Drew Mitchum.

3 That testimony is received into evidence.
4 However, as is our practice, it will not be
5 transcribed.

6 (The document referred to,
7 previously identified as
8 Exhibit No. USPS-T-40, was
9 received in evidence.)

10 CHAIRMAN OMAS: Mr. Mitchum, have you had an
11 opportunity to examine the packet of designated
12 written cross-examination made available to you this
13 morning?

14 THE WITNESS: Yes.

15 CHAIRMAN OMAS: If the questions contained
16 in that packet were posed to you orally today, would
17 your answers be the same as those previously provided?

18 THE WITNESS: Yes, they would.

19 CHAIRMAN OMAS: Are there any corrections or
20 additions you would like to make to those answers?

21 THE WITNESS: No.

22 CHAIRMAN OMAS: Excuse me. Is your mic on?

23 THE WITNESS: Yes, it is.

24 CHAIRMAN OMAS: Okay. Thank you.

25 Counsel, would you please provide two copies

1 of the corrected designated written cross-examination
2 of Witness Mitchum to the reporter?

3 That material is received into evidence, and
4 it will be transcribed into the record.

5 (The document referred to was
6 marked for identification as
7 Exhibit No. USPS-T-40 and was
8 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

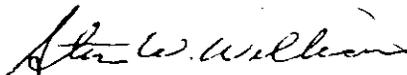
Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS DREW MITCHUM
(USPS-T-40)

<u>Party</u>	<u>Interrogatories</u>
Major Mailers Association	MMA/USPS-T40-1-6, 8 PRC/USPS-POIR No.4 - Q3 redirected to T40
Office of the Consumer Advocate	DFC/USPS-T40-1-3, 5-7 OCA/USPS-T40-8-34, 35a-e, 43-44, 49-51, 54-58, 61-89 OCA/USPS-T23-3 redirected to T40
Pitney Bowes Inc.	PB/USPS-T40-1-2
Postal Rate Commission	OCA/USPS-T40-17-19, 27, 29-32, 54-58, 78, 89 PostCom/USPS-T40-7 PRC/USPS-POIR No.8 - Q11 redirected to T40 VP/USPS-T40-2b, 3
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T40-2b, 3

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS DREW MITCHUM (T-40)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
DFC/USPS-T40-1	OCA
DFC/USPS-T40-2	OCA
DFC/USPS-T40-3	OCA
DFC/USPS-T40-5	OCA
DFC/USPS-T40-6	OCA
DFC/USPS-T40-7	OCA
MMA/USPS-T40-1	MMA
MMA/USPS-T40-2	MMA
MMA/USPS-T40-3	MMA
MMA/USPS-T40-4	MMA
MMA/USPS-T40-5	MMA
MMA/USPS-T40-6	MMA
MMA/USPS-T40-8	MMA
OCA/USPS-T40-8	OCA
OCA/USPS-T40-9	OCA
OCA/USPS-T40-10	OCA
OCA/USPS-T40-11	OCA
OCA/USPS-T40-12	OCA
OCA/USPS-T40-13	OCA
OCA/USPS-T40-14	OCA
OCA/USPS-T40-15	OCA
OCA/USPS-T40-16	OCA
OCA/USPS-T40-17	OCA, PRC
OCA/USPS-T40-18	OCA, PRC
OCA/USPS-T40-19	OCA, PRC
OCA/USPS-T40-20	OCA
OCA/USPS-T40-21	OCA
OCA/USPS-T40-22	OCA
OCA/USPS-T40-23	OCA
OCA/USPS-T40-24	OCA
OCA/USPS-T40-25	OCA
OCA/USPS-T40-26	OCA

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

3911

DFC/USPS-T40-1. Please explain why your proposal to raise the minimum fee from \$2,000 to \$5,000 for a low-volume customer who wants to use Confirm service would be fair.

RESPONSE:

The effective annual price under the \$2,000 quarterly price is actually \$8,000, so the new annual price of \$5,000 is actually a reduction rather than the increase stated in the question. In practice many of the "Silver" level subscribers renew their subscriptions each quarter and are paying \$8,000.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-2. Please confirm that your proposal for Confirm fees reflects a decision by the Postal Service not to make Confirm readily available or accessible to individual postal customers who are not businesses. If you do not confirm, please explain.

RESPONSE:

Not confirmed. There has been no decision made regarding how to offer Confirm service on an individual basis. My testimony merely re-aligns the prices for the existing Confirm product.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-3. Please provide the percentage of customers who purchase insurance who also purchase Delivery Confirmation for the same item.

RESPONSE:

According to POS data from December 2003 and June 2004, the most recent data available at the time of my analysis, 17 percent of items mailed with insurance also had Delivery Confirmation.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-5. Please confirm that postal employees have access to the date and time of delivery of insured items, and yet the Postal Service does not provide this information to the public. If you do not confirm, please explain.

RESPONSE:

Not confirmed. Postal employees do not have access to the date and time of delivery of unnumbered insured items, as these data are not collected. In the case of numbered insured items the Postal Service does keep records of date and time of delivery, and this information can be accessed by postal employees. Customers can obtain the date and time of delivery of numbered insured items, as well as the recipient's signature, by purchasing return receipt service or Signature Confirmation.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-6. Please refer to your testimony at page 26, lines 21–24.
Please define “General Insurance.”

RESPONSE:

General Insurance, as distinguished from Express Mail Insurance, is defined in
DMCS 943.21.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-7. Please refer to your testimony at page 26, lines 21–24. Please confirm that a record showing the date and time of delivery will, in fact, be retained by the Postal Service for all insured items, including those valued under \$200. If you do not confirm, please explain.

RESPONSE:

Confirmed. A data record will be retained for all pieces delivered, but a record of delivery, which includes a signature, will only be retained for those pieces insured in excess of \$200, as only these pieces will receive a signature at the time of delivery.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-1

Please refer to page 18 of your direct testimony where you discuss your proposed new fee structure and fees for Confirm Service.

- A. Please confirm your proposed annual charges shown in the table below for First Class Confirm Service users with one ID code. If you cannot confirm, please make corrections.

Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost Per Million Scans (\$)
1	5,000	5,000.00
2	5,070	2,535.00
10	5,630	563.00
11	5,665	515.00
50	7,030	140.60
100	8,780	87.80
101	8,798	87.10
250	11,405	45.62
500	15,780	31.56
1,000	24,530	24.53
2,000	42,030	21.02
5,000	94,530	18.91
7,500	138,280	18.44
10,000	182,030	18.20

- B. Please confirm the annual charges shown in the table below for a platinum First-Class Confirm Service user with one ID code under the current fees and fee structure. If you cannot confirm, please make corrections and explain.

Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost Per Million Scans (\$)
1	10,000	10,000.00
2	10,000	5,000.00
10	10,000	1,000.00
11	10,000	909.09
50	10,000	200.00
100	10,000	100.00
101	10,000	99.01
250	10,000	40.00
500	10,000	20.00
1,000	10,000	10.00
2,000	10,000	5.00
5,000	10,000	2.00
7,500	10,000	1.33
10,000	10,000	1.00

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-1, Page 2 of 3

- C. Please confirm that, for current platinum level Confirm Service users who have one ID code and purchase the number of First Class scans shown in Column 1 of the following table, your proposed rates will increase or reduce their total charges by the percentages shown in Column 2. If you cannot confirm, please make corrections and explain.

Number of First-Class Scans (Millions)	Proposed increase
1	-50%
2	-49%
10	-44%
11	-43%
50	-30%
100	-12%
101	-12%
250	14%
500	58%
1,000	145%
2,000	320%
5,000	845%
7,500	1283%
10,000	1720%

- D. Is it your belief that a Confirm User who used 1 billion First Class scans in BY 2005 will purchase the same number of scans in TY 2008 even if the Confirm User's total cost increases by 145%? Please explain your answer.
- E. Is it your belief that a Confirm User who used 10 billion First Class scans in BY 2005 will purchase the same number of scans in TY 2008 even if the Confirm User's total cost increases by 1720%? Please explain your answer.

RESPONSE:

- a. Confirmed
- b. Confirmed
- c. Not Confirmed. The proposed change for the user of 7.5 billion scans would be a 1286 percent increase, not 1283 percent, in this hypothetical

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

3919

MMA/USPS-T40-1, Page 3 of 3

example. However, to date, no subscriber has used even one-seventh of the scans in this example.

d-e. To date there are no subscribers that use even 1 billion scans, so these hypotheticals appear to be unrealistic. Specifically, in the 10 billion scan example, assuming 2.37 scans per piece (see my response to OCA/USPS-T40-24), the subscriber would be monitoring more than 4.2 billion pieces, or over 4 percent of all First-Class Mail mailpieces. Even at the lowest proposed price (a 5-digit automation letter), this would entail over \$1.3 billion in postage, compared to the \$182,000 Confirm charge (or 0.01% of the postage). Despite the high percentage increase (which is based on the current price of \$10,000), this seems like a small price to pay to monitor over 4 percent of all First-Class Mail.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

3920

MMA/USPS-T40-2

Please refer to Library References USPS-LR-L-124 WP-4 Confirm, where you derive test year revenues for Confirm Service at your proposed fees, and USPS-LR-L-75, page 32.

- A. Please confirm that, for base year 2005, 180 Confirm subscribers provided the Postal Service total revenues of \$1,159,500. If you cannot confirm, please provide the correct number of subscribers and total revenue.
- B. Please confirm that you project that there will be 180 Silver, Gold and Platinum subscribers for the test year before rates, the same number as in base year 2005. If you cannot confirm, please provide the correct number of subscribers and explain. If you can confirm, please explain the bases for this projection.
- C. Please confirm that you project that there will be 180 Confirm users in the test year after rates and explain the bases for your projection. If you cannot confirm, please state the number of Confirm Subscribers you do project and explain the bases for your projection.
- D. Please confirm that your proposed rates are expected to generate \$1,517,295, a rate increase of 49%, from the same number of subscribers that you expect would generate \$1,018,250 in the test year before rates. If you cannot confirm, please correct these figures and explain.
- E. Please explain why the Confirm Service FY 2005 revenues of \$1,159,500, as shown in Library Reference USPS-LR-L-75, are \$141,250 higher than the Test Year Before Rates revenues of \$1,018,250, as shown in Library Reference USPS-LR-L-124, WP-4.
- F. Please provide the total number of First Class Mail scans performed for (1) Silver Subscribers, (2) Gold Subscribers, and (3) Platinum Subscribers during base year 2005. Please provide the sources for your answers.
- G. Please provide the total number of Standard Mail scans performed for (1) Silver Subscribers, (2) Gold Subscribers, and (3) Platinum Subscribers during base year 2005. Please provide the sources for your answers.

RESPONSE:

a. Confirmed.

b-c. Confirmed. See my response to question 3 of Presiding Officer's Information Request (POIR) No. 4.

d. Not confirmed. There would be a revenue increase of 49 percent (to \$1,517,295), not a rate increase of 49 percent. Under the proposed pricing structure, the resulting price increase depends on individual usage. Some

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

3921

MMA/USPS-T40-2, Page 2 of 2

existing subscribers may experience a decrease in the amount they pay for Confirm service under the new pricing structure.

e. The number of additional IDs purchased by existing subscribers has decreased significantly as Confirm users determined that there were other ways to uniquely identify individual mailpieces. Combining this with the expanded number of characters available for use if customers use a 4-state barcode, I determined that mailers would be unlikely to buy additional IDs when they were no longer necessary, resulting in a reduction in the number of additional IDs.

f-g. These data are not available. See my response to OCA/USPS-T40-24.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

3922

MMA/USPS-T40-3

Please refer to Library Reference USPS-LR-L-124 WP-4 Confirm where you derive test year revenues for Confirm Service at your proposed fees.

- A. Please confirm that from the 180 Confirm Service users in TY 2008, you project sales of (1) 919 blocks of 1 million units to users requiring 1-9 additional blocks of 1 million units, (2) 4,365 blocks of 1 million units to users requiring 10-89 additional blocks of 1 million units, and (3) 22,868 blocks of 1 million units to users requiring more than 99 additional blocks of 1 million units. If you cannot confirm, please explain.
- B. Please provide the derivation and sources for the number of additional blocks of 1 million units referenced in part (A) of this interrogatory.
- C. Please confirm that, of the \$1,517,295 total revenues projected for Confirm Service, \$900,000 or 59.3% originates from the user fee of \$5,000 per year and \$617,295 or 40.7% originates from users based on the number of units purchased. If you cannot confirm, please explain.
- D. Please confirm that, in TY 2008, you project no revenues from Confirm subscribers who require additional ID codes. If you cannot confirm, please provide the total estimated for TY 2008 revenues from Confirm users who require additional ID codes and explain. If you do confirm, please explain why Confirm Subscribers who purchased additional ID codes during FY 2005 will not have a need to purchase additional ID codes during TY 2008.

RESPONSE:

- a. Confirmed.
- b. See my response to question 3 of Presiding Officer's Information Request No. 4.
- c. Confirmed.
- d. Confirmed. See my response to MMA/USPS-T40-2(e).

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-4

Please refer to Library Reference USPS-LR-L-124 WP-4 Confirm where you derive test year revenues for Confirm Service at your proposed fees.

- A. Please confirm that, where you have indicated "NA" in the column under percent increase, you did not compute the anticipated percent increase. If you cannot confirm, please explain.
- B. Did you perform any computations of the proposed percentage increase for representative users of Confirm Service? If not, why not? If so, please provide those computations.

RESPONSE:

- a. Confirmed. Footnote 2 of WP-4 Confirm explains the content of the percentage change column. For those rows with an "N/A" it was not possible to calculate a percentage change, as there was either no current fee or no proposed fee, since the new and old pricing structures are not completely comparable.
- b. I did develop computations on the percentage change for levels of Confirm usage. The table is provided below.

Confirm

Impact of Different Cost Levels for Selected Levels of Scan Usage

Scans Used	Current	Proposed	
	Price to Customer	Price to Customer	Percent Increase
1,000,000,000	\$10,000	\$56,048	460%
750,000,000	\$10,000	\$43,798	338%
500,000,000	\$10,000	\$31,548	215%
250,000,000	\$10,000	\$19,298	93%
100,000,000	\$10,000	\$11,948	19%
50,000,000	\$4,500	\$9,498	111%
25,000,000	\$4,500	\$7,730	72%
10,000,000	\$4,500	\$6,260	39%
1,000,000	\$4,500	\$5,140	14%

Note: The table assumes 55 percent of the scans will be used for First-Class Mail mailpieces and 45 percent will be for Other classes.

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MMA/USPS-T40-5

Please refer to Library Reference USPS-LR-L-124 WP-4 Confirm.

- A. Please confirm that, during FY 2005, Silver Confirm subscribers did not purchase any additional ID codes. If you cannot confirm, please provide the number of Silver subscribers who purchased additional ID codes and the total number of 3-month (or lesser time period) ID codes they purchased.
- B. Please confirm that, during FY 2005, Gold Confirm subscribers did not purchase any additional ID codes. If you cannot confirm, please provide the number of Gold subscribers who purchased additional ID codes and the total number of 3-month (or lesser time period) ID codes they purchased.
- C. Please confirm that, during FY 2005, Platinum Confirm subscribers purchased a total of 292 additional 3-month ID codes. Whether you confirm or not, please provide the total number of Platinum Confirm subscribers who purchased additional ID codes and the number of additional 3-month (or lesser time period) ID codes each user purchased.
- D. Please provide, for FY 2005, the total number of Platinum Confirm subscribers who used (1) only one of the 3 ID codes included in their basic subscription package, (2) two of the 3 ID codes included in their basic subscription package, and (3) all of the 3 ID codes included in their basic subscription package.

RESPONSE:

a-c. Unfortunately, the data for FY2005 do not allow for allocating the additional ID revenue to subscription tier. As mentioned in my response to MMA/USPS-T40-2(e), the revenue from additional IDs is not a major portion of the total revenue, and in the test year I have assumed it is even less important. (In fact, it is assumed to be zero.) So while these data would be interesting, and it is my understanding that future data reports will enable such a calculation, the relative use of additional IDs is not significant in my fee design.

d. As we do not retain scan data beyond a period of 120 days, we have no way of determining how many ID codes were used by Platinum subscribers in FY 2005.

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MMA/USPS-T40-6

For each fiscal year or portion thereof that Confirm service has been offered, please provide the following information:

- A. The total number of Silver, Gold, and Platinum subscribers at the end of the fiscal year;
- B. Total Subscription Fee revenues received from (1) Silver, (2) Gold and (3) Platinum subscribers for the period;
- C. Total additional ID code revenues received from (1) Silver, (2) Gold and (3) Platinum subscribers for the period; and
- D. Total revenues derived from sales of additional scan blocks to (1) Silver and (2) Gold subscribers.

RESPONSE:

The only fiscal year for which these data are available is FY 2005, which is presented in LR-L-77, page K-14.

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MMA/USPS-T40-8.

Please refer to your response to Interrogatory MMA/USPS-T40-3 (A) and (B), where you were asked to provide the source of your test year projections of additional blocks of one million units that would be purchased for Confirm Service. In your answer, you referred to a previous response to question 3 of Presiding Officer's Information Request (POIR) No. 4.

A. While we understand that this may be your best estimate of the test year billing determinants, please confirm that your methodology uses a considerable amount of judgment in order to obtain your test year projections. If you cannot confirm, please explain how confident you are in your projections and specifically point out which portions of your analysis are based on historic data and which portions are based on judgmental considerations.

B. Please confirm that Interrogatory MMA/USPS-T40-3 (B) requested that you provide the derivation and sources for the number of additional blocks of 1 million units that you show in Library Reference USPS-LR-L-124 WP-4 Confirm, namely (1) 919 blocks of 1 million units to users requiring 1-9 additional blocks of 1 million units, (2) 4,365 blocks of 1 million units to users requiring 10-89 additional blocks of 1 million units, and (3) 22,868 blocks of 1 million units to users requiring more than 99 additional blocks of 1 million units. If you cannot confirm, please explain.

C. Please confirm that your original answer to Interrogatory MMA/USPS-T40-3 (B), by reference to your answer to POIR No. 4, Question 3, provides a "process" by which these volumes were determined as well as an "example of the computations. If you cannot confirm, please explain.

D. Please confirm that it is not possible to replicate your projections of additional blocks of 1 million units that Confirm Service will purchase from data already available in the record. If you cannot confirm, please point out specifically where in the existing record the derivations of the numbers 919, 4,365 and 22,868 additional blocks of 1 million units are provided.

RESPONSE:

a. Confirmed. Some judgment was needed to determine the best method to use the available historical data in my analysis.

b. Confirmed.

c. Confirmed. Incidentally, my "original" answer to MMA/USPS-T40-3(b) is the only answer filed.

d. As my reference to the response to the Presiding Officer's Information

Request No. 4, Question 3 explains, the derivation of the number of blocks was

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based on estimates of the number of scans actual subscribers would use in a subscription period. To make it possible for my projections to be replicated on the record, each user's usage pattern over a period of time would have to be made available on the record, which could place those subscribers at a competitive disadvantage. I also note that moderate changes to the estimates of block usage would not have a substantial impact on the revenue results.

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OCA/USPS-T40-8. Please confirm that the estimated Registered Mail before rates revenue for the test year 2008 is \$43,606,295 as shown in your Library reference LR-L-124, WP-8. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T40-9. Please confirm that a comparison of the Postal Service's base year before rates Registered Mail revenue to the base year before rates cost is a part of the basis for your conclusion in your testimony at page 41 that Registered Mail has been priced below its costs for the past few years. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T40-10. Please confirm that for the test year 2008, Registered Mail after rates costs are estimated at \$59,696,000. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T40-11. Please confirm that for the test year 2008, you estimate Registered Mail after rates revenues of \$60,606,732 as shown in your Library reference LR-L-124, WP-8. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T40-12. Please confirm that, for registry, the ratio of the estimated test year after rates revenue of \$60,606,732 to the estimated test year after rates costs of \$59,696,000 as indicated by witness Waterbury (T-10), Exhibit No. USPS-T10M, page D-1, (101.526 percent) reflects the application of your proposal for 102 percent cost coverage for Registered Mail. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T40-13. This interrogatory seeks to clarify the proposed pricing of *Confirm* service for First-Class Mail and Standard Mail. Please refer to your testimony at page 17, lines 7-10.

- a. Please confirm that for two mailpieces that are identical in every way (i.e., size, shape, weight, addressing quality, etc.), except that one mailpiece is marked First-Class Mail and the other Standard Mail, the cost per scan to the Postal Service is identical. If you do not confirm, please explain.
- b. Please explain the circumstances under which the cost per scan to the Postal Service might be different for First-Class Mail and Standard Mail pieces of different size, shape, weight, addressing quality, etc.

RESPONSE:

a.-b. Confirmed. Despite very similar mail piece characteristics (aside from markings and postage), cost per passive scan is the same. First-Class Mail and Standard Mail letters have significantly different unit revenue, cost coverages, and service standards.

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OCA/USPS-T40-14. This interrogatory seeks to clarify the proposed pricing of Confirm service for First-Class Mail and Standard Mail. Please refer to your testimony at page 17, lines 7-10.

- a. Please confirm that under your proposed fee schedule (see Table 4 in your testimony), the price per scan for a First-Class mailpiece in the 1st to 9th block of one million units will be \$0.00007 $((1 * 1) / 1,000,000 * \$70)$. If you do not confirm, please explain.
- b. Please confirm that under your proposed fee schedule, a First-Class mailer purchasing 1,000,000 units in the 1st to 9th block will receive 1,000,000 scans. If you do not confirm, please explain.
- c. Please confirm that under your proposed fee schedule, the price per scan for a Standard Mail piece in the 1st to 9th block of one million units will be \$0.00035 $((1 * 5) / 1,000,000 * \$70)$. If you do not confirm, please explain.
- d. Please confirm that under your proposed fee schedule, a Standard mailer purchasing 1,000,000 units in the 1st to 9th block will receive 200,000 scans. If you do not confirm, please explain.
- e. Please explain the rationale for the difference in price per scan for these two classes of mail.

RESPONSE:

a-d. Actually, the Confirm subscriber that purchases the units does not identify itself as a "First-Class mailer" or a "Standard mailer"; the customer is purchasing units, and the average number of units per scan depends on the class-mix of the mail that the customer wishes to monitor with Confirm. However, the math in the question is correct.

e. The difference in price is consistent with the long-standing practice of treating First-Class Mail and Standard (formerly third-class) Mail differently. First-Class Mail has features that are different from Standard Mail, and it is my understanding that the pricing reflects these differences.

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OCA/USPS-T40-15. This interrogatory seeks to clarify the proposed pricing of Confirm service. Please refer to LR-L-124, spreadsheet tab "WP-4 Confirm."

- a. Please confirm that under your proposed fee schedule (see Table 4 in your testimony), the price per block of one million units for the 1st to 9th block of \$70 is not based on the actual cost per scan or per unit to the Postal Service. If you do not confirm, please explain and provide all calculations showing the cost per scan or cost per unit on which your proposed prices are based.
- b. Please confirm that under your proposed fee schedule (see Table 4 in your testimony), the price per block of one million units for the 10th to 99th block of \$35 is not based on the actual cost per scan or per unit to the Postal Service. If you do not confirm, please explain and provide all calculations showing the cost per scan or cost per unit on which your proposed prices are based.
- c. Please confirm that under your proposed fee schedule (see Table 4 in your testimony), the price per block of one million units for the 100th or more block of \$17.50 is not based on the actual cost per scan or per unit to the Postal Service. If you do not confirm, please explain and provide all calculations showing the cost per scan or cost per unit on which your proposed prices are based.
- d. Please explain on what cost per unit basis to the Postal Service your proposed prices for each block of one million units are based, and show all calculations that develop your cost per unit.
- e. Please confirm that your proposed 1) price per block of one million units for the 1st to 9th block of \$70; 2) price per block of one million units for the 10th to 99th block of \$35; and, 3) price per block of one million units for the 100th or more block of \$17.50 represents "value pricing." If you do not confirm, please explain.

RESPONSE:

a-d. The prices for the blocks of units are based upon, but are not directly tied to, the average cost per scan in that there is not a "markup" of the scan cost to obtain the prices. However, enough revenue must be obtained by the prices for Confirm service to cover its total cost. I have proposed that the revenue be obtained in part from a fixed participation fee, and in part from an element that varies according to how much information the participant gains from the service. Total cost for this product with contingency is \$1,200,890. USPS-T-40, page 19. If one were to divide all of these costs by the estimated total number of blocks to

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be purchased in the test year (28,152), the average cost per block of units is \$42.66 (or $\$1,200,890 / 28,152$).

e. Not confirmed. The prices I propose for this product are designed to minimize the impact on all users while still managing to generate sufficient revenue to cover the costs of the product. As this product has a cost that varies very slightly with increases in volume, it is necessary to develop a pricing structure that covers costs, while maintaining some consistency with the existing pricing structure. The prices developed for this product have a moderate cost coverage of 126 percent. USPS-T-40, page 19. The prices for the blocks of units, along with the annual user fee, are designed to be fair and equitable, and allow the Postal Service to offer the product.

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OCA/USPS-T40-16. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your testimony at page 17, lines 11-13. Please explain the rationale for eliminating the three subscription tier levels.

RESPONSE:

The rationale for the elimination of the three subscription levels is to allow the product to better meet the pricing criteria as noted in my testimony on page 20. As my testimony states, this pricing structure is more fair and equitable than the three-tier system, and is less complicated. Additionally, the proposed pricing structure is intended to generate revenue adequate to cover Confirm costs, which would not have been accomplished under the current pricing. With the new approach the Postal Service can continue offering Confirm service.

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OCA/USPS-T40-17. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to LR-L-124, spreadsheet tab "WP-4 Confirm."

- a. Comparing the "Silver" subscription service fee with the proposed fee schedule, please confirm that the current 16 subscribers of the "Silver" subscription service will pay higher total fees under your proposed fee schedule. *If you do not confirm, please explain and show all calculations supporting your answer.*
- b. Comparing the "Silver" subscription service fee with the proposed fee schedule, please confirm that you are assuming that the current 16 subscribers of the "Silver" subscription service will all become subscribers at the proposed higher user fee. *If you do not confirm, please explain. If you do confirm, please explain the basis for your assumption.*
- c. Please explain how you have adjusted your revenue model to account for the fact that not all 16 subscribers of the "Silver" subscription service will become subscribers under your proposed higher fee schedule.

RESPONSE:

- a. Not confirmed. There are sixteen subscriptions, rather than subscribers. In some cases, individual subscribers have purchased four sequential subscriptions, a new one each quarter. In such an instance, a subscriber is likely to pay less as a result of the new pricing structure. Given that the current prices are not covering costs, as the revenue in FY 2005 was \$1,159,500 (LR-L-77, page k-14) and the costs were \$4,479,006 (LR-L-59, Confirm xls sheet, cell H71), increases overall are required to meet the statutory requirement that revenues cover costs.
- b.-c. Not confirmed. I am assuming that if the proposed pricing structure goes into effect that the number of subscriptions will be the same as in the base year. I am not assuming that the 180 subscribers in the test year will be the same as those in the base year. It is quite possible that some existing subscribers will choose to no longer use the Confirm product, or may choose to contract with another direct subscriber to receive the service. At the same

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time it is expected that new subscribers will sign up, since the product is still relatively new and is becoming better known.

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OCA/USPS-T40-18. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to LR-L-124, spreadsheet tab "WP-4 Confirm."

- a. Comparing the "Gold" subscription service fee with the proposed fee schedule, please confirm that the 119 subscribers to the "Gold" subscription service will pay higher total fees under your proposed fee schedule. If you do not confirm, please explain and show all calculations supporting your answer.
- b. Comparing the "Gold" subscription service fee with the proposed fee schedule, please confirm that you are assuming that the current 119 subscribers of the "Gold" subscription service will all become subscribers under your proposed fee schedule. If you do not confirm, please explain. If you do confirm, please explain the basis for your assumption.
- c. Please explain how you have adjusted your revenue model to account for the fact that not all 119 subscribers of the "Gold" subscription service will become subscribers under your proposed higher fee schedule.

RESPONSE:

a. Confirmed.

b.-c. Not confirmed. See the response to OCA/USPS-T40-17(b-c).

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OCA/USPS-T40-19. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to LR-L-124, spreadsheet tab "WP-4 Confirm."

- a. Comparing the "Platinum" subscription service fee with the proposed fee schedule, please confirm that the 45 subscribers of the "Platinum" subscription service will pay higher total fees under your proposed fee schedule. If you do not confirm, please explain and show all calculations supporting your answer.
- b. Comparing the "Platinum" subscription service fee with the proposed fee schedule, please confirm that you are assuming that the current 45 subscribers of the "Platinum" subscription service will all become subscribers under your proposed fee schedule. If you do not confirm, please explain. If you do confirm, please explain the basis for your assumption.
- c. Please explain how you have adjusted your revenue model to account for the fact that not all 45 subscribers of the "Platinum" subscription service will become subscribers under your proposed higher fee schedule.

RESPONSE:

- a. Not Confirmed. First of all, I am not assuming that the exact same entities will be subscribers in the test year. But, in any event, the total expenditure will depend on usage level. It is quite possible that some current "Platinum" subscribers will see a price decrease given their level of usage.
- b.-c. Not confirmed. See the response to OCA/USPS-T40-17(b-c).

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OCA/USPS-T40-20. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 29, where it states “Preshipment notification enables the Postal Service to use Confirm information to measure, diagnose, monitor, and improve mail processing and delivery service performance.”

- a. Please explain how the preshipment notification “enables the Postal Service to use Confirm information to measure, diagnose, monitor, [or] improve” 1) mail processing or 2) delivery service performance. Please describe and explain the actions taken (if any) and the results achieved (if any) to improve mail processing and delivery service performance as a result of any preshipment notification(s). If no actions have been taken, please discuss the reasons.
- b. Please provide any reports, studies, analysis or other documents in the Postal Service’s possession involving Confirm information that were used by the Postal Service to measure, diagnose, monitor, or improve 1) mail processing or 2) delivery service performance. Please describe and explain the actions taken (if any) and the results achieved (if any) to improve mail processing and delivery service performance as a result of these reports, studies, analysis or other documents. If no actions have been taken, please discuss the reasons.

RESPONSE:

- a-b. As the question notes, the Postal Service originally expected to rely upon preshipment notifications as a tool to improve the utility of Confirm scans. Publication 197 was accordingly written to emphasize the importance of preshipment notifications. However, as explained further in response to OCA/USPS-T40-23, 25-26, that expectation was not borne out operationally. The use of Confirm as an analytical tool today involves seeding by the Postal Service of the mail with test pieces and analyzing the sequence of scans from those pieces. Similarly, some Confirm customers have relied upon their own scan data when approaching the Postal Service to discuss service issues. Regardless of the source of Confirm scan data, its use “to measure, diagnose, monitor, or improve” mail processing is essentially ad hoc since the data are used to highlight specific problems and resolve them. While the Postal Service

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has concluded that Confirm is ill-suited to evaluation of system performance, some Confirm customers do use it for that purpose by, for example, showing the Postal Service reports on that customer's scan data. The Postal Service has responded by developing reports that permit isolation of each customer's scan data; the purpose of these reports is to help in the evaluation of a customer's claims about what its scan data show. Because preshipment notifications have not been a success, Confirm is not suited to performance management, hence Confirm Service scans are generally not used to evaluate service or delivery performance.

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OCA/USPS-T40-21. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 29, where it states "Preshipment notification enables the Postal Service to use Confirm information to measure, diagnose, monitor, and improve mail processing and delivery service performance."

- a. Please confirm that the Postal Service is proposing to eliminate from section 991.31 of the Domestic Mail Classification Schedule (DMCS) the requirement that mailers provide "electronic notice of entering Confirm prior to or contemporaneous with mail entry." If you not confirm, please explain.
- b. Given the importance of preshipment notification to the Postal Service to "measure, diagnose, monitor, and improve mail processing and delivery service performance," please explain why the Postal Service is proposing to eliminate the requirement of prior electronic notice from section 991.31 of the DMCS.
- c. Please explain what the Postal Service intends to use as a substitute for preshipment notification to enable "the Postal Service to use Confirm information to measure, diagnose, monitor, and improve mail processing and delivery service performance."

RESPONSE:

- a. Confirmed
- b-c. See my response to OCA/USPS-T40-20.

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OCA/USPS-T40-22. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 38, where it states

"A Postal Service representative scans the Shipment ID barcode with a hand-held scanner at the point when the Postal Service takes final possession of the confirm mail shipment—prior to inducting the shipment into the mail processing stream. This entry scan serves to "start the clock" on Confirm mail and generates entry scan data."

- a. Please confirm that the Shipment ID barcode for a Confirm mailing is to be provided on PS Form 8125 by Standard mailers, and PS Form 3152-A by First-Class mailers. If you do not confirm, please explain.
- b. Please identify and describe means and methods other than PS Form 8125 and PS Form 3152-A that may be used by First-Class and Standard mailers, respectively, to provide the Shipment ID barcode.
- c. Please discuss 1) why First-Class and Standard mailers would or would not choose to provide Shipment ID barcodes on the forms identified in subpart a., above, versus the means and methods identified in subpart b., above; and 2) the Postal Service's preferred method, either the forms identified in subpart a., above, or the means and methods identified in subpart b., above.
- d. Please provide 1) the number of First-Class and Standard mailers that provide Shipment ID barcodes on PS Form 8125 and PS Form 3152-A, respectively; and, 2) the number of First-Class and Standard mailers that provide Shipment ID barcodes by means and methods identified in subpart b., above.

RESPONSE:

- a. Not confirmed. The Shipment ID barcode is provided on PS Form 8125 for plant verified dropshipped mail, which is predominantly Standard Mail. The Shipment ID barcode is provided on PS Form 3152-A for mail inducted at a Postal Service Business Mail Entry Unit or Detached Mail Unit, which is predominantly First-Class Mail.
- b. No other means are available, except for First-Class Mail mailers who induct mail continuously throughout the week while submitting an Entry Scan file in lieu of an actual barcode.

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- c. Mailers would choose not to provide Shipment ID barcodes if they do not wish to comply with Confirm requirements and are not interested in receiving Confirm entry scan information (excepting those First-Class Mail mailers cited in the response to part b).
- d. These data are not available.

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OCA/USPS-T40-23. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 15, where it states

[PS Form 8125 or PS Form 3152-A] accompanies the shipment to its drop site, where Postal Service personnel scan the barcode on the form. For *Destination Confirm* shipments, the Postal Service's scanning of the Shipment ID barcode on the induction form "starts the clock" and generates entry scan data. This process indicates that mail has entered the mailstream.

Also, please refer to the same page where it states:

A stop-the-clock scan occurs for a mailpiece when it goes through any one of the sort operations that predict same-day delivery. The criteria for a stop-the-clock scan is that if the mailpiece passes through one of these sort operations before 10:00 a.m., it is nearly certain that it will be delivered by the carrier that same day.

- a. Please confirm that the entry scan provides the "start the clock" date and time entry data for a Confirm mailpiece, the facility name of entry, facility ZIP Code, and Shipment ID. If you do not confirm, please explain.
- b. Please confirm that the "start the clock" entry data and the stop-the-clock scan data provide accurate, reliable and consistent measurement of 1) in-transit time within the Postal Service, and 2) delivery service performance as a basis for determining achievement of delivery service standards for First-Class Mail and Standard Mail. If you do not confirm, please explain.
- c. Please identify and describe any and all problems that prevent the "start the clock" entry scan data and the stop-the-clock scan data from providing accurate, reliable and consistent measurement of 1) in-transit time within the Postal Service, and 2) delivery service performance as a basis for determining achievement of delivery service standards for First-Class Mail and Standard Mail.
- d. For each problem identified in subpart c. above, please rank order each problem from most important to least important, provide any data or analysis as to the extent of the problem, describe the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.

RESPONSE:

- a. The entry scan provides the Confirm mail shipment induction date and time, facility ZIP Code, and Shipment ID. This information can serve as a "start the clock" for a Confirm mailpiece.

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- b. See the response to OCA/USPS-T40-20.
- c. The following prevent Confirm service from being a service performance tool:
 - i) inconsistent mail preparation and barcoding methods by Confirm mailers;
 - ii) inconsistent induction procedures by mailers and the Postal Service;
 - iii) system infrastructure limitations that limit the ability to uniquely identify mailpieces within a pre-shipment notification;
 - iv) lack of integration with postal mail acceptance and verification procedures, and
 - v) *incorrect entry of information on mail processing equipment that becomes associated with a Confirm scan.*
- d. See the response to part c. Problems are ranked equally. While the Postal Service continues to work on improved integration that should also improve the capability of measuring performance, the Postal Service does not currently view Confirm as a system well suited to performance measurement.

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OCA/USPS-T40-24. This interrogatory seeks information on the shipments and mailpiece volume of Confirm.

- a. For Destination and Origin services separately, please provide the number of Confirm shipments provided by First-Class and Standard mailers, respectively, in the base year.
- b. For Destination and Origin services separately, please provide the total volume of Confirm mailpieces provided by First-Class and Standard mailers, respectively, in the base year.
- c. For Destination and Origin services, and First-Class and Standard mailpieces, separately, please provide the average number and the standard deviation of scans for each Confirm mailpiece.

RESPONSE:

- a. Not available.
- b-c. The requested data are not available for two reasons.
 - i. As noted in my response to OCA/USPS-T40-14(a-d), Confirm users are not exclusive mailers of either First-Class Mail or Standard Mail. Subscribers often use multiple classes of mail.
 - ii. The data are not available for the base year as the data are stored for just a limited time.

However, based on analysis of the data conducted prior to implementation of the new policy that limits how long data are stored, the following results were developed for the period from October 2003 to July 2005.

Confirm Type	Class	Share	Scan Volume	Mailpiece Volume	Average Scans Per Piece
Origin	First-Class	100%	2,039,135,314	1,100,695,721	1.85
	Other	0%	0	0	N/A
Destination	First-Class	42%	3,831,565,244	1,389,396,899	2.76
	Other	58%	5,177,233,229	2,183,749,517	2.37

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While the data presented above are likely representative of the volume of scans and mailpieces during that time period, they are not necessarily 100 percent accurate.

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OCA/USPS-T40-25. This interrogatory seeks information on the accuracy of mailpiece records for Confirm. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 46, where it states "the Postal Service cannot guarantee that every Confirm mailpiece with a PLANET Code will receive a scan." Please provide the percentage of Confirm mailpieces with PLANET Codes that do not receive a scan. Please describe and discuss the source of the problem, the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.

RESPONSE:

The Postal Service does not know how many mailpieces with PLANET Codes do not receive scans, and the Postal Service does not even know how many mailpieces have PLANET Codes. A mailpiece with a PLANET Code will receive a scan only if it happens to pass through a machine that is equipped to scan the mailpieces. Below is a partial list of situations in which a piece of mail bearing a PLANET Code might not receive a scan.

- i. Origin Confirm courtesy envelopes have PLANET Codes placed on them, and many of them will not be entered in the mail stream;
- ii. Mailpieces that are sorted to the 5-digit level;
- iii. Mailpieces that are sorted to the destination delivery unit; or
- iv. Mailpieces that have unreadable PLANET Codes;

It may be financially advantageous for a mailer to place PLANET Codes on all of its mailpieces, including those that will never receive a scan, as this process allows them to produce only one type of mail label, thereby reducing complexity. The Postal Service is not aware of any specific problems with scan failures for mail that passes through a suitably equipped piece of equipment.

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OCA/USPS-T40-26. *This interrogatory seeks information on the accuracy of mailpiece records for Confirm. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 46, where it states "the Postal Service cannot guarantee that every Confirm mailpiece with a PLANET Code will receive a scan."*

- a. Please confirm that a mailpiece scan record provides the facility ZIP Code, mail sortation operation code, date and time a mailpiece was processed, the POSTNET code, and the PLANET code. If you do not confirm, please explain.
- b. For each separately, please provide the percentage of mailpiece scan records that 1) lack a facility ZIP Code, or 2) have an inaccurate facility ZIP Code. If Postal Service-prepared percentages, or estimates thereof, are unavailable, have the requested percentages been estimated by any Confirm subscribers and provided to the Postal Service? Without identifying any Confirm subscriber(s), please provide the requested percentages, as estimated by Confirm subscribers.
- c. For both data elements identified in subpart b. above, please describe and discuss the source of the problem, the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.
- d. 1) For each separately, please provide the percentage of mailpiece scan records that have i) dates that pre-date when a mailing was entered, or ii) dates for scans that span more than three days. If Postal Service-prepared percentages, or estimates thereof, are unavailable, have the requested percentages been estimated by any Confirm subscribers and provided to the Postal Service? Without identifying any Confirm subscriber(s), please provide the requested percentages, as estimated by Confirm subscribers. 2) Is the Postal Service aware of mailpiece scan records that have dates for scans that are "future dates;" for example, the entry scan for a Confirm shipment occurs on June 6th, but the mailpiece scan record shows processing scans on June 9th or beyond? Please explain.
- e. For both data elements identified in subpart d.1), above, please describe and discuss the source of the problem, the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.
- f. For each separately, please provide the percentage of mailpiece scan records that have 1) no operation codes, or 2) inaccurate operations codes. If Postal Service-prepared percentages, or estimates thereof, are unavailable, have the requested percentages been estimated by any Confirm subscribers and provided to the Postal Service? Without identifying any Confirm subscriber(s), please provide the requested percentages, as estimated by Confirm subscribers.
- g. For both data elements identified in subpart f. above, please describe and discuss the source of the problem, the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.

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- h. For each separately, please provide the percentage of mailpiece scan records that have missing 1) POSTNET barcodes, or 2) PLANET codes. If Postal Service-prepared percentages, or estimates thereof, are unavailable, have the requested percentages been estimated by any Confirm subscribers and provided to the Postal Service? Without identifying any Confirm subscriber(s), please provide the requested percentages, as estimated by Confirm subscribers.
- i. For both data elements identified in subpart h. above, please describe and discuss the source of the problem, the actions taken (if any) to correct the problem, and discuss the results achieved (if any). If no actions have been taken, please discuss the reasons.

RESPONSE:

- a. Confirmed.
- b. The Postal Service does not have data regarding the lack of facility ZIP Codes or invalid facility ZIP Codes. Confirm mail industry organizations and specific mailers have reported instances of scans that they believe contain invalid information. One particular Confirm user does provide the Postal Service with the number of scans it uses, as well as the number of scans which it believes contain invalid information. Given that the Postal Service has no means by which to evaluate whether the claim of errors is valid and that only a single user is providing this information, the Postal Service does not believe that providing these data is prudent. Other Confirm users may be aware of which mailer provides such reports to the Postal Service, which could put that mailer at a competitive disadvantage.
- c. The Postal Service does and continues to work with mailers and internal stakeholders to identify and resolve data issues as they arise.
- d. See the response to part b as applied to Confirm date/time stamps.
- e. Refer to the response to part c.

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- f. See the response to part b as applied to Confirm data operation codes.
- g. Refer to the response to part c.
- h. See the response to part b as applied to Confirm data POSTNET and PLANET Codes.
- i. Refer to the response to part c. A POSTNET barcode will not appear in a data record if it is unreadable by postal mail processing equipment. The PLANET Code must appear in a data record for that record to be generated and distributed to subscribers.

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OCA/USPS-T40-27. This interrogatory seeks information on the accuracy of mailpiece records for Confirm. Please refer to Postal Service Publication 197, the Confirm User Guide, at page 46, where it states "the Postal Service cannot guarantee that every Confirm mailpiece with a PLANET Code will receive a scan."

- a. Please explain how the Postal Service compensates Confirm subscribers for mailpieces with a PLANET Code that 1) do not generate a mailpiece scan, or 2) have missing or inaccurate data in the mailpiece scan record.
- b. If the Postal Service does not compensate Confirm subscribers for mailpieces that 1) do not generate a mailpiece scan, or 2) have missing or inaccurate data in the mailpiece scan record, please describe and discuss the Postal Service's plans to do so.

RESPONSE:

- a. The Postal Service does not compensate Confirm subscribers under the circumstances described. The Postal Service states in the guide that there is no guarantee.
- b. The Postal Service has no plans to compensate Confirm subscribers. In particular, as mentioned in the response to OCA/USPS-T40-25, there are numerous reasons why mailpieces bearing a PLANET Code would not receive a scan. Additionally, for incomplete scan records, it is not feasible to offer compensation. As presented in my response to OCA/USPS-T23-3(h), the average price of a scan for a customer will be roughly 6.1 thousandths of a cent. As such it would take 16,856 missed scans to equate to a dollar. The cost of *administering a system that verified the validity of bad scans* would quickly dwarf all revenue for Confirm.

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OCA/USPS-T40-28. This interrogatory seeks information on the value of Confirm service for single-piece First-Class Mail.

- a. In what ways (if any) has single-piece First-Class Mail benefited from Confirm service? Please explain.
- b. In what ways (if any) would single-piece First-Class Mail benefit from a more extensive subscription base for Confirm service? Please explain.
- c. In what ways (if any) could Confirm service be modified to provide accurate, reliable and consistent measurement of delivery service performance as a basis for determining achievement of delivery service standards for single-piece First-Class Mail? Please explain.
- d. Please describe and provide any reports, studies, analysis or other documents involving subpart c., above.

RESPONSE:

- a. The Postal Service's use of PLANET Codes for improving the efficiency of the mailstream is separate from the Confirm service offered to subscribers. While Postal Service usage involves the same processes, its costs are not included in the costs for Confirm Service.
- b. See my answers to interrogatory OCA/USPS-T40-20, and to part a of this question. Beyond the extent that Confirm provides a new tool for identifying and resolving mail processing flow problems, I see no connection between a broader Confirm subscription base and single piece First-Class Mail.
- c. See the response to OCA/USPS-T40-20. The Postal Service has no current plans for turning Confirm service into a performance measurement tool.
- d. I have been unable to locate any.

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OCA/USPS-T40-29. This interrogatory seeks information about the number of scans for Confirm service. Please refer to your response to OCA/USPS-T23-3(g). Please show all calculations, and provide citations to all sources, used to derive the 357,143 average estimated number of scans in a typical block of one million units.

RESPONSE:

I used an assumption that 55 percent of scans will be for First-Class Mail (FCM) and 45 percent will be for Standard Mail (SM) (MMA/USPS-T40-4(b)). The 357,143 (number of scans per block) is calculated as:

1,000,000 (number of units in a block)

$.45 \text{ (SM share of scans)} * 5 \text{ (units/scan)} + .55 \text{ (FCM share of scans)} * 1 \text{ (units/scan)}$

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OCA/USPS-T40-30. 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-T40-13(a)-(b), where it states, "First-Class Mail and Standard Mail letters have significantly different unit revenue, cost coverages, and service standards."

- a. For First-Class Mail and Standard Mail letters with "very similar mail piece characteristics (aside from markings and postage)," please confirm that differences in unit revenue, cost coverage and service standards for First-Class Mail and Standard Mail letters have no bearing on the passive *cost per scan* generated pursuant to the Confirm special service. If you do not confirm, please explain.
- b. Are there any circumstances under which the cost per scan to the Postal Service would be different for First-Class Mail and Standard Mail pieces with 1) very similar mailpiece characteristics (aside from markings and postage), and 2) different size, shape, weight, addressing quality, etc., characteristics (aside from markings and postage)? Please explain.

RESPONSE:

- a. Confirmed.
- b. 1) No. See the response cited in this interrogatory, OCA/USPS-T40-13(a)-(b).
2) No.

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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.

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OCA/USPS-T40-33. 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-T40-15(e). For purposes of these questions, please answer the following without regard to the statutory pricing criteria of section 3622(b):

- a. Please provide a definition for "value pricing," and give a citation to the source for your definition.
- b. In the case of Confirm, where the cost per passive scan is the same for First - Class Mail and Standard Mail pieces, the average cost per block of one million units is \$42.66, and the price per block of one million units is \$70 (for the 1st to 9th block), yet a subscriber that obtains scans for Standard Mail receives only 200,000 scans with the purchase of a block of one million units while a subscriber that obtains scans for First-Class Mail receives 1,000,000 scans with the purchase of a block of one million units. Please discuss your understanding of "value pricing" with respect to the proposed pricing of Confirm service in the TYAR.

RESPONSE:

- a. I am not aware of a universally accepted definition of "value pricing".
- b. As noted in my responses to OCA/USPS-T40-15(e) and 32, I do not see my proposed pricing as an example of value pricing.

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OCA/USPS-T40-34. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-16, where it states, "this pricing structure is more fair and equitable than the three-tier system, and is less complicated."

- a. Please confirm that with elimination of the three-tier subscription fee system, you are imposing a three-tier pricing system based upon blocks of one million units. If you do not confirm, please explain.
- b. Please confirm that with elimination of the three-tier subscription fee system, you are imposing a "unit-based" pricing system, which varies in terms of the number of scans provided per unit, based upon whether the subscriber receives scans of First-Class Mail pieces or Standard Mail pieces. If you do not confirm, please explain.

RESPONSE:

- a. Not confirmed. *The declining block rates should not be considered tiers since they apply equally to all customers.*
- b. Confirmed.

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OCA/USPS-T40-35. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to your response to OCA/USPS-T40-20(a)-(b), which asked about Postal Service Publication 197, the Confirm User Guide, at page 29, where it states "Preshipment notification enables the Postal Service to use Confirm information to measure, diagnose, monitor, and improve mail processing and delivery service performance."

- a. Please confirm that a fair reading of your response is as follows: The operational failure of the preshipment notification has converted the utility of Confirm scans from a means to improve system performance to an ad hoc method of addressing specific mailer-identified problems and resolving them. If you do not confirm, please explain.
- b. Please explain how the Postal Service "originally expected to rely upon preshipment notifications as a tool to improve the utility of Confirm scans" to improve system performance, and how that "expectation was not borne out operationally" to permit the use of Confirm scans to improve system performance.
- c. What plans (if any) does the Postal Service have to replace the current preshipment notification process with another process to provide for an accurate, reliable and consistent "start the clock" entry scan? Please explain.
- d. What factors caused the Postal Service to conclude "that Confirm is ill-suited to evaluation of system performance?"
- e. Since the Postal Service has concluded "that Confirm is ill-suited to evaluation of system performance," what alternative to Confirm service does the Postal Service intend to use to evaluate processing and delivery system performance? Please explain.
- f. Please explain how "seeding by the Postal Service of the mail with test pieces" serves "as an analytical tool today" to improve the utility of Confirm scans. For all instances involving seeding by the Postal Service, please provide a table that categorizes the issues identified by seeding, the frequency of the issues identified. Discuss actions taken (if any) by the Postal Service as a result of seeding to improve the utility of Confirm scans. Provide copies of any data, print-outs, spreadsheets, reports or other documents, electronic or otherwise, on seeding by the Postal Service used to improve the utility of Confirm scans.
- g. Where Confirm customers have presented the Postal Service with reports on system performance based upon the customers' scan data, how has the Postal Service used the customer's scan data, or data from its own seeding, to verify, monitor and improve system performance? Please explain.
- h. For Confirm customers that have presented the Postal Service with reports on system performance based upon the customers' scan data, please provide a table that categorizes the system performance issues identified, and the frequency of the issues identified since Confirm was made a permanent service. Please describe the issues identified.

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RESPONSE:

- a. Not confirmed. While the Postal Service had originally intended to use customer scan data for process improvement on individual mailings, this has no bearing on the utility of Confirm service scans for the users of Confirm service. The purpose of *Confirm service* is to provide mailers with information about their mail. In particular it provides mailers with information about when a mailpiece passes through a machine where it is passively scanned. Confirm service itself was not and is not intended to be a performance measurement tool.
- b. See my response to OCA/USPS-T40-23(c).
- c. There are no plans to replace the pre-shipment notification.
- d. See my response to OCA/USPS-T40-23(c).
- e. The Postal Service does not view Confirm service as a tool for evaluating processing and delivery system performance, so it does not believe that an alternative to using Confirm for this purpose is needed.
- f-h. Redirected to the Postal Service.

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OCA/USPS-T40-43. This interrogatory seeks information on the uses of Confirm information by the Postal Service. Please refer to your response to OCA/USPS-T40-27(a) and (b).

- a. Refer to your response to part a. In what ways has the Postal Service compensated Confirm subscribers with respect to the failure to provide Confirm service as promised? Please explain.
- b. Refer to your response to part b. Please confirm that Confirm service is a premium special service offering of the Postal Service. If you do not confirm, please explain.
- c. Refer to your response to part b. Please describe the Postal Service's service standard or commitment to provide mailpiece scan records to Confirm subscribers on a timely basis. Does the Postal Service have any plans to compensate Confirm subscribers where the service standard or commitment is not met? Please explain.
- d. Refer to your response to part b. Please show all calculations, and provide citations to all sources, used to derive the average price of a scan of 6.1 thousandths of a cent.

RESPONSE:

- a. As noted the lead in to interrogatory OCA/USPS-T40-27, Postal Service Publication 197, the Confirm User Guide, at page 46, states "the Postal Service cannot guarantee that every Confirm mailpiece with a PLANET Code will receive a scan." And in my response to the both part a of this interrogatory and to OCA/USPS-T40-27(b), the Postal Service, in an effort keep the fees to the customers and the costs to the Postal Service low, has no plans to offer compensation. Additionally, the Confirm Application Terms and Conditions on Refunds (p. 6) and the Disclaimer on page 10 of the Confirm User Guide both clearly state that refunds are not provided.
- b. Without a definition of what the OCA perceives to be a "premium special service," I am unable to respond to this question.
- c. The Postal Service does not have a service standard or commitment regarding the provision of mailpiece scan records to Confirm subscribers. There is no refund to

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customers as part of the service (see part a), and there is no intention to change this aspect of the service.

d. The average price per scan was calculated as:

$$P=R/S \quad \$0.000061 = \frac{\$617,295}{10,054,289,736}$$

where,

P = average price,

R (revenue from blocks of units) = (\$617,295 from LR-L-124 WP-4 Confirm, cell Y30),

S (number of scans) = 357,143 (average number of scans per block of units,

OCA/USPS-T40-29) * 28,152 (number of blocks of units in the test year, LR-L-124, WP-4 Confirm, cell Q30)

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OCA/USPS-T40-44. This interrogatory seeks information on the value of Confirm service for single-piece First-Class Mail. Please refer to your response to OCA/USPS-T40-28(d). Also, please refer to PRC Op. MC2002-1, at page 11, where it states,

Paragraph 4 [of the Stipulation and Agreement] sets forth the Postal Service's undertaking to explore a consumer oriented product based on PLANET Code technology. As part of that undertaking, the Postal Service is to provide a status report to all participants within six to twelve months after implementation of confirm service concerning development of such a product and the likelihood it may be pursued.

Please provide a copy of the status report pursuant to the undertaking specified in Paragraph 4.

RESPONSE:

See the "Letter from Kenneth H. Hollies, United States Postal Service, to Steven W. Williams, Secretary, Postal Rate Commission, Regarding Exploration of Consumer Interest in Product Using PLANET Code Technology," filed July 2, 2004, which is included on the Commission's website, under "Letters" for Docket No. MC2002-1.

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OCA/USPS-T40-49. At page 19 of your testimony, you state that "demand for the product has not met the forecast used in MC2002-3."

- a. Please present your step-by-step analysis that demonstrates that, all other things equal, the fee design you propose will stimulate a greater demand for the product than the fee design currently in place. Show all computations and provide all resource materials relied upon.
- b. Please confirm that the fee design currently in place could have been subject to subscription fee increases sufficient to generate the revenue that you set as a target in your current proposal. If you do not confirm, then explain fully.

RESPONSE:

- a. My testimony does not claim that we will see increased demand from the businesses and organizations that use Confirm as a result of the implementation of the new prices. Actually, as noted in my response to question 3 of the Presiding Officer's Information Request No. 4, I expect a decrease in demand to result. However, my testimony does note that the new pricing structure should allow Confirm to cover its costs and therefore permit the Postal Service to continue offering the product to those businesses that find the service useful.
- b. Not confirmed. I believe continued use of the existing pricing structure would have required very large price increases to offset decreases in demand for Confirm. The resulting fees would have been high enough to discourage many potential users from subscribing. The proposed pricing structure reflects the Postal Service's commitment to a Confirm service that facilitates use by customers of all sizes.

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OCA/USPS-T40-50. At page 21 of your testimony, you state that the requirement of prior electronic notice of entering mail was found burdensome by customers.

- a. Please provide all documentation in the possession of the Postal Service to support this statement.
- b. Please express the number of customers who complained about the burden as a percentage of the total number of customers. Show the calculation and provide the sources for the figures used.

RESPONSE:

a-b. No documentation is available, to my knowledge. However, verbal complaints by customers that use Confirm have been received. Given that preshipment notification is not a critical component in offering the Confirm service and that there have been complaints from the users of the product, the elimination of this hurdle seems logical.

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OCA/USPS-T40-51. At page 21 of your testimony, you state that the proposed classification change for Confirm is "fair and equitable."

- a. Isn't it also true that the current fee design is fair and equitable? Explain in full any negative answer.
- b. Please confirm that in your testimony in Docket No. MC2002-1, USPS-T-5, at 16, you testified that with respect to the current fee design, "In sum, the proposal is fair and equitable (Criterion 1)?" If you do not confirm, then explain fully.
- c. Is it your testimony that the proposed fee design is more fair and equitable than the current fee design?
 - i. If so, why?
 - ii. If so, why have you changed your views so significantly since you testified in Docket No. MC2002-1?

RESPONSE:

- a. While I don't believe that the existing fee structure is unfair or inequitable, I do not believe that it is superlative in either fairness or equity and as such has room for improvement. Changes in pricing structures can improve fairness and equity, as in the case of the proposed pricing structure for Confirm service.
- b. Not confirmed. As noted in another interrogatory submitted by the OCA, OCA/USPS-T40-31, witness Kiefer was the pricing witness in Docket No. MC2002-1.
- c. Yes
 - i. All Confirm users will face the same prices for a given set of units, which was not the case previously, and the service will cover its costs.
 - ii. See my responses to parts a and b of this interrogatory.

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OCA/USPS-T40-54. This interrogatory seeks information on the development of volumes for Confirm service. Please refer to USPS-LR-L-124, the spreadsheet "REV-USPS-LR-L-124_7-3-06.XLS," and worksheet tab "W-P 4 Confirm." Also please refer to your response to POIR NO. 4, Question 3, and the attachment thereto, which provides "an example showing the derivation of the TYAR volume for a hypothetical subscriber." (Emphasis added)

- a. In worksheet tab "W-P 4 Confirm," refer to column (3), "After Rates" (Volumes), and the rows "1st through 9th," "10th through 89th," and "90th and more." Based upon your example showing the development of volumes in POIR No. 4, Question 3, please generalize your example (without revealing any subscriber's proprietary data) and show the development of "After Rates" volumes for each of the "Blocks of Units" (i.e., 1st through 9th," "10th through 89th," and "90th and more") shown in worksheet tab "W-P 4 Confirm."
- b. In worksheet tab "W-P 4 Ccnfirm," refer to column (3), "After Rates" (Volumes), and the rows "1st through 9th," "10th through 89th," and "90th and more." Please provide the estimated number of scans for each of the "Blocks of Units" (i.e., 1st through 9th," "10th through 89th," and "90th and more") separately for First-Class Mail and Other.

RESPONSE:

- a. I do not believe that it would be possible to show the development of the number of blocks without showing proprietary data. As noted in my response to POIR NO. 4, Question 3, the number of blocks at each fee level for each individual existing customer was derived separately. The totals referred to in column (3) were arrived at by summing all the customer-specific numbers.
- b. As noted in my response to OCA/USPS-T23-3(g), there would be 357,143 scans per block, and as shown in my response to OCA/USPS-T40-29, the share of scans that would be on First-Class Mail mailpieces are 55 percent (196,429 scans), with the remaining 45 percent (160,714 scan) assigned to Other classes. These results are assumed to apply to all of the different blocks

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OCA/USPS-T40-55. This interrogatory seeks information on the development of volumes for Confirm service. Please refer to your response to POIR NO. 4, Question 3, and the attachment thereto.

- a. Refer to part 2 of your response. Please explain the basis for the 10 percent decrease in total scans based upon your proposed increase in prices for Confirm service.
- b. Refer to part 2 of your response. Is the 10 percent decrease in total scans based upon your proposed increase in prices for Confirm service proportional for First-Class Mail scans as compared to Other scans? Please explain.
- c. Refer to part 4 of your response. Please explain the basis for the 55 percent and 45 percent split between First-Class Mail and Other, respectively.

RESPONSE:

- a. The basis for the 10 percent decrease in demand was the proposed increase in fees.
- b. No. Since the distribution of scans was assumed to be 55 percent First-Class Mail and 45 percent Other, the current share of First-Class Mail is overstated slightly. Therefore, the 10 percent decrease affects First-Class Mail slightly less.
- c. The split was partially driven by an effort to reflect the general composition of the mail for the period for which we have data (see my response to OCA/USPS-T40-24(b-c)), and the expectation that demand for First-Class Mail scans would increase relative to Standard Mail as a result of the new rates.

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OCA/USPS-T40-56. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-17(a), where it states, "individual subscribers have purchased four sequential subscriptions, a new one each quarter."

- a. For Fiscal Years 2003, 2004 and 2005, please provide a table showing the number of individual Silver subscribers that purchased 1 quarterly subscription, 2 sequential quarterly subscriptions, 3 sequential quarterly subscriptions, and 4 sequential quarterly subscriptions.
- b. Please confirm that of the current 16 Silver subscribers that purchased 1 quarterly subscription or 2 sequential quarterly subscriptions, those subscribers will pay higher total fees (i.e., user fee plus fees for blocks of units) in the TYAR under your proposed fee schedule than they did in FY 2005. If you do not confirm, please explain.

RESPONSE:

a. This information is not available. The basis for my statement was discussions that took place during the collection of data for use in developing the billing determinants for Confirm service.

b. Not confirmed. As noted in my response to OCA/USPS-T40-17(a), there are not 16 current Silver subscribers. Rather, there were 16 Silver subscriptions in the Base Year. However, if a subscriber were to purchase either one or two silver subscriptions at the current prices, which do not allow the product to cover its costs, in the same fiscal year the fee would be lower than the proposed \$5,000 user fee plus any fees for additional blocks of units that might be purchased under the proposed pricing structure that will cover the costs of the product.

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OCA/USPS-T40-57. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-19(a), where it states, "the total expenditure will depend upon usage." Assume the following: All 45 current subscribers to the Platinum service use the same number of First Class Mail and Other scans in the TYAR as they did in FY 2005. Notwithstanding your response to OCA/USPS-T40-19(a), assuming the same usage as in FY 2005, please confirm that all 45 subscribers to Platinum service will pay higher total fees (i.e., user fee plus fees for blocks of units) under your proposed fee schedule than in FY 2005. If you do not confirm, please explain and state how many subscribers under this assumption would pay higher fees. Also, show all calculations, and provide citations to all sources used.

RESPONSE:

Not Confirmed. 29 of the Platinum subscription holders would have had a total expenditure of less than their existing \$10,000 fee. Any subscriber who chose to use fewer than 169,000,000 units would pay less under the proposed fee schedule. In addition to paying the \$5000 annual fee, the user could buy 168 blocks of scans and still spend under \$10,000 ($\$5,000 + \$4987.50 (9*70+90*35+69*17.50)$). Using the 357,143 scans per million units derived in OCA/USPS-T40-29, the 168 blocks would provide 60,357,167 scans. 29 of the Platinum subscribers were estimated to use less than that number of scans during the subscription period.

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OCA/USPS-T40-58. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-24(b)-(c). For Fiscal Years 2003, 2004 and 2005, for Destination and Origin services, and First-Class and Other mailpieces, please provide the average number of scans for each of these separate types of Confirm mailpieces. If you are unable to provide this data for the 4th quarter (July, August and September, 2005) of FY 2005, please explain.

RESPONSE:

As noted in my response to OCA/USPS-T40-24(b)-(c), full-year data for FY 2003 and FY 2005 are not available, as the data are limited to the period from October 2003 to July 2005. For FY 2004 the average numbers of scans are:

Destination	2.59
Origin	1.86
First-Class Mail	2.43
Other	2.39

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OCA/USPS-T40-61. This interrogatory seeks information on Confirm service volumes.

- a. Please confirm that the number of First-Class and Other mailpieces for Destination and Origin services, and the number of such mailpieces that have PLANET Codes, is contained in the Confirm service preshipment notifications (i.e., EMD files). If you do not confirm, please explain.
- b. For Fiscal Years 2003, 2004, and 2005, from information available in the Confirm service preshipment notifications (i.e., EMD files), please provide a table showing the following: The total number of First-Class and Other mailpieces for Destination and Origin services, and the percent of such mailpieces that have PLANET Codes. If the requested information is not available for all three fiscal years, please provide the requested information for the most recent fiscal year or other period.

RESPONSE:

- a. Not confirmed. As noted on pages 85-87 of the Confirm users guide, the mailer only provides the number of mailpieces with PLANET Codes (EMD element #23). The provision of information with regard to the class and shape of mail for the mailing are optional. As my past responses have noted (OCA/USPS-T40-20, 22, 23, 35(a-e), 38, 39, and 41), the data provided in the preshipment notifications are often not reliable. Mailers typically use Confirm service as it was intended, a tool for identifying the location of their mail within the mail stream. Additionally, Origin Confirm does not use EMD files as these are pieces of mail being shipped to the mailer.
- b. As noted in the response to part a, the quality of these data are questionable and incomplete. Additionally, in some instances, mailers send EMD files but never actually enter a mailing that corresponds to the EMD. The data are stored a maximum of 30 days and are neither easily accessible nor reliable as a source for the information requested.

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OCA/USPS-T40-62. This interrogatory seeks information on the relationship of Confirm service to other Postal Service mail programs.

- a. Please confirm that OneCode Address Change Service (ACS), OneCode Confirm, and other future mail service programs, such as "Surface Visibility" and "Seamless Acceptance," will utilize the same data scanning and storage systems insofar as they rely on mailpiece-level observations. If you do not confirm, please explain.
- b. Please confirm that the data scanning and storage system used for OneCode Address Change Service (ACS), and OneCode Confirm, and other future mail service programs, such as "Surface Visibility" and "Seamless Acceptance," will be the same data scanning and storage system used by Confirm subscribers insofar as they rely on mailpiece-level observations. If you do not confirm, please explain.

RESPONSE:

a-b. Not confirmed. While the same infrastructure will be used to capture the scans, Confirm service uses its own servers for disseminating its data. The limited period of storage after the dissemination is complete will be in the same storage system as the services you mention, but the data for the separate products will be stored separately as different data are needed for each product.

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OCA/USPS-T40-63. This interrogatory seeks information on scan data from Confirm service.

- a. Please confirm that at the present time Confirm subscribers may obtain from the Postal Service, at the subscriber's option, scan data consisting of the first scan, the last scan, or all scans from a mailpiece. If you do confirm, do Silver and Gold subscribers pay only for the additional scans obtained? If you do not confirm, please explain.
- b. If you do confirm part a, above, will this option remain available to Confirm subscribers under your pricing and classification proposal for Confirm service? If the option will remain available, will Silver and Gold subscribers pay only for the additional scans obtained? Please explain.
- c. Assume two mailpieces displaying identical PLANET Codes included in the same preshipment notification (i.e., EMD file) for the same subscriber. Both mailpieces are addressed to the same delivery point, and each mailpiece receives three scans. Does Confirm service identify two separate mailpieces with three scans each, or one mailpiece with six scans? Please explain.
- d. Assume a mailpiece displaying a PLANET Code is forwarded to a new address, after being transported to the delivery unit servicing the former (i.e., old) address. Based upon the number of scans for that mailpiece, does Confirm service identify one mailpiece or does it identify two separate mailpieces? Please explain.

RESPONSE:

- a. Not confirmed. This option does not provide the last scan that will necessarily occur on a mailpiece. It represents the last scan on what is identified as a unique mailpiece since the last time the subscriber received data.
- b. No. See response to part c. There will not be Gold and Silver Subscribers under the proposed pricing structure.
- c. The Confirm service distributes scans; it does not identify mailpieces.
- d. As long as the PLANET code and PostNet Code can be read by the optical scanners a scan record will be generated. As noted in part c, Confirm service does not identify mailpieces.

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OCA/USPS-T40-64. As recently as March 23, 2004, Postmaster General Potter testified (Testimony of John E. Potter Before a Joint Hearing of the Committee on Government Reform, U.S. House of Representatives, and the Committee on Governmental affairs, U.S. Senate) that:

To increase use of our traditional products, we are using technology to add value to the mail through the development of new features and services. Our Confirm service – one of the first of our Intelligent Mail initiatives – provides the Postal Service and mailers with a rich stream of information about mail as it moves through our system. It helps the Postal Service improve processing efficiency and helps mailers better achieve their business objectives.

- a. Do you agree with General Potter's testimony that Confirm provides the Postal Service with a rich stream of information? If not, explain fully.
- b. Do you agree with General Potter's testimony that Confirm helps the Postal Service improve processing efficiency? If not, explain fully.
- c. Doesn't the proposal to abandon the requirement to provide prior electronic notice of entering the mail (USPS-T-40 at 21) make the "stream of information" less rich in that it will not be possible to determine delivery times for Confirm pieces that have not provided "start the clock" information? Please explain fully any response other than an unqualified "yes."
- d. Doesn't the proposal to abandon the requirement to provide prior electronic notice of entering the mail (USPS-T-40 at 21) diminish the Postal Service's ability to assess and improve processing efficiency in that it will not be possible to determine delivery times for Confirm pieces that have not provided "start the clock" information? Please explain fully any response other than an unqualified "yes."
- e. Please refer to your response to interrogatory MMA/USPS-T40-1. Don't price changes ranging up to nearly 2000% undermine the goals outlined in General Potter's testimony with respect to using Confirm to develop a rich stream of information and to improve processing efficiency? Please explain fully any response other than an unqualified "yes."

RESPONSE:

a-b. I agree that when the Postal Service seeds the mail with PLANET Codes, the data generated can be classified as a rich stream of information, and that the information helps the Postal Service improve processing efficiency.

c-d. No. as noted in my response to OCA/USPS-T40-20, the Postal Service does not use customer scan data for its purposes and as such does not utilize the information provided in the pre-shipment notification.

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e. See my response to parts c and d. As noted in my response to MMA/USPS-T40-1(d-e), no Confirm user has used even 1 billion scans, which would only be a 142 percent increase in fees, which I do not consider to be nearly 2,000 percent. As my response to MMA/USPS-T40-2 states, the total revenue increase resulting from my proposed pricing is 49 percent, which I also do not consider to be nearly 2,000 percent. Additionally, in my response to OCA/USPS-T40-57 I note that 29 of the 45 Platinum level Confirm Subscribers would be paying less under my proposal than they are paying under the existing pricing structure, not a price increase of 2,000 percent.

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OCA/USPS-T40-65. In the August 30, 2001, issue of *USPS Newslink Online*, the following statement is made:

Confirm is made possible with PLANET Code technology. PLANET Codes identify the sender of a mailpiece and allow for the storage of other information on barcodes that are placed directly onto the mailpiece.

* * * * *

The fact that USPS gets a service performance measurement tool is a bonus that will help USPS improve service and grow revenue.

- a. Do you agree with the statement that Confirm is a service performance measurement tool? If not, explain fully.
- b. Do you agree that Confirm can help USPS improve service? If not, explain fully.
- c. Doesn't the proposal to abandon the requirement to provide prior electronic notice of entering the mail (USPS-T-40 at 21) undermine the use of Confirm as a service performance measurement tool in that it will not be possible to determine delivery times for Confirm pieces that have not provided "start the clock" information? Please explain fully any response other than an unqualified "yes."
- d. Doesn't the proposal to abandon the requirement to provide prior electronic notice of entering the mail (USPS-T-40 at 21) diminish the Postal Service's ability to improve service in that it will not be possible to determine delivery times for Confirm pieces that have not provided "start the clock" information? Please explain fully any response other than an unqualified "yes."

RESPONSE:

- a. No. see my response to OCA/USPS-T40-20.
- b. Data received from the use of PLANET Codes in the seeding program can be used to improve processing efficiency by allowing the Postal Service to identify problem areas.
- c-d. See my response to OCA/USPS-T40-64(c-d).

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OCA/USPS-T40-66. In the Postal Service's *Strategic Transformation Plan 2006-2010*, issued less than a year ago (i.e., September 2005), at 56, the benefits of Confirm are touted:

Much of the success in end-to-end service performance resulted from the Postal Services' ability to make the most of advances in information technology. In addition to independent measurement systems, data from the passive scanning of mail containing Delivery Confirmation, CONFIRM, and Indicia Based Information (IBI), helped to pinpoint quality problems and improve service across all product lines.

- a. Do you agree with these statements? If not, explain fully.
- b. If you agree that Confirm in its present form had a role in improving end-to-end service performance, pinpointing quality problems, and improving service across product lines, then what is the rationale for abandoning preshipment notification and proposing scan-fee increases of nearly 2000%?

RESPONSE:

- a. Yes.
- b. See my responses to OCA/USPS-T40-64(c-d and e).

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OCA/USPS-T40-67. *Postal Bulletin* Issue No. 22119, January 8, 2004, at 4, contains the following announcement:

CONFIRM ON SCHEDULE: Internal “seeding” begins Jan. 10

If you can measure something, you can find a way to make it better. The “something” in this case is mail processing performance. And the measuring device is Confirm. Confirm allows business mailers to track their mailings through each stage of processing. USPS also can use it as a tool to measure and improve performance.

Mandatory internal seeding of Confirm pieces begins Jan. 10.

- a. Do you agree with the notion that when service performance is measured, it is likely to lead to improvements? If not, explain fully.
- b. Isn't it correct, as is stated in the quote above, that Confirm can be used as a tool to measure and improve performance? Please explain fully any answer other than an unqualified “yes.”
- c. Please provide complete results from the mandatory internal seeding of Confirm that began on January 10, 2004 (as stated above).
- d. Please explain the purpose of the mandatory internal seeding program and how it is operated and administered.
- e. Who views the results of the seeding program? (Name all positions)
- f. How are the results of the seeding program used?

RESPONSE:

- a. I do not disagree with the general concept express in the Postal Bulletin.
- b. Yes. Confirm can be used to measure processing efficiency, and the resulting data can be used to improve performance.
- c. We are unable to give complete results from the mandatory internal seeding that began on January 10, 2004 because each site performed tests designed to meet its specific needs. As a result, only the person conducting the test would know how to interpret the test results.
- d. The purpose of the mandatory internal seeding program is to provide diagnostic information on First-Class Mail operational performance. Each Plant identifies a set of 3-digit destinations that it wishes to subject to analysis. Mail pieces are selected from certain points in mail processing operations, PLANET code labels are applied to those

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mailpieces, and they are re-introduced into the mail stream, where scanning takes place. Scan results are then reviewed.

e. The data are viewed by those people that are responsible for conducting, designing and evaluating the data. As such the positions that would be involved would vary greatly among the various test locations.

f. The seeding results are used by postal operations to identify points in the mail flow that are experiencing delays that could impact service performance. For letter mail, scan data are available up to the last automated mail processing operation prior to delivery. By analyzing the sequence of operations that a piece travels through and the elapsed time between operations, the Postal Service is able to identify potential sources of delays in mail performance. If further analysis is able to confirm the root cause of a delay, operational changes are instituted to correct the problems.

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OCA/USPS-T40-68. *Postal Bulletin* Issue No. 22094, January 23, 2003, at 22, describes the Friend-to-Friend (FTF) program. According to the *Bulletin*, commercial customers mail FTF pieces as First-Class Mail. Customers are required to apply PLANET codes to each piece, which is then scanned under the Confirm system. Please provide performance delivery times for all FTF pieces since inauguration of the program.

RESPONSE:

In this instance, the PLANET code was used to determine usage and volumes during the operations test; it was not used to measure "performance delivery times" and no such measures exist.

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OCA/USPS-T40-69. *Postal Bulletin* Issue No. 22084, September 5, 2002, at 9, describes the USPS Micropayment Service. According to the Bulletin, customers mail First-Class Mail courtesy reply cards. Customers are required to apply PLANET codes to each piece. Please provide performance delivery times for all Micropayment cards since inauguration of the program.

RESPONSE:

In this instance, the PLANET code was used to determine who the test customer was, and to measure usage and volume; it was not used to measure "performance delivery times" and no such measures exist.

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OCA/USPS-T40-70. Please refer to your testimony at page 28. You state that "[t]he value of service for insurance customers is very high."

- a. Do you agree that ease/difficulty of filing a claim is an important element of the value of service? If you do not agree, explain in full.
- b. Please describe all steps performed by postal employees in submitting an insurance claim, starting with (1) the activities that take place at a retail office, (2) continuing through the transmission of the insurance claim form to the St. Louis Accounting Service Center (ASC), (3) through the actions taken at the ASC, (4) through communication with the claimant who filed the claim.
- c. Is it correct that insurance claim forms are generally filled out at a retail window by a clerk? If this is not correct, then please provide an accurate description.
- d. Is it correct that the claim form is sent to the ASC for processing and a decision on whether to pay the claim? If this is not correct, then please provide an accurate description.
- e. Is it fair to say that most claimants are not trained on how forms should be filled out correctly and, therefore, depend on a clerk to fill out the form correctly? If you disagree, explain fully.
- f. Is it correct that claimants depend on clerks to send the claim form to the ASC with correct postage, an accurate address, and in a timely manner? If this is not correct, then please provide an accurate description.
- g. Please describe the Postal Service's system for making sure that clerks fill out the forms correctly, address them accurately, and dispatch them in a timely manner.
- h. How many appeals are permitted on a Postal Service decision to deny a claim or reduce the insured amount in indemnifying the claimant?
- i. How much information are claimants given on the reasons for denying the claim or reducing the amount claimed?
- j. What channels are available to claimants to contact the ASC agent who is processing the claim to determine (1) status, (2) provide additional information, or (3) challenge inaccurate statements in the letter deciding the claim? As part of this answer, specifically address whether an agent can be reached by telephone and provide the telephone number.

RESPONSE:

a. Yes.

b.

(1) Activities at a retail office:

Customer – Retrieve Form 1000 from web page or the local Post Office. Complete section A and give the form to the Sales and Service Associate (SSA). The SSA reviews section A for completeness and verifies the supporting documentation for

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insurance coverage, value of the item, etc. If the claim is for damage, the SSA examines the article and container for evidence of damage. Once everything is verified, the SSA completes section B filling in all pertinent information, including the reason for the claim, service category, loss or damage, etc. Once the form is completed a copy is given to the customer.

(2) Claims forms are mailed daily to the Accounting Service Center (ASC) for processing.

(3) The claim is received by the ACS, reviewed for completeness, and sent to contractor for data entry. The contractor keys the information from the form and uploads the data to the CCRS system for processing. The system evaluates the claim and if the claim is determined to be valid, payment of the claim is initiated. If the claim form is incomplete, correspondence is sent requesting additional information from the customer or the local Post Office. If the system was incapable of determining the validity of the claim, it is reviewed more completely by the ASC.

(4) A letter will be sent if any documentation is needed or the claim is denied. Checks are mailed if the claim is paid with a statement describing the payment.

c. Yes, section A is completed by the customer, and section B is completed by the SSA

d. Yes, except for unnumbered insurance.

e. Yes, but the Form 1000 took into consideration many concerns identified through feedback received from customers, so customers can easily respond to the questions on the form without assistance.

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- f. Yes, the acceptance clerk is tasked with the responsibility of verifying the customer's entries for accuracy in Section A against the information presented (for example, the mailing receipt if the article is lost or the wrapper information if the claim is damage). The Postal Service instructions sheet specifically state all claim forms should be sent to the ASC daily.
- g. Instructions to complete claim form 1000 are printed on the reverse side of the form. These instructions are written to assist clerks in the performance of this task.
- h. Two. The first appeal is conducted at the ASC, and the second appeal is conducted at Headquarters.
- i. Claimants are given specific information as to why the claim was denied, including their appeal rights.
- j. Claimants may inquire through the Accounting Help Desk (AHD) or in writing on the status of a claim. If the AHD cannot provide an answer, the call is escalated to the Claims section to assist the customer. If the customer is unavailable at the time of the return call, the customer is left a name and phone number to contact the person handling the call.

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- OCA/USPS-T40-71.** What targets or performance objectives (including metric measures) has the Postal Service established for Insurance for the following:
- a. Time for processing an insurance claim, as measured from the time an insurance claim form is submitted until the time that a decision letter is issued and sent to the claimant?
 - b. Time for issuing a decision on an appeal from the St. Louis Accounting Service Center (ASC), as measured from the time the appeal is submitted until the time that a decision letter is issued and sent to the claimant?
 - c. Time for issuing a decision from the USPS Consumer Advocate, as measured from the time an appeal is submitted until the time that a decision letter is issued and sent to the claimant?
 - d. Time that an insurance claim form is held at the retail office where the claim is filed, as measured from the time the form is completed at the window until the time that the form is sent to the ASC?
 - e. Number of complaints per number of Insurance claims?
 - f. Any other objectives (including revenue objectives) for Insurance?
 - g. For parts a. – f. above, provide any data on how well the Postal Service is meeting its established targets and objectives? If data are unavailable, provide a verbal statement on how well the Postal Service is doing on *meeting its targets and objectives*.

RESPONSE:

- a. Since the ASC relies on the local Post Office, a proper completed form should be processed within 10 working days once it has been entered into the CCRS system.
- b. The customer should expect to receive a response within 30 days of receipt of the appeal.
- c. 2nd level appeals – measurement of cycle time - target for FY2006 is an average of 19 days.
- d. The claims are sent to the ASC on a daily basis.
- e. See the Postal Services response to OCA/USPS-16.
- f. I am not aware of any other objectives with regard to insurance.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
Revised August 14, 2006

OCA/USPS-T40-71, Page 2 of 2

g.

- a. The average time for processing a properly completed claim as measured from the time a claim is submitted at the retail window until a claim decision is issued is 48 days.
- b. Decisions on appeals: 30 days
- c. *2nd level appeals - we are currently meeting the target.*
- d-f. The Postal Service is making incremental improvements to improve the Insurance product and the Insurance claims process.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-72. What class of mail is used to send an insurance claim form from the facility where the claim is submitted to the St. Louis Accounting Service Center (ASC)? Must postage be applied to such a mailpiece?

RESPONSE:

The Postal Service submits the claim via First-Class Mail.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-73. Give a detailed description of the training given to postal clerks on how to submit an insurance claim on behalf of claimants.

- a. Provide all training materials.
- b. How many hours of training are required?
- c. State whether (and how often) clerks are tested to see if they have a good understanding of how to process an insurance claim.

RESPONSE:

- a. The training materials are attached.
- b. *The training is part of a larger training package that takes two weeks.*
- c. Upon completion of the two weeks of training mentioned in part b, the clerks are tested. There is no additional testing.



Sales and Services Associates Training

**Participant Workbook
Course #23501-02
NSN #7610-04-000-8860
May 2006**

Retail Operations

Use of Training Materials

These training course materials are intended to be used for training purposes only. They have been prepared in conformance with existing USPS policies and standards and do not represent the establishment of new regulations or policies.

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Claims and Inquiries

Module 22

Module 22: Claims and Inquiries

Terminal Objective:

Upon completion of this module, future Associates will be able to accept indemnity claims from postal customers for domestic and international mail.

Enabling Objective:

Upon completion of this module, future Associates will be able to:

- Explain and demonstrate the use of PS Forms 1000, 1510, 542, 3832 and 2855.

Time Allocated for this Module:

- 60 minutes

Materials Required:

Future Associates: Workbook and pens or pencils.

Presentation

Customer Service

As Retail Associates, we have an opportunity to reduce the number of claims filed by our customers. Most claims can be avoided if we simply follow the proper acceptance procedures we learned in the Domestic Mail Module. Our customers depend on us to safely deliver the items they mail at our retail counters. If we are not paying attention to the condition of the items when they are mailed, we greatly increase the possibility of a failure to provide the service our customers expect and deserve.

For instance, a framed picture mailed in a padded envelope is probably going to be damaged when it arrives. Imagine the delivery employee who can hear the broken glass inside when making the delivery. Imagine that you are delivering the item. What would you say to that customer?

Keep in mind, that every time you accept a package the reputation of our company is primarily resting on your ability to determine the mailability of the item. You have the power to reduce the need for our customers to file claims and increase customer satisfaction by checking these guidelines on every item mailed at your counter.

- **Addressing:** A return address is required for all accountable mail. Retail equipment will provide the city and state when you key in the ZIP Code. Verify this information on the mail piece. Encourage customers to use our web site (www.usps.com) for ZIP Code look-ups and confirmation of mailing addresses. (The majority of mail sent to the Mail Recovery Centers bears no return address.)
- **Packaging:** Is the container sturdy enough to withstand normal handling in the mail stream? Is the cushioning sufficient to protect the contents? (A claim will be denied if the damaged insured item was not properly packaged.) Is the package secured with good quality tape?

PS Form 1000

Postal customers must use PS Form 1000 (available at the Post Office or online) to file indemnity claims for Insured, Collect on Delivery (COD), Registered with postal insurance, or Express Mail. Once completed, the customer must submit the PS Form 1000 to their local Post Office. Claims for unnumbered insurance (under \$50) are processed and paid at the local Post Office. All other claims are sent to the St. Louis Accounting Service Center for processing and payment.

Requirements for submitting claims

In addition to completing PS Form 1000, a claimant must meet a proof of loss requirement. The customer must provide proof of complete or partial loss (depending on which claim is being submitted). Proof of loss is not required for COD, Registered, or Express mail claims.

Only the mailer may file a claim for complete loss.

The following is acceptable as proof of loss:

- A letter or statement from the addressee after the date the article was mailed, stating the addressee did not receive the article.

Retain all items pertaining to the claim in the Post Office until the claim is settled. Do not return to the mailer unless claim is for partial loss.

Note the condition of the wrapper and its contents for the claims adjudicators.

To ensure that the claim will be quickly processed, be sure you have:

- Evidence of insurance
- A designated payee
- Mailer and addressee signature
- The location of the damaged article or disposition thereof.
- Proof of value
- Original packaging with insured indicia
- Proof of mailing

Claims are paid by no fee money order and offset in AIC/GLA 539

Forwarding Claims

Retail Associates are required to forward PS Form 1000 with the supporting documentation to the claims and inquiry section or to the designated employee in the office who handles claims and inquiries.

Claims under \$50.00

Customers must complete PS Form 1000 for approval by the local post office.

Customer must provide proof of value, original packaging with insured indicia, and proof of mailing. Claims are paid by money order.

International Claims

There are different process flows for International claims.

Definitions:

- Inquiry
 - A request concerning the disposition of an item or report concerning loss, delay or improper delivery and must be filed before the claim is allowed on articles deemed lost
- Claims
 - A request for indemnity as a result of a loss, rifling, or damage to the insured, registered, or EMS item

Global Express Mail (GEM): The U.S. sender of a GEM item that is believed to be lost, damaged, or rifled **must** contact the Call Center at 1-800-222-1811, within 90 days of the date of mailing, to initiate an inquiry. If loss or damaged is confirmed by the USPS, an information packet including completed Inquiry Form 2861, and claim form 2855 will be sent to the customer.

Inquiries about Express Mail items that originated outside the United States must be initiated by the sender through the postal administration of origin.

Registered Mail, Insured parcels or Ordinary articles

PS Form 542, *Inquiry About a Registered Article or an Insured Parcel or an Ordinary Article*, is used in processing inquiries relating to loss or delay of outbound (originating from a U.S. sender) or inbound (originating from a foreign country) Registered Mail articles, insured parcels and ordinary letter post and parcels. A PS Form 542 must be filed within 6 months for lost articles before a claim (PS Form 2855) can be filed. PS Form 542 can be filed at any Post Office. **Exception:** The PS Form 542 is not used for insured mail to Canada. Use PS Form 2855

PS Form 2855, *Claim for Indemnity - International Registered, Insured and Express Mail* is used in processing claims relating to rifling or damage of outbound or inbound Registered, Insured Mail articles and outbound Express Mail articles. **Exception:** PS Form 2855 is used for the complete loss of an insured outbound or inbound article to Canada. Express Mail claims must be initiated through the Call Center.

Required Documentation for Registered, Insured and Express Mail includes: Evidence of Insurance (IMM Section 9), Evidence of Value (IMM Section 9), and Proof of Damage.

PS Form 3831 – Receipt for Article(s) Damaged in Mails

If a customer would like the article mailed replaced, ownership must be released to the USPS. The USPS provides a customer with a PS Form 3831 as proof of receipt. This form is to be completed in duplicate. One copy is to be provided to the customer, and one is to be attached to the article. The article remains in possession of the USPS, and is handled according to current policy.

PS Form 1510, Mail Loss/Rifling Report

This form is used to report the loss, rifling, and mistreatment of ordinary and Certified Mail. PS Form 1510 may be initiated by either the mailer or addressee, by telephone or in person at any post office.

PS Form 3533 – Application and Voucher for Refund of Postage, Fees, and Services

This form is used to request a refund of postage, fees and services.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-74. What is the position of individuals who process claims at the St. Louis Accounting Service Center (ASC)?

- a. What training are they given to perform their duties?
- b. What are the educational requirements for the position?
- c. Is any type of accreditation required so that lost/damaged items can be accurately appraised?
- d. Is there any requirement for past experience doing similar kinds of work?
- e. Provide all of the training materials used to train these individuals.
- f. How many hours/days of training do these individuals receive?

RESPONSE:

Level 14s process the claims, and are supervised by Level 17s.

- a. They are trained on the job with the assistance of a senior employee using the DMM and CCRS manual, along with the Postal Operations Manual, Administrative Support Manual and IMM.
- b. One must be a postal employee who has passed the accounting test.
- c. None, since the adjudicators do not perform appraisal.
- d. No.
- e. The CCRS manual is being filed with this response. Additionally, section 609 of the DMM, and section 146 of the Postal Operations Manual (POM) are used as reference materials.
- f. Claims adjudicators receive 30 days or more on the job training.



**Customer Claims Response System
User Guide**

Version 1.0

Course Objectives

In this class you will learn about using the Customer Claims Response System. Depending on your user role, you will learn many of the following features of the system, including how to:

- ◆ Log in and navigate in CCRS
- ◆ Enter, Search for, and Update a Claim
- ◆ Review and Appeal a Claim
- ◆ Manage the Queue
- ◆ Pay, Deny, and Close a Claim
- ◆ Send Correspondence
- ◆ Create a Claim Receivable
- ◆ Change the Status of an Issued Check
- ◆ Enter Package Information
- ◆ Create an Inspection Case File
- ◆ Certify Payments
- ◆ Review Correspondence Events and Appeal Decisions

This course includes discussions, procedures, and practices for users with various user roles. Your instructor will indicate which user roles apply to the activities in each section.

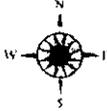
Prerequisites

The following prerequisites apply to this manual:

- ◆ Users should know the conventions for how to select objects and how to navigate the system that you will work with.
- ◆ Users should understand and be able to use common Windows input methods, such as buttons, fields, drop-down lists, checkboxes, and radio buttons.
- ◆ Users should also be comfortable using a mouse for navigation and input, and they should understand common mouse instructions, including **double-click** and **right-click**.
- ◆ Users should also be thoroughly familiar with the process and applications that they will use to create claims in their environment.

Icons

The following table identifies the icons used in this training guide.

<i>Icon</i>	<i>Meaning</i>
	<p>The compass icon indicates the Objectives section of a lesson. This section includes a list of topics that will be explored in that lesson.</p>
	<p>The discussion icon indicates the Discussion section of a lesson. This section introduces a topic, and includes general information that may be discussed during the lesson.</p>
	<p>The dictionary definition icon indicates the Definitions section of the lesson. This section includes any technical terms that may be new to the user, or that are particularly important to the lesson. Dictionary terms are shown in bold font in the Discussion text.</p>
	<p>The checkmark icon indicates the When to use section of the lesson. Refer to this information to learn when you will use the feature that is discussed in this section of the lesson.</p>
	<p>The 'do not' icon indicates the When not to use section of the lesson. Refer to this section to learn when you should <i>not</i> use the feature that is discussed in this section of the lesson. This section only appears in a lesson if there are specific cases where another function is more appropriate for some situations, or if there are specific cases where the function should not be used.</p>

	<p>The Context icon indicates information that is not central to the discussion but may affect how you use the feature. This section may include business process information, process flows, and general descriptions of the environment in which the function is used. Any known issues with the function in your business environment will be included here. The class instructor may also use this section to discuss issues related to the business or <i>corporate context for this feature</i>.</p>
	<p>The pencil icon indicates the Tips and Notes section. This section includes important reminders, limitations, prerequisites, and guidelines for using the function. It may also include information that will help you avoid common errors in using the function.</p>
	<p>The numbered steps icon indicates a Procedures section. This section includes the step-by-step procedure for performing a function or a set of related functions. These steps are generic, and will not have specific data, such as document types, included in the steps.</p>
	<p>The clock icon indicates a Practices section. This section includes one or more practice activities that may be assigned for completion during your class time. Practice sections include the steps of the procedure and specific practice data for use in the training class. The practice data is set up for each class, and will only be available for training classes.</p>
	<p>The question mark icon identifies the Questions section of the lesson. This section includes questions to test your knowledge of the material that has been taught. The question section is intended to be an informal way of evaluating your understanding of each function.</p> <p><i>Note: Use of the Questions section is at the discretion of the Client.</i></p>

	The 'information' icon indicates the For More Information section. This section includes references to other materials that may have additional information that can help you perform a task.
➔ Practice:	Indicates a specific practice exercise.
🔄 To do ...	Indicates a specific procedure within the Procedures section. Related procedures each have their own heading. When a procedure can be performed on either the Desktop Client or on the Intranet Client, each will have a specific procedure heading.

Typographic Conventions

The following document conventions are used in this training guide:

- ◆ Special terms that are used in the text and are listed in the Definitions section of a lesson are displayed in bold italic, as follows: ***Product Identification Code***
- Menu items and button names are indicated with bold font and title case, as follows: **Enter New Claim** from the menu.

Abbreviations

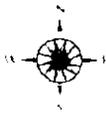
The following table lists the abbreviations used in the text.

<i>Abbreviation</i>	<i>Definition</i>
ASC	Accounting Service Center
APARS	Accounts Payable Accounting Reporting System
ACF2	ACF2 (A postal-approved security standard)
APO	Army Post Office
COD	Collect on Delivery
CCTS	Commercial Check Tracking System

<i>Abbreviation</i>	<i>Definition</i>
CAT	Customer Acceptance Test
CCRS	Customer Claims Response System
CSS	Customer Satisfaction Survey
DGC	Delivery Confirmation Guarantee (Also known as Product Tracking System [PTS])
FPO	Fleet Post Office
ICIO	International Claim and Inquiry Office
ISC	Information Service Center
IBSSC	Integrated Business Systems Solution Center
ICIO	International C claim and Inquiry Office
LAP	Locally Adjudicated Process
MRC	Mail Recovery Center
MPSA	Military Postal Service Agency
OIG	Office of Inspector General
PIC	Product Identification Code
PTS	Product Tracking System
SAM	Space Available Mail
TIN	Tax Identification Number
USPIS	US Postal Inspection Service

Welcome to the Customer Claims Response System. The CCRS system enables domestic and international customers of the United States Postal Service to initiate claims should a package be lost or damaged. After the customer has completed the appropriate claim form (Forms; CN08, 2855 or PS1000), employees of the USPS then complete the claim and submit it for processing via the CCRS system. Depending on the value of the item lost or damaged, the claim may be automatically paid or denied by the system or sent for review by an adjudicator or consumer advocate. The adjudicator or consumer advocate will then decide if the claim should be paid, denied, or closed.

International claims filed by foreign postal administrations can also have their claims (Form CN08) entered and processed by CICRS.



Objectives

This section provides information about the topics below.

- ◆ About CCRS and its functions



Discussion: About the Customer Claims Response System

CCRS enables Domestic & International USPS customers to initiate claims by sending claim forms to the Saint Louis Accounting Service Center (ASC) accounting service center for acceptance and review. These forms are keyed into CCRS for automated review. The CCRS system may pay or deny claims based on a specific rule set or send the claim for review by an ASC adjudicator employee. The USPS employees then complete the claim and submit the documentation via the CCRS.



Tips and Notes

Remember the points below when you work with the Customer Claims Response System.

- ◆ You will have access to a subset of functions, depending on the user group you are a member of.
- ◆ USPS customers can initiate a claim via the USPS Web site.



Procedures

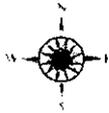
Use the Index to locate information on a variety of topics.



Additional Information

- ◆ Note that CCRS groups have access to certain *features of the system*. That is, the group that you are a member of only has access to a subset of the system's features. Before you begin each section, your instructor will tell you which groups can access the function.

To begin using the Customer Claims Response System application, you must log into the system and access the various custom functions.



Objectives

This section provides information about the topics below:

- How to Log Into the Customer Claims Response System
- ◆ How to Access the Functions of the Customer Claims Response System



Discussion: How to Log into the Customer Claims Response System

Because CCRS is a secure site, you must log into the system using a valid user name and password before you can access any of the documents or functions accessible to your user group. Once you are in the system, you will be able to access functions based on your *privileges*.



When to Use

You log into the Customer Claims Response System to access claims and custom functions.



Definitions

User Privileges – *A security classification that the system administrator assigns to each user when their user criteria is created.*



Tips and Notes

Remember the point below when you log into the doabase:

- ◆ You must have a valid user name and password to access the features available to your user group.
- ◆ The functions available to you are based on the user group you are a member of.



Procedures

☞ To log into the Customer Claims Response System

1. Launch your Web browser and enter the URL for the CCRS system in the Address field. Click **I Agree**.
2. The Enter User Name and Password page appears.
3. Enter your User Name and Password in the appropriate fields.
4. Click **Submit**. If this is the first time logging in you will see the following:

Please set your login preference

Take me directly to Inquiry Manager on login:

Take me directly to Claims Manager on login:

Bring me to this splash page on login:

.....

Manage inquiries

Manage claims

5. Here you set your preferences for where you will directed for all future logins. Since you'll be working with claims, you'll select **Take me directly to Claims Manager login**.
6. Click the Manage Claims Go button to proceed to the claims manager.



Practices

➔ Practice: How to log into the Customer Claims Response System

<i>Steps</i>	<i>Practice Data</i>
1. Launch your Web browser.	Double-click the Web browser icon on your desktop.
2. Enter the URL for your CCRS server.	Type the URL for the CCRS system in the Address field.
3. Log in to the CCRS manager.	Type your user name and password. Select the group you are a member of. (Note: if this is your first time logging in, you will first be presented with a preferences screen. Select your preferences and choose the appropriate option.)
4. Connect to the CCRS system	Click Submit .

➔ Result

If you perform the practices correctly, the result will look similar to the screen below:



ADJUDICATOR

RESTRICTED INFORMATION

[Preferences](#) | [FAQs](#) | [Logout](#) | [About](#)

- [Enter New Claim](#)
- ▶ [Search for Claim](#)
- ▶ [Manage Claims](#)
- ▶ [Manage Inspection Cases](#)
- [Monitor Claims](#)
- ▶ [Internet Page Testing](#)
- [Search for MRC Article](#)
- [Inspection Service Divisions](#)

**When to File**

You must file a claim immediately when the contents of an article are damaged or missing. For a lost article, you must file a claim within certain time limits as specified in the General Filing Instructions.

Where to File

For most claims, go to any Post Office and complete Form 1000, Domestic Claim or Registered Mail Inquiry.

Note: Merchandise Return Service claims can only be filed at the Post Office where your merchandise return permit is held.

What You'll Need*Evidence of Insurance*

Submit evidence that insured Mail, Collect on Delivery (COD), Registered Mail™, or Express Mail® was purchased for the mailed package. The original mailing receipt that you were given at the time of mailing is the preferred evidence. Check the General Filing Instructions for a detailed list of acceptable evidence.

Evidence of Value

Submit evidence - such as a sales receipt or invoice - showing the value of the article when it was mailed. Check the General Filing Instructions for a detailed list of acceptable evidence.



Discussion: How to Access the Functions of the Customer Claims Response System

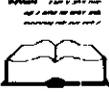
Depending on your user *permissions*, varying functions will be available to you. The following table indicates the available CCRS functions and the corresponding operational users.

Function	Corresponding Chapter	User Groups												
		Accounting Help Desk	Adjuster	Area District MP/SA	Business Mailer	Business Mailer (Profile Admin)	Business Mailer (Read Only)	Consumer Mailer (Update)	Field Site	GKG	IC/O	Image Reviewer	Inspector	MFC
Entering a New Claim	Chapter 3	X	X	X	X	X	X	X	X	X	X			X
Searching for a Claim	Chapter 4	X	X	X	X	X	X	X	X	X	X	X	X	X
Updating an Existing Claim	Chapter 5		X		X	X	X	X	X	X				X
Reviewing Status History	Chapter 6	X	X	X	X	X	X	X	X	X	X	X		X
Reviewing Correspondence History	Chapter 7	X	X	X	X	X	X	X	X	X	X	X		X
Requesting a Money Order Status	Chapter 8		X		X	X								
Reviewing Delivery Information	Chapter 9	X	X	X	X	X	X	X	X	X	X	X		X
Appealing a Claim	Chapter 10		X		X	X	X	X	X					X
Verifying Callers	Chapter 11													
Managing the Queue	Chapter 12		X			X								
Paying a Claim	Chapter 13		X			X								
Denying a Claim	Chapter 14		X			X								
Closing a Claim	Chapter 15		X			X								
Sending Correspondence	Chapter 16		X			X								
Generating a Claim Receivable	Chapter 17		X			X								
Changing the Status of an Issued Check	Chapter 18													
Entering Package Information	Chapter 19		X			X							X	
Creating a New Case File	Chapter 20		X			X					X			
Using the Inspection Services Function	Chapter 21		X			X					X			
Creating the Schedule Voucher of Payments	Chapter 22													X
Using the Image Review Function	Chapter 23									X				
Using the Business Mailer Functions	Chapter 24			X										
		X	Available										Unavailable	



When to Use

You access the Customer Claims Response System functions to perform actions with Customer Claims Response System claims and other information in the system.



Definitions

Permissions– *A property that determines which operations a user can perform on a claim (for example, adjudicate, update, and search.) The system administrator will define a user's permissions.*



Tips and Notes

Remember the points below when you access the Customer Claims Response System functions:

- All Customer Claims Response System functions are available from the CCRS menu on the left side of the Web page.
- Note that some functions are only available to certain users. A user's role determines which functions are available.

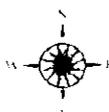


Additional Information

- For more information about System Administrator functions, see the *Customer Claims Response System Administrator Reference*.

Authorized CCRS users can enter a claim through the CCRS Internet site. This site is located within the Postal network for access by ACE computers. Once a claim is entered, the CCRS automated payment logic will review the claim to identify possible deficiencies or make a payment decision.

As part of the claim entry process, users will be asked whether the supporting information required for claim processing was provided. If any information is missing, CCRS will send correspondence to the claim originator to obtain the needed data.



Objectives

This section provides information about the topic below:

- ◆ How to enter a new claim into CCRS, including specific definitions for fields included in all section of the claim form.



Discussion: How to Enter a CCRS Claim

When a new claim is entered into CCRS, the mailer information, addressee information, reason for the claim, lost or damaged articles, total amount claimed, proof of insurance verification, payment assignment, and the certification and signature must be defined.



When to Use

A domestic postal customer will initiate a new claim* when they want to report an item damaged or lost. Claims from foreign post offices (Form CN08) may be initiated through a foreign administration and sent to the ASC for processing.

* Form PS1000 for domestic claims or 2855 for international claims

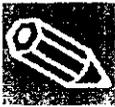


Definitions

Mailer – *The postal customer who initiated the mailing of the lost or damaged article(s).*

Addressee – *The name of the person or organization to which the lost or damaged article(s) was sent.*

Mailing Receipt – *The paper provided to the customer at the time insurance was purchased. The Mailing Receipt has important information, which can help the Field Site complete the claim. The Mailing Receipt Number is a barcode, which is also represented as human-readable numbers printed below the barcode. The human-readable numbers are arranged in groups of four digits.*



Tips and Notes

Remember the following points when entering a new claim:

- ◆ The postal customer must go to a USPS field site to complete the claim.
- ◆ Letters will be sent to customers for all claims not fully completed.
- ◆ Customers must provide the appropriate supporting information in order to avoid delaying the processing of their claim.



Procedures

☛ To enter a new claim

1. From the CCRS Welcome page, click the **Enter New Claim** link. Section A of the Enter New Claim page opens.
2. Select a claim category, which is the form type you are entering.
3. Enter all required information for Section A.
4. Click **Continue**. Section B of the claim form opens.
5. *Required information includes a complete address for the claim originator and a service category.*
6. Enter all required information for Section B.
7. *If section 11 is completed, this will be considered a locally adjudicated claim resulting in no further action by the system.*
8. Click **Continue**.
9. If the claim category is international you will be presented with an additional page to enter specific international values (see below). Users will also need to identify if either the foreign administration, United States or a combination of both incurred liability for the mailing.
 1. Click **Continue to claim indicators** after entering the fields



Practices

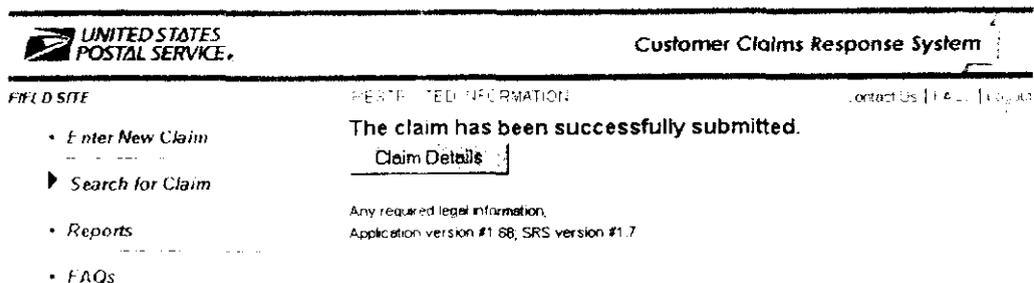
➔ Practice: How to enter a new Domestic (PS1000) claim using CCRS

<i>Steps</i>	<i>Practice Data</i>
1. Initiate the new claim.	<p>Click Enter New Claim.</p> <p>In Section A of the claim form, make the selections below:</p> <ul style="list-style-type: none"> • Enter your first and last names (no middle initial), business address, and phone number to the mailer information section. • Enter Joe Smith as the addressee, and enter your business address and phone number to the addressee information section. • Enter a short description of the article, select an article category from the drop-down list, and enter the value of the article. Enter December 01 of the previous year, as the purchase date. Click Add Article to List. • Enter \$100 for the total amount claimed. • Click Mailer as the Payment Assignment. • Click Mailer as the Claim Originator; click No for the Proof of Signature; Enter the current date as the Date Signed. <p>Click Continue.</p>

<i>Steps</i>	<i>Practice Data</i>
2. Complete Section B of the new claim.	<p>In Section B of the Claim Form, make the criteria selections below:</p> <ul style="list-style-type: none"> • For Service Category, enter Numbered Insured • For Postage Paid, enter \$4.00. • For Insured/Reg/COD Fees, enter \$2.20. • For Other Fees, enter \$0.00. • From Claim Reason, select Article Not Delivered. • For Wrapper/Container/Packaging or Article Presented, select No. • For Mailing Receipt Presented, select No. • For Evidence of value for Articles presented, select Yes. • In the proof of insurance section, enter VB0000XXUS (where XX is your class user login ID) as the mailing receipt number. Enter January 05 of the current year as the mailing date • For Accepting Employee, enter your first and last names, 389238 as the finance number, your zip code, your telephone number, and today's date. • Click Continue.
3. Review claim indicators	<p>Review the indicators that have been set based on previous claim responses.</p> <p>Click Continue.</p> <p>You should receive a confirmation message indicating that the new claim was added.</p>

➔ **Result**

If you perform the practices correctly, the result will look similar to the screen below:

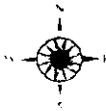


Additional Information

- To find a specific claim that a postal customer has begun, refer to Section 4 How to Search for a Claim.

The claim search feature can assist CCRS users in obtaining information regarding a claim. Here are some situations where searching for a claim may be beneficial:

- ◆ Attempting to determine the status of a claim.
- ◆ Searching for a customer within a specific area to see if a claim has been submitted.
- ◆ Finding out the amount paid for a given claim.
- ◆ Seeing if a letter was sent to a customer asking for additional information.



Objectives

This section provides information about the topics below:

- ◆ How to Search for an Existing Claim



Discussion: How to Search for an Existing Claim

CICRS provides a powerful search capability in order to find either a customer or a claim. You can use combinations of information in conjunction with the wild card character (%) to perform partial searches.



When to Use

A customer of the USPS may need to search for a claim that they initiated but did not complete. Field sites will need to search for a specific claim in order to respond to customer inquiries. CCRS users will also use the search function to find specific claims to appeal and to access specific claims for which they want to generate correspondence.



Definitions

Field Site – *A United States Post Office.*

Correspondence – *Written communication generated by the CCRS system or an adjudicator or consumer advocate originating from the USPS to the package addressee or recipient.*



Tips and Notes

Remember the points below when you search for an existing claim:

- ◆ You can search by article number, case number, customer information, claim id, check number, or by longest pending claims.
- ◆ You can perform a customer-information search by using the customer first name, last name, city, state, zip, or country. You do not need to enter all fields in order to perform the search.
- ◆ Use the wild card character (%) when you don't have much information available.



Procedures

➤ To search for an existing claim

1. From the left menu, click **Search for Claim**. The additional options of performing a Search based on various criteria appear.
2. To perform a search using the mailing receipt number, click **Article Search**. To perform a search using customer information, click **Customer Search**.
3. Depending on the type of search you are performing, either the Article Search or Customer Search page will appear. Other search options such as check number or claim id will appear based on your operational user type.
4. Enter either the mailing receipt (i.e. article) number or a portion or all of the customer's information.
5. Click **Search**. The Search Results page will appear with your claim. (shown below).

Search For A Claim: Search Results

Displaying 1 of 1 Search Results

Article #	Mailer Name	Addressee Name	Status	Mailing Date	Claim Amount	Paid Date
VE329923498US	KASMARK, JOHN	KASMARK, SALLY	Pending Paid - Pending Payment Certification	06/11/2006	\$100.00	n/a

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1. Click the **mailing receipt number** to navigate to the Claim Details page.

 If more than one claim is found, you will have more than one choice to make. Review the summary information to identify the correct claim and click on the mailing receipt number



Practices

➔ Practice: How to search for an existing claim

<i>Steps</i>	<i>Practice Data</i>
1. Begin a new search.	From the menu, click Search for Claim .
2. Select the type of search you will perform.	Click Customer Search .
3. Enter search criteria and begin search.	Enter your last name in the last name field. Click Search . The claim that you entered in the previous exercise appears in the search results.

➔ **Result**

If you perform the practices correctly, then the result will look similar to the screen below:

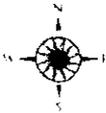
Claim Details

Case #: 378253081 (2855)

<p>Mailer Information</p> <p>ALMA STEELE 71 MISTY DALE VALLEY SHELTER ISLAND HEIGHTS, NY 11965</p>	<p>Addressee Information</p> <p>SAKTI SASTHI 7 JAYSUKH GARDENS Alger SRIKANT NW TQ 539371 ALGERIA</p>
<p>Section A Information</p> <p><i>Claim Originator</i> Mailer <i>Payment Assignment</i> Mailer <i>Amount Claimed</i> \$137.82 <i>Signed Date</i> 07/21/2006 <i>Merchandise</i> 1 JEWELRY 2 LIQUOR/WINE</p>	<p>Section B Information</p> <p><i>Service Type:</i> International Ordinary <i>Claim Reason:</i> Article not delivered <i>Mail Date:</i> 06/01/2006 <i>Fee:</i> \$10.00 <i>Postage:</i> \$0.66 <i>Claim Date:</i> 07/21/2006 <i>Entry Method:</i> Random Generator</p>
<p>Status Information</p> <p><i>Claim Status:</i> Pending <i>Disposition:</i> RETURN TO SENDER <i>Reason:</i> None</p>	<p>Supplemental Information</p> <p><i>Correspondence:</i> None <i>Check Number:</i> None <i>Recent Note:</i> None</p>

I would like to

Take desired action



Objectives

This section provides information about the topic below:

- ◆ How to Update an Existing Claim



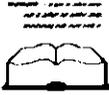
Discussion: How to Update an Existing Claim

Existing claims may be updated using the Update Claim function on the Claim Details window.



When to Use

Authorized users can use the update functionality to correct errors or to make changes to the claim form. Supporting claim indicators such as proof of damage, proof of delivery, proof of value and proof of signature can also be changed through this process. Status indicators cannot be changed on a claim since they provide a history of claim events.



Definitions

Supporting Claim Indicator – *Additional indicators reveal aspects of whether the customer completed the claim filing process. The indicators reveal if insurance coverage was validated by a postal employee, mailer signature was obtained, the customer provided evidence of value for merchandise, damage was proven, loss was proven (for unnumbered insured claims only). The indicators are set based on previous claim responses.*



Tips and Notes

Remember the points below when you update an existing claim:

- ◆ Users can update field and supporting indicators for previously entered claims at any time.
- ◆ A claim will remain in a pending state until all supporting indicators are provided and the claim is complete.
- ◆ The system will automatically send correspondence to the claim originator when key information is incomplete or a supporting indicator is not set.



Procedures

➤ To update an existing claim:

1. From the left navigation menu, click **Search for Claim**. The additional options of performing an Article Search or a Customer search appear.
2. Click **Customer Search** to search using customer information or Article Search to search using the Mailing Receipt number.
3. Depending on the type of search you are conducting, enter either the user information or the Mailing Receipt number.
4. Click **Submit**. The Search results display. Note that the Mailing Receipt number listed in the search results is actually a link.

5. Click the Mailing Receipt number link to access that claim. The claim details for that specific claim open.
6. At the bottom of the claim is the 'I would like to:' entry drop down menu.
7. Select **Update Claim**. Then click **Go**. The Claim Update page opens.

I would like to: 

Take desired action ([Go >](#))

8. Update the claim, as necessary.



Practices

Practice: How to update an existing claim

<i>Steps</i>	<i>Practice Data</i>
1. Search for the claim you want to edit.	From the left navigation menu, click Search for Claim . Select Customer Search , and enter your last name in the Last Name field. Click Search . The claim you entered appears.
2. Access the claim.	Click the Article Number to open the claim you entered. Scroll to the bottom of the claim, and choose the Update Claim option and click Go .
3. Update the claim.	Enter your middle initial. Click Update Claim . The updated information is added to the claim.

Result

If you perform the practices correctly, the result will look similar to the screen below:

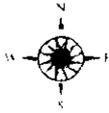
Confirmation

Case #: 59799250 (2855)

The claim has been successfully updated.

[Go to claim details](#) >

Users can access the Status History to review appeal decisions and other events related to a particular claim.



Objectives

This section provides information about the topics below:

- When a User Will Need to Review Status History
- ◆ How to Review Status History



Discussion: How to Review Status History

On the Claim Detail window, there is a section titled Status Information. This is where claim related status events can be found. Within this section is a **CCRS** link which can be used to review the history of this claim.



When to Use

Use this function to determine the status history for the claim. The Claim Status History report lists all statuses the claim has undergone, the amount of any pay decisions, the user who assigned the claim to a particular status, any notes associated with a particular status, and the date that the claim reached the indicated status.



Tips and Notes

Remember the points below when you review status history:

- An entry of CCRS in the user field indicates the CCRS system to action to cause the status event described.
- The notes section should contain a reason for the denial or additional pay amount to assist CCRS users.
- ◆ The Claim Status History is shown in date order to give users the ability to view a logical series of events associated with a claim.



Procedures

➔ To review status history

1. Search for the claim for which you want to review status history.
2. Access the Claim Details window for the claim.
3. On the Claim Details window, within the *Status Information* section (see *example* below), click **CCRS**. The Claim Status History window opens.

Status Information	
Event	Pending Paid - Pending Payment Certification
Priority	None
Claim	None

4. Click **Back** when you are finished reviewing. You are returned to the Claim Details window.



Practices

Practice: How to review status history

Your instructor will provide you with the Mailing Receipt of the claim for which you will review status history.

<i>Steps</i>	<i>Practice Data</i>
1. Access the claim for which you want to review status history.	Enter the Mailing Receipt provided by your instructor in the Article Search window. Click Search . Click the Article to access the claim details.
2. Find the Status History link.	On the Claim Details window, click CCRS within the Status Information section. The Claim Status History is shown.
3. Review the status history.	Review the history, as necessary. Click Back when you have finished reviewing. You return to the Claim Details window.

Result

If you perform the practices correctly, the result will be similar to the screen below:

Claim Status History

Article #: VB32892349BUS

Status	Amount	Notes	Date	User
Pending Paid - Pending Payment Certification	\$102.00	-	07/19/2006	CCRS
Pending Paid - Check Request Sent to APEX	\$102.00	-	07/18/2006	CCRS
Pending Paid - Pending APEX Processing	\$102.00	-	07/17/2006	CRSH01
Pending	-	-	07/17/2006	CRSH01

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The Correspondence History function enables users to generate and review the correspondence that has been created both by the system and by adjudicators and consumer advocates.



Objectives

This section provides information about the topics below:

- Situations in Which Users Will Need to Review Correspondence Events
- ◆ How to Review Correspondence Events



Discussion: How to Review Correspondence Events

All USPS users can review correspondence events using the Correspondence History function.



When to Use

Use the Correspondence History function to view information about all correspondence events that have been generated about a claim. The history lists the date the letter was sent, recipient, title, and body for each correspondence event.



Definitions

Correspondence – *Includes any CCRS communication that is generated by the system or by adjudicators/consumer advocates.*



Tips and Notes

Remember the points below when you review correspondence events:

- Correspondence can reveal why a claim is currently in a pending status.
- ♦ CCRS does not store the actual correspondence, only the text of the correspondence. The formatting of the letter & letterhead are not shown.
- The system sends correspondence to Central Print for processing once each day.
- A letter can be canceled before it is sent to Central Print.



Procedures

☞ To review correspondence history

- 1 Search for the claim for which you want to review correspondence history.
- 2 From the Claim Details page, click **Correspondence** within the *Supplemental Information* section. The *Correspondence History* page opens.

Supplemental Information	
Correspondence Deficient - Postage Paid	Required
Check Number	sim1045
Receipt Note	None

3. A chronological history of letters is shown. Click on a letter title to see the complete letter information. Click **Back** to return to the Correspondence History page. An example is shown below.



Practices

Practice: How to review correspondence history

 Your instructor will provide you with the Mailing Receipt number of the claim for which you will review correspondence history.

<i>Steps</i>	<i>Practice Data</i>
1. Access the claim for which you want to review correspondence history.	Enter the Mailing Receipt supplied by your instructor in the search field. Click Search . Click the Article Number to access the claim details.
2. Find the Correspondence link	On the Claim Details window, click Correspondence in the Supplemental Information section. The Correspondence History window opens.
3. Review the correspondence history	Review the correspondence history, as necessary. Click letter title to access the letter details. Click Back when you have finished reviewing. You return to the Correspondence History window.

Result

If you perform the practices correctly, then the result will be similar to the screen below:

Correspondence History

Article #: VB328923498US

Displaying 1 - 2 of 2 Search Results

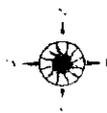
Title	Sent Date	Recipient	CCRS User
Document - Postage Paid Required	07/20/2006	Customized Addressee	CRSH01
Mail - Partial Payment to Customer	07/17/2006	Mailer	CRSH01

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[Send a new letter](#) [Go >](#)

The Review Delivery Information function provides current information about the state of a package within the mail stream. Post office employees use this function to determine if a package has been delivered or is in the process of being delivered, which aids in the claim decision making process.



Objectives

This section provides information about the topic below:

- ◆ How to Review Delivery Information



Discussion: How to Review Delivery Information

Users can review delivery information using the Delivery Information function under Review on the Claim Details window.



When to Use

Use this function when you want to determine the delivery events and COD information relating to a claim's mailing. A more accurate claim decision may be made based on this information.



Definitions

Clearance ID – *The check or money order number used to pay for the package*

Receiving Office ID – *The post office ID where the package arrived*

COD Clearance Date – *The date the check or money ordered cleared*

Receiving Office Id - *The post office ID where the package arrived*

Event Date - *The date associated with the PTS event code*

Event Code – *The PTS event code*

Event Description – *The PTS event description*

Event Zip Code – *The zip code for the event*

Event Receipt Name – *The name of the person associated with the event*



Tips and Notes

Remember the points below when you review delivery information:

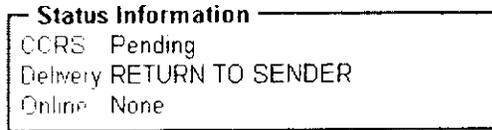
- ◆ Delivery information is collected once each day for claims filed for complete loss.
- ◆ The system communicates the last delivery request date and indicates the number of days remaining to continue requesting delivery information.
- ◆ The delivery system archives delivery events after a certain period.
- ◆ CCRS will show an “archive” delivery status if a delivery has been archived and marked for retrieval. The event history will show the recovered delivery event the following day.
- ◆ The system uses the most current delivery event code to determine whether to automatically pay or deny a claim.



Procedures

➤ To review delivery information:

1. From the left navigation menu, click **Search for Claim** to search for the delivery information related to the mailing.
2. Access the Claim Details window. In the Status Information section click **Delivery**.



3. The Delivery Event History is shown in chronological order, click the delivery event code to obtain additional detail.



Practices

➔ Practice: How to review delivery information

✦ Your instructor will provide you with the Mailing Receipt number for which you will be reviewing delivery information.

<i>Steps</i>	<i>Practice Data</i>
1. Search for the claim for which you want to review delivery information.	Use the Search function to locate the Mailing Receipt Number provided by your instructor.
2. Access the Claim Details window.	Click the article hyperlink to open the Claim Details window.
3. Review Delivery Information	On the Claim Details window, click the Delivery link within the Status Information section. The Delivery History window opens.

➔ **Result**

If you perform the practices correctly, the result will look similar to the screens below:

Delivery Event History

Case #: 847040306 (2855)

Days Left To Check Delivery Status: 90
Last PTS Request: 07/21/2006

Event Code	Description	PTS Date	Event Zip	CCRS Date
09	RETURN TO SENDER	07/16/2006	BF 64	07/21/2006

[< Back](#)

[Override DCG status](#) [Go >](#)

CCRS provides users with a mechanism to appeal claims that have first been paid or denied. Once appealed, the claim's status history will be updated to show this change in status. When an appeal is requested, the claim is placed in the adjudicator's review queue. A first appeal is resolved by the Accounting Service Center. Only a consumer advocate may resolve second appeals.



Objectives

This section provides information about the topics below:

- ◆ Claim Appeal Restrictions
- ◆ Situations in which a User Will Appeal a Claim
- ◆ How to Appeal a Claim



Discussion: How to Appeal a Claim

Use the *Appeal* function from the *Claim Details* window to initiate an appeal. A claim may be appealed by an authorized user group only if the claim has first been paid or denied. A claim may be appealed a second time; however, a claim may not be placed in second appeal until a decision was made from the first appeal. The claim status history will reveal the specific appeal status.



When to Use

You can appeal a claim when a customer disputes a previous pay or deny decision. Customers will typically appeal a claim by sending a letter to the ASC. The ASC will typically require additional supporting detail to support a change in the original decision. Claims can be appealed if they have first been paid or denied.



Definitions

Appeal – Occurs when a customer wishes the USPS to reevaluate a previous pay/deny decision. They may have additional information that may influence the decision.

Paid – A claim status that indicates a pay decision was made.

Denied – A claim status that indicates a deny decision was made.

Closed – A claim state that indicates a claim was closed due to inactivity or action by the ASC.



Tips and Notes

Remember the points below when you appeal a claim:

- ◆ A claim cannot be appealed until it is first paid or denied.
- ◆ An appealed claim will be sent to the original adjudicator who made the claim decision.
- ◆ Only a consumer advocate can resolve a second appeal.



Procedures

➤ To appeal a claim

1. From the left navigation menu, click **Search for Claim**. The additional options of performing an Article Search or a Customer search appear.
2. Click **Customer Search** to search using customer information or Article Search to search using the Mailing Receipt number.
3. Depending on the type of search you are conducting, enter either the user information or the mailing receipt number.
4. Click **Submit**. The Search results display. Note that the Mailing Receipt number listed in the search results is actually a link.

5. Click the Mailing Receipt link to access that claim. The claim details for that specific claim open.
6. At the bottom of the claim is the 'I would like to:' entry drop down menu.
7. Select **Appeal Claim**. Then click **Go**. The Claim Appeal page opens.
8. Enter the reason for the appeal.
9. Click **Submit**. A confirmation message appears.



Practices

➔ Practice: How to appeal a claim

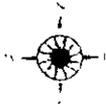
 You will appeal a claim that has been previously entered into the database by the instructor. The instructor will provide you with your user id, and this is the claim you will appeal.

<i>Steps</i>	<i>Practice Data</i>
1 Search for the claim you want to appeal.	From the left navigation menu, click Search for Claim . Select Customer Search , and enter your user id in the Last Name field. Click Search . The claim with your user id appears.
2 Open the claim and access the appeal function	Click the Article Number to open the claim with your user id. Scroll to the bottom of the claim, and select the appeal this claim link next to "I would like to:". The Appeal window opens.
3 Appeal the claim.	Enter the reason for the appeal. Click Go .

➔ Result

If you perform the practices correctly, the result will look similar to the screen below:

The queue is used to organize and hold all claims that are queued for adjudicator review. The queue enables adjudicators to retrieve the next unassigned claim in the queue for adjudication. In addition, it enables system administrators to retrieve a specific claim from the queue and assign that claim to a particular adjudicator.



Objectives

This section provides information about the topics below.

- How to Manage the Queue



Discussion: How to Manage the Queue

Claims in the following states will be queued for adjudicator review:

- ◆ A decision to pay a claim, which is over the limit for the system to pay
- ◆ Registered claims that are eligible for payment
- ◆ Claims that are appealed by customers (Note that second appeals are queued to a Consumer Advocate)
- ◆ A claim is found to be associated with an inspection service investigative case.
- ◆ A claim service type is Document Reconstruction
- ◆ Non-Mailable merchandise was found associated with a claim
- ◆ A claim is eligible for a receivable request
- ◆ All Registered claims that have been set to pay by the system
- ◆ If non-mailable matter is discovered, the system will queue the claim to an adjudicator for review

- ◆ When Proof of Delivery is validated and delivery zip code does not equal addressee zip code and does not equal MRC, the system shall queue record for Adjudicator review
- ◆ When the Paid amount is greater than Receivable Tolerance
- ◆ When the system finds a claim that the Inspection Service has identified as needing review

When an adjudicator clicks **Retrieve Next Claim** on the Adjudicate Claim: Your Assigned Claims window, the system provides the next unassigned claim in the queue.



When to Use

The queue is used to organize and hold all claims that are queued for adjudicator review. The queue enables adjudicators to retrieve the next unassigned claim in the queue for adjudications. The system allows adjudicators selective retrieval by offering options such as service category selection, and appeal selection.



Definitions

Queue – Claims that have been assigned to an Adjudicator or Consumer Advocate for processing.



Tips and Notes

- ◆ When an adjudicator searches for a claim to adjudicate, the specific claims assigned to that adjudicator appear. To retrieve the next unassigned claim (the oldest claim) in the queue, the adjudicator clicks **Retrieve Next Claim**.
- ◆ Understanding the various claim statuses is important for an adjudicator to understand what state a claim is in. Appendix A contains a description of all claim states that may appear in the claim status history.
- ◆ Claims in the first appeal status will be assigned to an adjudicator for review.
- ◆ Claims in the second appeal status can only be assigned to consumer advocates for review.
- ◆ The Adjudicate link will appear on the claim details page if *all* of the following criteria are met:

- The user is an adjudicator or consumer advocate
- The claim's most recent status is an Adjudication or Receivable category.



Procedures

➤ To review an adjudication queue

1. From the left navigation menu, select the **Manage Claims** option.
2. Under the Mange Claims menu, click **My adjudication queue**. The claims assigned to the adjudicator are displayed.
3. Click the Article Number to navigate to the claim.
4. To retrieve a claim, select a service type (optional).
5. Select the **Go** button to retrieve the next claim or appeal, whichever is desired.

If no service category is selected, the oldest claim in adjudication is selected based on the date of mailing.

Adjudicate Claim: Your Assigned Claims

Displaying 1 of 1 Search Results

Article #	Mailer Name	Addressee Name	Status	Mailing Date	Claim Amount	Paid Date
REF 01M0111	BERGKAMP, DENNIS	VIERA, PATRICK	First Appeal	02/07/2005	\$0.00	n/a

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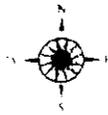
Select service type to retrieve (optional):

[Back](#)

[Retrieve next appeal](#) **Go**

[Retrieve next claim](#) **Go**

Adjudicators and consumer advocates have the ability to access claims that have either been assigned specifically to them or are next in the queue to be adjudicated. Once they access and review the claim, the adjudicator or consumer advocate will determine whether to pay, deny, or close the claim.



Objectives

This section provides information about the topic below:

- ◆ *How to Pay a Claim*



Discussion: How to Pay a Claim

As an adjudicator or consumer advocate, click the Adjudicate Claims function on the main menu to access the Adjudicate functionality. The user is given the choice to work with claims that are in their queue or select a new claim from the pending queue.



When to Use – The Adjudication Process

CCRS performs analysis on claims each night. If the system determines that additional ASC adjudicator analysis is required, it will place a status in the claim's status history with a title of adjudication review.

When an adjudicator selects a claim from the pending queue, it is assigned to that person until the claim is paid, denied, or closed. The claim is also placed in that adjudicator's work queue so that if follow-up is required the claim can be retrieved easily.

Some examples of when CCRS queues a claim to an adjudicator include:

- ◆ A decision to pay a claim, which is over the limit for the system to pay
- ◆ Registered claims that are eligible for payment
- ◆ Claims that are appealed by customers (Second appeals are queued to a Consumer Advocate)
- ◆ A claim is found to be associated with an inspection service investigative case
- ◆ A claim Service Type is Document Reconstruction
- ◆ Non-mailable merchandise was found associated with a claim
- ◆ A claim is eligible for a receivable request



Definitions

Adjudicator – USPS employee who makes pay and deny decisions on claims.

Consumer Advocate – A USPS representative that makes the final pay decision for claim that have been appealed a second time.

Queue – A listing of claims that have been assigned to an Adjudicator or Consumer Advocate for processing.



Tips and Notes

Remember the points below when paying a claim:

- ◆ First review the Claim details, taking note of the current claim status and other supplemental information.
- ◆ The system will only allow you to adjudicate a claim if the claim is complete without any deficiencies. To determine a claims deficiencies you can select **view claim deficiencies** in the “I would like to:” section.
- ◆ The system may make a payment recommendation amount. This may assist you by offering an initial analysis.



Procedures

➤ To pay a claim

6. From the left navigation menu, click **Manage Claims**, then click **My adjudication queue**.
7. The claims assigned to the adjudicator logged on to the will be displayed. On the 'Adjudicate Claims: Your assigned claims' page select the Mailing Receipt number of the claim you want to adjudicate or click **Retrieve Next Claim** to retrieve the next claim in the queue. The Claim Details for the selected claim are displayed.
8. In the "I would like to:" selection box, choose **Adjudicate Claim**. The Adjudication: Pay/Deny window opens. Sections displaying claim information along with other supporting data are displayed.
9. In the Decision section, click **Pay** to pay the claim.

Payment Decision

Pay	{	<input checked="" type="radio"/> Mailer: AIDAN SALTER 9803 WATER FOWL DR ARLINGTON, VA 22093
		<input checked="" type="radio"/> Addressee: PAYMENT HANDLED BY FOREIGN POSTAL ADMINISTRATION
		<i>Indemnity</i> \$ 0 00
		<i>Postage</i> \$ 0 00

Deny

Close

Comments

10. Enter the indemnity amount, postage amount and any necessary comments.
11. Click **Preview Decision**.

International Claim Payment Only

- The US/Foreign Liability page will be shown.

US/Foreign Liability Case #: E729053443US (2855)

Liability:

Reasons for US Liability

Reasons for FA Liability

< Back
Preview decision >>

- Select the liability type and the reasons for liability that apply to this claim.

12. You will be presented with page to a summary of your claim payment information. Select **Yes, submit decision**.
13. You will be asked if you would like to send correspondence. Select **Yes, send correspondence**.
14. The Adjudication: Send Correspondence window opens.
15. Select the recipient of the correspondence.
16. Select the template that you want to use for your correspondence. For example, if you are paying a claim, select the **Claim Paid** template. Default text is added to the message.
17. Add any additional text to the personalize message field.
18. Click **Preview Correspondence**.
19. Click **Submit this letter**.



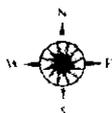
Practices

→ Practice: How to pay a claim

 Your claims that you will pay in this exercise will be entered into the system before class. Your instructor will provide you with the PIC number of the claim you will pay.

<i>Steps</i>	<i>Practice Data</i>
1. Access the Adjudicate Claims function.	From the left navigation menu, click Manage Claims .
2. Choose Select Claim .	Under the Manage Claims option, click My Adjudication Queue . The claims assigned to the currently logged in adjudicator appear.
3. Access the claim to adjudicate.	Choose a claim from the list or select retrieve next claim.
4. Click Adjudicate.	Under "I would like to:" click Adjudicate this claim . The Adjudication: Pay/Deny window opens.
5. Enter the Pay details.	Click Pay , and enter the payment amount & postage.
6. Preview the decision	Click Preview Decision . You will see a listing of your payment details. Note: If this is an international claim you will be shown a US/Foreign Liability page. Make the appropriate selections and click Preview Decision .
7. Submit the decision	Click Yes, submit decision

This function pertains to foreign claims and international adjudicators. CCRS allows users to both view and manage foreign settlements, which are sent to foreign postal administrations. Settlements are the result of a claim decision in which a foreign administration either receives a settlement request or receives a request for payment on a claim.



Objectives

This section provides information about the topics below:

- ◆ How to view a settlement
- ◆ How to initiate a settlement request



Discussion: When to manage a settlement

There may be times when a settlement to a foreign administration was made in error. The system allows users to cancel settlement requests prior to formal electronic delivery. There is also the capability of creating a new settlement request either in place of a canceled request to add an additional settlement amount.



When to Use

This can be used when you need to see any settlements that have been initiated for a claim. It can also be used to cancel a settlement, as well as, create a new settlement.



Tips and Notes

- Settlements can be of type receivable or payment. Depending on if the decision is to obtain funds or pay funds to a foreign administration.



Procedures

➔ To view & create a settlement

1. From left navigation menu, search for an international claim.
2. Select the Article Number to navigate to the Claim Details.
3. Under "I would like to:" select manage foreign settlements. The Foreign Settlement page will show any previous settlements (See example page below)

Foreign Settlement

Case #: 842727567 (2855)

Displaying 1 of 1 Search Results

Settlement Type	Country	SDR Amount	Current Status	Status As Of
Receivable	INDIA	81.36	Created By CICRS Auto-Adjudication	07/27/2006

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Add new settlement request [Go >](#)

4. (If a previous settlement is shown) Under Settlement Type, select **Receivable** (or **Payable**) to reveal details of the settlement.
5. To create another settlement click **Add new settlement request**. The Foreign Settlement details page appears.

Foreign Settlement

Case #: 842727567 (2855)

Foreign Postal Administration: -- Settlement Type: Payment ReceivablePayment Type: Primary First Appeal Second AppealSpecial Drawing Rights: 0.00 Remarks: [< Back](#)Submit settlement request [Go >](#)

6. Enter the correct entries and click **Submit settlement request**. The settlement history will be shown.



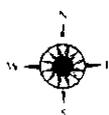
Practices

→ Practice: How to create a new settlement request

 Your instructor will provide you with the Case or Article number of the claim you will be creating a settlement on.

<i>Steps</i>	<i>Practice Data</i>
1. Retrieve the claim.	From the left navigation menu, click Search Claim . Under Search Claim , click Article (or Case) Search . Enter the number provided by your instructor. Click the Article Number to open the claim.
2. Review the settlement history	From the Claim Details page, under "I would like to:" select the manage foreign settlements .
3. Enter settlement data.	Click the Add new settlement request . The settlement entry form will appear.
4. Create the settlement request	Enter the settlement information for the claim and click Submit settlement request . The settlement history page will be shown.

Authorized Users have the ability to deny a claim when there is insufficient evidence to support a claim payment.



Objectives

This section provides information about the topic below:

- ◆ *When Claims Should be Denied*
- ◆ *How to Deny a Claim*



Discussion: How to Deny a Claim

The ability to pay a claim is reserved for certain authorized users. The users have access the next claim in the queue or the next claim that has been assigned to him or her and pay or deny that claim.



When to Use

Authorized users may be assigned specific claims or they may simply retrieve the next claim in the queue. It is then the responsibility of the user to access these claims and take further action. One possible action is to deny the claim. Authorized users will deny a claim when there is insufficient evidence to support a claim payment. Some examples include:

- ◆ A claim whose only article was non-mailable matter.
- ◆ Insufficient evidence of value supplied by the customer.
- ◆ The claim involves fraud.



Definitions

Adjudicator – *USPS employee who makes pay and deny decisions on claims.*

Consumer Advocate – *A USPS representative that makes the final pay decision for claim that have been appealed a second time.*

Queue – *A listing of claims that have been assigned to an Adjudicator or Consumer Advocate for processing.*



Tips and Notes

Remember the points below when you deny a claim:

- ◆ Review any associated images with the claim to validate the deny decision.
- ◆ Check the claims status history or the claim details screen to determine the current state of a claim.
- ◆ Review any previous correspondence.
- ◆ For complete loss claims, check the delivery information.



Procedures

➤ To deny a claim

1. From the 'I would like to' menu, Select **Change this claim's status**. Click on 'Take desired action', Go button. Navigate to the Update Claim Status Page.
2. Under the Update Claim Status Page, select **Adjudication – Manual Adjudication**. Enter a reason for the manual adjudication. Click the **Update claim status, Go** button. Navigate to the Confirmation page.
3. Click Go to claim details. Go button. Navigate to the claim details. From the 'I would like to' menu, Select **Adjudicate this claim**. Click the **Go** button. Navigate to the Adjudicate Claim page.

4. Scroll down to the Payment Decision and select **Deny**. Click the **Preview Decision, Go** button. Navigate to the US/Foreign Liability page.
5. Review liability information. Click the **Preview Decision, Go** button. Navigate to the Decision review page.
6. Click on the **Yes, submit decision, Go** button. Navigate to the Adjudication Confirmation page.
7. Click the **No, return to claim details, Go** button. Navigate to the Claim Details page.
8. Scroll down to the **Status Information** section and verify that CCRS status is **denied**.



Practices

➔ Practice: How to deny a claim

The claims that you will deny in this exercise will be entered into the system before class. Your instructor will provide you with the Mailing Receipt Number number of the claim you will deny.

<i>Steps</i>	<i>Practice Data</i>
1. Access the Adjudicate Claims function.	From the 'I would like to' menu, Select Change this claim's status . Click on 'Take desired action', Go button. Navigate to the Update Claim Status Page.
2. Change the claim's status	Under the Update Claim Status Page, select Adjudication – Manual Adjudication . Enter a reason for the manual adjudication. Click the Update claim status, Go button. Navigate to the Confirmation page.
3. Adjudicate the claim.	Click Go to claim details, Go button. Navigate to the claim details. From the 'I would like to' menu, Select Adjudicate this claim . Click the Go button. Navigate to the Adjudicate Claim page.
5. Deny the claim.	Scroll down to the Payment Decision and select Deny . Click the Preview Decision, Go button. Navigate to the US/Foreign Liability page.

<i>Steps</i>	<i>Practice Data</i>
6. Review the claim status.	<p>Review liability information. Click the Preview Decision, Go button. Navigate to the Decision review page.</p> <p>Click on the Yes, submit decision, Go button. Navigate to the Adjudication Confirmation page.</p> <p>Click the No, return to claim details, Go button. Navigate to the Claim Details page.</p> <p>Scroll down to the Status Information section and verify that CCRS status is denied</p>

➔ Result

If you perform the practices correctly, then the result will be similar to the image below:

UNITED STATES POSTAL SERVICE Customer Inquiry and Claims Response System (CICRS)

SYSTEM ADMINISTRATOR PERSONAL INFORMATION Preferences | FAQs | Logout | About

• [Enter New Claim](#) **Adjudication Confirmation** Case #: 791831116 (2855)

▼ [Search for Claim](#)

- [Article Search](#)
- [Claim ID Search](#)
- [Case Number Search](#)
- [Customer Search](#)
- [Check Number Search](#)
- [Longest Pending Claims](#)

Your decision has been processed.

Would you like to send correspondence for this claim?

[Yes, send correspondence](#)

[No, return to claim details](#)

 This status is from the Claim Details page in the Status Information section.

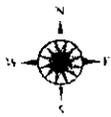
Status Information
CCRS: Denied - ASC Adjudication
Delivery: None
Online: None



Additional Information

- ◆ Claims may be denied for a variety of reasons, including the following:
 - The material being mailed was not mailable.
 - The claim has previously been paid.
 - There was insufficient or no proof of damage, insurance, loss, signature, or value.
 - Delivery of the article was confirmed.
 - The addressee was paid.
 - The material was found at the Mail Recovery Center.

There may be specific instances in which a claim will need to be closed. Authorized users have permissions to close claims.



Objectives

This section provides information about the topics below:

- ◆ How to Close a Claim



Discussion: How to Close a Claim

Only authorized users have the ability to close a claim. A claim may be closed when it is determined that no further action should be taken on a claim. For example, an adjudicator may determine that a queued claim, based on a receivable state, requires no further action. Or, a customer may wish to retract a claim, in which case the claim would be closed.



When to Use

This can be used when the claim needs no further action or should be closed as the result of inactivity.



Tips and Notes

- If a closed claim is appealed, it will be re-opened.
- ◆ Closing a claim will remove it from the adjudication queue.



Procedures

➤ To close a claim

1. Search for the record for which you have previously entered.
2. From the 'I would like to' menu, select **Change this Claim's Status**. Click on '**Take desired action**', **Go** button. Navigate to the Update Claim Status Page
3. Under the Update Claim Status menu, select **Close**. Add a reason for closing the claim in the text box. Navigate to the Confirmation Page.
4. Click the Go button. Navigate to the Claim details Page.
5. On the Claim Details page, Look at the **Status Information** Section and look at **CCRS** Status should now be closed.



Practices

➤ Practice: How to close a claim

✍ Your instructor will provide you with the Mailing Receipt Number number of the claim you will be closing.

<i>Steps</i>	<i>Practice Data</i>
1. Retrieve the claim to close	Search for a claim using the Mailing Receipt Number provided by your instructor. Click the Mailing Receipt Number to open the claim.
2. Adjudicate the claim	From the Claim Details page, scroll down to the 'I would Like to' menu and select Change this claim's status . Navigates to the Update Claim Status page.
3. Close the claim.	Select Closed and enter a reason. Navigates to the Confirmation Page. Click the Go button. Navigate to the Claim Details Page.

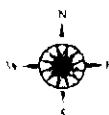
<i>Steps</i>	<i>Practice Data</i>
4. Review the Claim Status.	On the Claim Details go to the Status Information section, look at CCRS . The status should now be closed.

→ **Result**

If you perform the practices correctly, the result will be similar to the message below:

Status Information CCRS Closed Delivery NOTICE LEFT Online None

Authorized users have the ability to produce a correspondence file for records that require customer correspondence.



Objectives

This section provides information about the topics below:

- ◆ When to Send a Correspondence
- ◆ How to Send a Correspondence
- ◆ Canceling a Correspondence



Discussion: How to Send a Correspondence

Authorized users can send a correspondence to USPS customers. This correspondence corresponds to a specific claim. The reason for the *correspondence* will vary from requesting additional information from a customer to informing a customer that a claim was paid.



When to Use

Authorized users can generate correspondence for a particular claim in order to inform a customer of the claim's status. For example, you may want to inform the customer that a claim has been paid or you may need to contact a customer to inform them that they need to submit additional information to move forward with the claim.



Tips and Notes

Remember the points below when you send correspondence:

- ◆ All correspondence references the Mailing Receipt Number, recipient name and address, date of mailing, and the reason for letter.
- ◆ Correspondence can be generated for any claim. During the adjudication process, a user will be prompted to create correspondence or submit the decision without generating correspondence.
- ◆ Previous correspondence can be viewed using the View Correspondence link. Keep in mind that correspondence may have been generated automatically by the overnight processing.



Procedures

➤ To send a correspondence

1. Use the Search function to retrieve that claim for which you want to generate correspondence.
2. From the Supplemental Information section on the Claim Details page, click **Correspondence** link. Navigates to the Correspondence History Page.
3. Click on **Send a New Letter, Go** button. Navigates to the Send Correspondence Page.
4. Select the appropriate recipient (mailer or addressee).
5. Select the template of the letter you would like to send.
6. Click on append the mailer or addressee information, Go button.
7. Click the **Preview Correspondence, Go** button. Navigate to the Correspondence Details Page.
8. Click the **Submit this letter, Go** button. Navigate to the Correspondence History Page. A record of this correspondence is added to the Claim Correspondence History.

9. Click **Back** button. Navigate to the Claim Details Page. In the Supplemental Information Section, verify that Correspondence now reflects the letter that you sent.



Practices

→ **Practice:** How to create a correspondence

<i>Steps</i>	<i>Practice Data</i>
1. Search for the claim for which you want to create a correspondence.	From the menu, click Search for Claim . Click Customer Search and enter your last name in the last name field. Click the Mailing Receipt Number link to access the Claim Details.
2. Access the Create a Correspondence function.	On the Claim Details page, scroll down to the Supplemental Information section. Under Supplemental Information, click the Correspondence link. Navigates to the Correspondence History Page.
3. Create a Correspondence.	<p>Click on Send a New Letter, Go button. Navigates to the Send Correspondence Page.</p> <p>Select the appropriate recipient (mailer or addressee).</p> <p>Select the template of the letter you would like to send.</p> <p>Click on append the mailer or addressee information. Go button.</p> <p>Click the Preview Correspondence, Go button. Navigate to the Correspondence Details Page.</p> <p>Click the Submit this letter, Go button. Navigate to the Correspondence History Page. A record of this correspondence is added to the Claim Correspondence History.</p>

↳ **Result**

If you perform the practices correctly, the result will look similar to the screen below:

Correspondence History

Case #: E72905 (2855)

Displaying 1 of 1 Search Results

Title	Sent Date	Recipient	CCRS User
Deficient - Article Description Required	-	Maier	CRSH01

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[← Back](#)

[Send a new letter](#) [Go >](#)



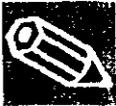
Discussion: How to Cancel a Correspondence

Authorized users can cancel a correspondence to USPS customers. Users can cancel a correspondence after it is generated and before the letter is sent.



When to Use

Authorized users can cancel a correspondence for a particular claim in order to if there has been a mistake made or the information requested has been received before the letter is sent.



Tips and Notes

Remember the points below when you cancel a correspondence:

- Canceling a correspondence will result in a letter not being sent..



Procedures

➔ To send a correspondence

1. Use the Search function to retrieve the previous claim you used for creating correspondence.
2. From the Supplemental Information section on the Claim Details page, click **Correspondence** link. Navigates to the Correspondence History Page.
3. Click on **correspondence title** link. Navigates to the Correspondence Details Page.
4. Click the **Cancel this letter, Go** button. Navigates to the Correspondence History Page.
5. Click **Back** button. Navigate to the Claim Details Page. In the Supplemental Information Section, verify that Correspondence does not have a letter title.



Practices

Practice: How to cancel a correspondence

<i>Steps</i>	<i>Practice Data</i>
1. Search for the previous claim that you used for creating correspondence.	From the menu, click Search for Claim . Click Customer Search and enter your last name in the last name field. Click the Mailing Receipt Number link to access the Claim Details.
2. Access the Correspondence.	On the Claim Details page, scroll down to the Supplemental Information section. Under Supplemental Information, click the Correspondence link. Navigates to the Correspondence History Page.
3. <i>Cancel a Correspondence.</i>	Click on correspondence title. Navigates to the Correspondence Details Page. Click the Cancel this letter, Go button. Navigates to the Correspondence History Page. Click Back button. Navigate to the Claim Details Page. In the Supplemental Information Section, verify that Correspondence does not have a letter title.

Result

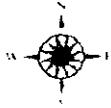
If you perform the practices correctly, the result will look similar to the screen below:

Supplemental Information	
Correspondence	None
Check Number	None
Recent Note	None

Authorized Users can create a Claim Receivable, in order to retrieve funds that were paid on a claim. This may be necessary when a package was delivered following payment of a claim.

The system will queue a claim to an authorized user when PTS indicates that the package was delivered after the claim was paid. The pay tolerance amount is used as a threshold for queuing to the authorized user.

The authorized user can then review the claim and determine if a claim receivable is warranted.



Objectives

This section provides information about the topics below:

- ◆ When to Create a Claim Receivable
- ◆ How to Create a Claim Receivable



Discussion: How to Create a Claim Receivable

To create a claim receivable function from the Check Number link in the Supplemental Section of the Claim Details page.



When to Use

An authorized user can create a Claim Receivable, in order to retrieve funds that were paid on a claim. This may be necessary when a package was delivered following payment of a claim.



Definitions

Receivable Tolerance – *The amount at which the system will queue a claim to a user if a delivery event is determined.*



Tips and Notes

Remember the points below when you create a claim receivable:

- ◆ Review the claim details and check status history to determine the amount previously paid.
- ◆ The total receivable amount shown is the total of checks issued for a claim.
- ◆ The system will use the claim status history to track the Oracle Receivable process.
- ◆ The link to creating a receivable is only available if a claim has been certified.
- ◆ At the end of each day, CCRS collects the receivable requests and sends them to the Oracle Receivable system.



Procedures

➤ To create a claim receivable

1. Search for the record for which you want to create a claim receivable.
2. On the Claim Details page, scroll down to the Supplemental Information section.
3. Click on the **Check Number** link. The link navigates to the Check History page.
4. Click on the **Check Link**. The link navigates to the Check Details page.
5. Click on the **Create a receivable for this check**, Go button.

6. Enter the receivable amount.
7. Click **Create Receivable**. The page navigates to the Confirmation page and reads 'The receivable has been created.'



Practices

→ Practice: How to create a claim receivable

 You will create a claim receivable for the claim that you adjudicated and successfully paid in an earlier exercise. Your instructor will provide the individual Mailing Receipt Number again.

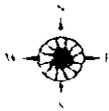
<i>Steps</i>	<i>Practice Data</i>
1. Search for a paid claim that has been certified in order to create a receivable.	Use the Search function to locate that claim for which you will create a claim receivable.
2. Open the claim.	Click the hyperlink of the Mailing Receipt Number provided by your instructor to open the Claim Details window
3. Create the Receivable.	From the Claim Details window, scroll down to the Supplemental Information section. Click Check Number link and then click on the Check Link . Click on the Create a receivable for this check, Go button.
4. View the claim's Status History to see that the receivable request was made	From the Claim Details window, look at the Status Information . The most recent CCRS status should read 'Receivable Request Created'.

→ Result

If you perform the practices correctly, the result will be similar to the screen below:

Status Information	
CCRS	Receivable Request Created
Delivery	None
Online	None

The Commercial Check Tracking (CCT) system collects check status information for checks issued by the check processing system. These checks may be returned by the customer or reported as cashed or stale-dated by the bank. The CCT system provides the CCRS with check status information for checks issued on a claim. CCRS enables specific user groups to change the check status of Paid records.



Objectives

This section provides information about the topics below:

- ◆ When to Change the Status of an Issued Check
- ◆ How to Change the Status of an Issued Check



Discussion: How to Change the Status of an Issued Check

Authorized Users may change the status of a check depending on its current state. For example:

- ◆ An outstanding check can be canceled.
- ◆ A check can be voided prior to certification.
- ◆ A stop payment can be requested on an outstanding check.

NOTE: There are two types of stop payments - one in which a check can be reissued and another where a check is not reissued.

- ◆ A re-mail of an existing check can also be requested.



When to Use

Authorized Users can generate the Stop status, generate another check by re-mailing the existing check, and cancel a check. Users can generate the Stop status if a package is recovered and delivered to the USPS customer, and the payment is no longer required. If the check was not successfully delivered to the payee, the address may be updated and check re-issued.



Definitions

Payee – The person to whom the check is written.



Tips and Notes

Remember the points below when you change the status of an issued check:

- ◆ The authorized user can make multiple requests to change the status of a check. The requests are sent to CCTS in the order they were submitted. CCRS will prevent users from making the same request consecutively.
- ◆ CCRS users cannot change the status of a check to 'issued.'
- ◆ Such changes to check status are not set automatically; that is, status updates can only be made upon instigation by the ASC Certification of Payment group.
- ◆ At the end of the business day, check requests are sent to CCTS for processing.
- ◆ When issuing a Stop (re-mail) or a re-mail, the system will resend send the payee's address to CCTS. It is important to make sure this address is corrected in the claim (refer to Section 5: How to Update an Existing Claim).



Procedures

➔ To change the status of an issued check

1. Search for the record for which you want to change the status of an issued check.
2. On the Claim Details page, scroll down to the *Supplemental Information* section.
3. Under Supplemental Information, click **Check Number** link. Navigates to the Check History page.
4. Click on the **check number**. Navigates to the Check Details page.
5. Click on the **Update Check Status, Go** button. Navigate to the Request Check Status Update page.
6. Select the requested status, add any necessary notes, and click **Submit check status change, Go** button. Navigate to the Check History page, and the new status is indicated.



Practices

➔ Practice: How to change the status of an issued check

 Your instructor will provide you with the Mailing Receipt Number you will be using for this exercise.

<i>Steps</i>	<i>Practice Data</i>
1. Search for the claim for which you want to change the check status.	Use the Search function to locate that claim for which you will change the status of an issued check. Enter the Mailing Receipt Number, as provided by your instructor.
2. Open the claim	Click the Mailing Receipt Number hyperlink to open the Claim Details window.

<i>Steps</i>	<i>Practice Data</i>
3. Access the Change Status function.	From the Claim Details window, scroll down to the Supplemental Information section. Click Check Number link.
4. Change the status of the issued check.	From the Check History page, click on the check number listed. From the Check Details Pages, Click on the Update Check Status, Go button. Select the requested status, add any necessary notes, and click Submit check status change, Go button.
5. Verify that the status was updated.	After clicking Submit, you are returned to the Check History page. Ensure that the status is updated to Request Cancel.

➔ **Result**

If you perform the practices correctly, then the result will be similar to the screen below:

Check History

Case #: 3843234 (2855)

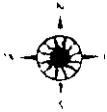
Displaying 1 of 1 Search Results

Check No.	Date	Amount	Check Type	Status	Receivable
sm1001	07/13/2008	\$29.00	C	Request Cancel	Yes

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The Mail Recovery Center group has access to all claims in the database. All authorized MRC personnel shall have the same authority level. This group has the ability to update a previously entered claim to indicate the current status of the article. Through entry in the claim database, members of the MRC group can also add the article located at the MRC site to the database even if there is not an existing claim.



Objectives

This section provides information about the topics below:

- ◆ When a User Will Need to Enter Package Information
- ◆ How to Enter Package Information



Discussion: How to Enter Package Information

Some packages may ultimately be shipped to the Mail Recovery Center. Members of the Mail Recovery Center group are able to use the CCRS to search for a specific package using the package's Mailing Receipt Number. The status of the package can then be updated.



When to Use

Members of the MRC group can use the Enter Package function to update a claim with the following information:

- ◆ A package is at the MRC site
- ◆ A package has been disposed
- ◆ A package has been returned to the customer
- ◆ The package contains non-mailable matter



Definitions

Mail Recovery Center – When packages are lost, carriers will route them to the MRC for processing.



Tips and Notes

Remember the points below when you enter package information:

- ◆ The process of entering a package not only helps the MRC identify the location of the package, it also helps the ASC make the correct payment decisions.
- ◆ When entering a Mailing Receipt Number, the system will inform the MRC user if there is a claim on file in CCRS.



Procedures

➤ To enter package information

1. From the left navigation menu, click **Search for MRC Article** link. Navigate to the Package PIC Search page.
2. Enter the Mailing Receipt Number for the package that you want to update.
3. Click the **Search for PIC, Go** button. Navigate to the Package Description page.
4. Update the Date, Time, MRC Zip Code, Disposal Status, and or Contains *non-mailable matter* fields, as necessary.
5. Click **Submit**. You will receive a message indicating that the package has been successfully submitted.



Practices

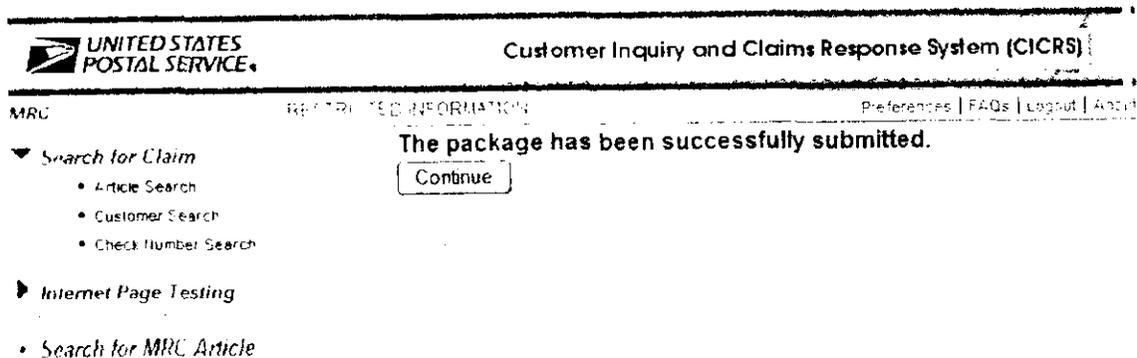
→ Practice: How to enter package information

 Your instructor will provide you with the Mailing Receipt Number you will be using for this exercise.

<i>Steps</i>	<i>Practice Data</i>
1. Access the Enter Package function.	From the left navigation menu, click Search for MRC Article link. Navigate to the Package PIC Search page.
2. Search for the package you want to update.	Enter the Mailing Receipt Number for the package you want to update, as provided by your instructor. Click Search for PIC, Go button. Navigate to the Package Description page.
3. Update the package information	Update the package information, as necessary. Click Submit . You will receive a message indicating that the package has been successfully submitted.

→ Result

If you perform the practices correctly, then the result will be similar to the screen below:



The screenshot shows the United States Postal Service Customer Inquiry and Claims Response System (CICRS) interface. At the top, the USPS logo and "UNITED STATES POSTAL SERVICE" are on the left, and "Customer Inquiry and Claims Response System (CICRS)" is on the right. Below this, there are links for "Preferences | FAQs | Logout | About". The main content area displays "MRC" on the left and "RESTRICTED INFORMATION" in the center. A large message in the center reads "The package has been successfully submitted." with a "Continue" button below it. On the left side, there is a navigation menu with "Search for Claim" (expanded) showing "Article Search", "Customer Search", and "Check Number Search". Below that is "Internet Page Testing" with "Search for MRC Article" listed.

USPS employees in the Inspection Services group can enter new investigative cases into the CCRS system. Cases are created to represent logical groupings of Mailing Receipt Numbers for which the Inspection Service has an interest.



Objectives

This section provides information about the topics below:

- When to Create a New Case File
- How to Create a New Case File



Discussion: How to Create a New Case File

Members of the Inspection Services group can enter new investigative cases into CCRS by using the Inspection Services function.



When to Use

Postal inspectors may wish to monitor claims or claim patterns that appear to be suspicious or fraudulent. In these cases, members of the Inspection Services group may enter investigative cases. These cases will reference specific Mailing Receipt Numbers. CCRS monitors these cases and will route claims to an *authorized user that have Mailing Receipt Numbers matching an investigative case*. This process allows the authorized user to carefully review any claims and offer an opportunity to discuss the claim with an Inspector.



Definitions

Investigative Case – *A reference to an Inspection Service case, opened to investigate whether fraud has been committed.*

Inspection Service – *Known as the Office of the Inspector General, responsible for investigating mail fraud.*

Case Number – *A reference number the inspector uses to manage a fraud issue.*

Division – *The Office of Inspector General is divided into regional areas that are called divisions.*



Tips and Notes

Remember the points below when you create a new case file:

- ◆ Before enter an investigative case, Inspectors should first search CICRS for the presence of an existing claim.
- ◆ Inspectors can search for claims to support a fraud investigation.
- Inspectors can update an existing case file, adding and removing Mailing Receipt Number.



Procedures

➔ To create a new case file

1. From the left navigation menu, click **Manage Inspection Cases**.
2. From the options under Manage Inspection Cases, click **Enter New Case**. Navigates to the Investigative Case Details page.
3. Enter the Case ID, Case Date, Division Number, Case Details, and Inspector Phone Number.
4. Click **Submit**. The new case is added to the system.



Practices

Practice: How to create a new case file

<i>Steps</i>	<i>Practice Data</i>
1. Access the Enter New Case function.	From the left navigation menu, click Manage Inspection Cases . Under Manage Inspection Cases, click Enter New Case . Navigates to the Investigative Details Page.
2. Enter the case details.	Enter the following information: <ul style="list-style-type: none"> • For Case ID, enter your CaseXX (where XX is your user ID). • For Case Date, enter today's date • For Division, enter your user ID. • For Case Details, enter Test Investigate Case. • For Inspector Phone, enter your phone number.
3. Submit the new investigative case into CCRS.	Click Submit . The new investigate case is entered into the system and you receive a confirmation message.

Result

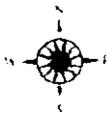
If you perform the practices correctly, then the result will be similar to the screen below:

The screenshot shows the top navigation bar of the Customer Inquiry and Claims Response System (CICRS) with the United States Postal Service logo. The user is logged in as an INSPECTOR with restricted information access. The main content area displays a confirmation message: "Investigative Case" followed by "The investigative case was successfully entered." Below the message is a button labeled "Continue Editing Case". The left navigation menu includes options for "Search for Claim", "Manage Inspection Cases" (with sub-options "Enter New Case" and "Search Case PC"), and "Internet Page Testing".



Once an investigative case file exists in CCRS, members of the Inspection Services group can update the file.

Also note that other authorized users have the ability to review investigative cases.



Objectives

This section provides information about the topics below:

- ◆ When to Update a Case File
- ◆ How to Update a Case File
- ◆ How to Add a Product Identification Code
- ◆ How to Remove a Product Identification Code
- ◆ How to Review Existing Investigative Cases (Adjudicators and Payment Certifiers)



Discussion: How to Update a Case File

Members of the Inspection Services group can use the Update Case function to edit the details of an existing investigative case file.



When to Use

The Inspection Services group may need to update existing case files when additional Mailing Receipt Numbers need to be added or removed.



Definitions

Investigative Case – *A reference to an Inspection Service case, opened to investigate whether fraud has been committed.*

Inspection Service – *Known as the Office of the Inspector General, responsible for investigating mail fraud.*

Case Number – *A reference number the inspector uses to manage a fraud issue.*

Division – *The Office of Inspector General is divided into regional areas that are called divisions.*



Tips and Notes

Remember the points below when you update a case file:

- ◆ Note that members of the Inspections Services group can also add new Mailing Receipt Numbers and remove selected Mailing Receipt Numbers from the Update Case function.



Procedures

➤ To update a case file

1. From the left navigation menu, click **Manage Inspection Cases**.
2. From the options under Manage Inspection Cases click **Search Case/PIC**. Navigates to the Search page.
3. Enter the Case Number or the Product Identification Code.
4. Click **Search**. Navigates to the Investigate Case Details page.
5. Update the necessary information.
6. Click **Submit**. You receive a confirmation message that the investigative case was updated.



Discussion: How to Add/Review a Mailing Receipt Number

Members of the Inspection Service group can add Mailing Receipt Numbers to investigative cases *regardless of whether a claim has been filed* for the Mailing Receipt Number. During the automated pay decision process, the Mailing Receipt Numbers that have been added to an investigative case are sent to Adjudication.



When to Use

Add a new Mailing Receipt Number to an investigative case if you want an authorized user to review the case before it is paid. Note that a Mailing Receipt Number can be entered even if a claim has not been filed for it. In some cases, an inspector may realize a pattern of fraud (e.g., a customer has submitted frequent claims). In this case, an inspector may want to enter a Mailing Receipt Number even before a claim is submitted. If a claim is submitted for this Mailing Receipt Number, the inspector is made aware of it and can proceed accordingly.



Tips and Notes

Remember the points below when you add a Mailing Receipt Number:

- ◆ Note that a Mailing Receipt Number can be added to an investigative case even if a claim has not yet been filed for it.
- ◆ A Mailing Receipt Number can be assigned to only one investigative case.
- ◆ You must enter both the Mailing Receipt Number and originating zip code to add a Mailing Receipt Number.



Procedures

☞ To add a Mailing Receipt Number

1. From the left navigation menu, click **Manage Inspection Cases**.
2. From the options under Manage Inspection Cases, click **Search Case/PIC**. Navigates to the Search page.
3. Depending on how you will search for the case, enter either the case id or the Mailing Receipt Number.
4. Click **Search**. Navigates to the Investigative Case Details page.
5. Click **Add New PIC**. Navigates to the Investigative Cases page.
6. Enter the Mailing Receipt Number and the originating zip code.
7. Click **Add PIC to case list**. The Mailing Receipt Number is added to the investigative case.



Practices

➔ Practice: How to add a Mailing Receipt Number

✍ For this exercise, you will add a Mailing Receipt Number to the case you created in a previous exercise.

<i>Steps</i>	<i>Practice Data</i>
1. Access the Inspection Services function.	From the left navigation menu, click Manage Inspection Cases . Under Manage Inspection Cases click Search Case/PIC . Navigates to the Investigative Case - Enter Search Criteria page.
2. Search for the case for which you want to enter a new Mailing Receipt Number.	Enter the case number you entered (CaseXX, where XX is your user ID) in the Case Number field. Click Search . Navigates to the Investigative Case Details page for the case you want to update.
3. Access the Add New Mailing Receipt Number feature.	Click Add PIC . Navigate to the Investigative Case Details Page.

<i>Steps</i>	<i>Practice Data</i>
4. Enter the new Mailing Receipt Number.	Enter the new Mailing Receipt Number and the originating zip code. Click Add PIC to case list, Go button. The Mailing Receipt Number is added to the investigative case.

➔ **Result**

If you perform the practices correctly, then the result will be similar to the screen below:

The screenshot displays the 'Customer Inquiry and Claims Response System (CICRS)' interface. At the top left is the United States Postal Service logo. The page title is 'Customer Inquiry and Claims Response System (CICRS)'. Below the title, there are navigation links: 'INSPECTOR', 'RESTRICTED INFORMATION', 'Preferences', 'FAQs', 'Logout', and 'About'. A left-hand navigation menu includes 'Search for Claim', 'Manage Inspection Cases' (with sub-links 'Enter New Case' and 'Search Case File'), and 'Internet Page Testing'. The main content area is titled 'Investigative Case Details' and contains the following information:

- Case ID: 72506
- Case Date: July 24, 2006 (Month, Day, Year)
- Division Number: 44444
- Case Details: teacher
- Inspector Phone: (555) 5555555
- Assigned PICs table:

Delete PIC	Currently Assigned PICs	Originating Zip Code
<input type="checkbox"/>	1B2223022209	22209

At the bottom of the form are three buttons: 'Add New PIC', 'Remove Selected PICs', and 'Submit' (with a 'Cancel' button next to it).



Discussion: How to Remove a Mailing Receipt Number

Members of the Inspection Services group can remove existing Mailing Receipt Numbers from investigative cases if they no longer require the attention of authorized users.



When to Use

Members of the Inspection Services group should remove Mailing Receipt Numbers from investigative cases if they are found to no longer require the attention of an authorized user.



Tips and Notes

Remember the points below when you remove a Mailing Receipt Number:

- ◆ Removing a Mailing Receipt Number will prevent CCRS from routing any related claims to an authorized user.



Procedures

➤ To remove a Mailing Receipt Number

1. From the left navigation menu, click **Manage Inspection Cases**.
2. From the options under Manage Inspection Cases, click **Search Case/PIC**. Navigates to the Search page.
3. Enter the case id or the Mailing Receipt Number that you want to update.
4. Click **Search**. Navigates to the Investigative Case Details page.
5. Activate the checkbox for the Mailing Receipt Number you want to remove from the case.

- Click **Remove Selected PICs**. The selected Mailing Receipt Number is removed from the case.



Practices

Practice: How to remove a Mailing Receipt Number

For this exercise, you will remove the Mailing Receipt Number you entered in the last exercise.

<i>Steps</i>	<i>Practice Data</i>
1. Access the Inspection Services function.	From the left navigation menu, click Manage Inspection Cases . From the options under Manage Inspection Cases, click Search Case/PIC . Navigates to the Search page.
2. Search for the case for which you want to remove a Mailing Receipt Number.	Enter the case number you entered (your user ID) in the Case ID field. Click Search . Navigates to the Investigative Case Details Page.
3. Select the Mailing Receipt Number you want to remove	Activate the checkbox for the Mailing Receipt Number you want to remove.
4. Remove the Mailing Receipt Number	Click Remove Selected PICs . The Mailing Receipt Number is removed from the investigative case.

Result

If you perform the practices correctly, the result will be similar to the screen below:


Customer Inquiry and Claims Response System (CICRS)

INSPECTOR
RESTRICTED INFORMATION
[Preferences](#) | [FAQs](#) | [Logout](#) | [About](#)

- ▶ Search for Claim
- ▼ Manage Inspection Cases
 - Enter New Case
 - Search Case PIC
- ▶ Internet Page Testing

Investigative Case

The selected PIC(s) has/have been successfully removed from the investigative case.

Continue Editing Case

The Certification of Payments function is available to members of the payment certifiers group. The process allows the certifier sufficient access to claims so that a claim can be viewed for accuracy and then certified or voided before the Certification of Payment is created.



Objectives

This section provides information about the topics below:

- Considerations when Certifying Payments
- ◆ How to Certify Payment



Discussion: How to Certify Payments

Certifiers can use this function to generate and view a list of paid and canceled claims. This function can also be used to certify or void claims.



When to Use

Certifiers should use this function to review specific information related to a claim, and then use the information to void or certify the claim. A certification list is forwarded to APARS indicating that checks for the certified claims may be issued.



Definitions

Certify – *The process by which a payment certifier reviews paid claims and alerts APARS that the checks for the claims may be issued.*



Tips and Notes

Remember the points below when you certify payments:

- ◆ The report shows paid claims that have a check issued by APARS but not yet sent to the customer.
- ◆ If a certifier determines that a check should be voided, a void record is sent for that claim in an overnight data feed.
- Once the payments have been certified for the day claims, which have not been voided, will have their status set to Certified. This can be seen in the claim status history.
- ◆ Use the links in the certification summary to view claim details for a particular record.
- ◆ Click **Certify these Payments** to certify the records delineated in the summary, thereby indicating to APARS that the accompanying checks may be issued.



Procedures

☛ To certify claims from the Certification Summary

1. From the left navigation menu, click **Certify/Cancel Payments**.
2. Under Certify/Cancel Payments, click **Certification History**. Navigates to the Certification History page.
3. Select the date range to view the certification summary. Click on the Go button.
4. Click on a **Check Date** link to review certification summary. Navigates to the Certification Summary page.

5. Click on the Check status link to review check list. Navigates to the Check List page.
6. Click **Back** to return to the Certification Summary.
7. Click **Certify these Payments** to certify the claims listed in the Certification Summary. Navigates to the Certification History Page. Verify that the Related Claims Certified field now reads 'yes'.



Practices

→ Practice: How to certify payments

 *Claims that are ready to be certified will be preloaded in the database prior to class.*

<i>Steps</i>	<i>Practice Data</i>
1. Access the Payment Certification function.	From the left navigation menu, click Certify/Cancel Payments . Under Certify/Cancel Payments, click Certification History. Navigates to the certification History.
2. Select date range of payments to be certified	Select the date range to view the certification summary. Click on the Go button. Click on a Check Date link to review certification summary. Navigates to the Certification Summary page.
3. Review Checks to be certified.	Click on the Check status link to review check list. Navigates to the Check List page.
4. Certify claims.	(Your instructor will perform this step, as only one set of claims in the database is ready to be certified.) Click Certify these Payments to certify the claims listed in the Certification Summary. Navigates to the Certification History Page. Verify that the Related Claims Certified field now reads 'yes'.

➔ **Result**

If you perform the practices correctly, the result will be similar to the screen below:

 **Customer Inquiry and Claims Response System (CICRS)**

PAYMENT CERTIFIER RESTRICTED INFORMATION [Preferences](#) | [FAQs](#) | [Logout](#) | [About](#)

- ▶ [Search for Claim](#)
- ▼ [Certify/Cancel Payments](#)
 - [Certificator History](#)
 - [Incomplete Certifications](#)
- [Search for Investigative Case](#)
- [Monitor Claims](#)
- ▶ [Internet Page Testing](#)
- [Inspection Service Divisions](#)

Certification History

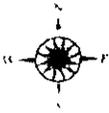
Check Date	Related Claims Certified?	# of Checks	Total Check Amount
07/27/2006	Yes	56	\$8,787.10

From:

To:

[View new date range summary](#) [Go >](#)

Authorized Users can add notes to a claim. Adding notes can provide a log of information regarding to a specific claim.



Objectives

This section provides information about the topics below:

- ◆ How to Add Notes to a Claim



Discussion: How to Add Notes to a Claim

Authorized users have the ability to add notes to a claim. This will help the authorized users in making decisions in regards to paying, denying, or closing a claim.



When to Use

When a decision can not be made or the claim originator decides to call and inquire about the claim, an authorized user can make notes to the claim. Adding notes to a claim can be done during and process of the claims cycle.



Tips and Notes

Remember the points below when you add a note to a claim:

- ◆ Adding a note to a claim can be done at any point of the claims life cycle.



Procedures

➤ To add notes to a claim

1. Use the Search function to retrieve the previous claim you used for creating correspondence.
2. From the claim details page, scroll down to the **Supplemental Information** section. Click **Recent Note** link. Navigate to the Claim Note History page.
3. Click on the Add new note, Go button. Navigate to the Add note page.
4. Enter information into the text area. For Spell Check, click on the **Check note spelling, Go** button.
5. To add note, click the **Attach Note to claim, Go** button. Navigate to the Claim Note History Page. Verify that new note is added.
6. Click the Back button. Navigate to the Claim Details page.



Practices

➤ Practice: How to review invalid claims

✍ Your instructor will provide you with the Mailing Receipt Number of the invalid claim you will review.

<i>Steps</i>	<i>Practice Data</i>
1. Search for a claim to add a note.	Use the Search function to retrieve the previous claim you used for creating correspondence.

<i>Steps</i>	<i>Practice Data</i>
2. Add note.	<p>From the claim details page, scroll down to the Supplemental Information section. Click Recent Note link. Navigate to the Claim Note History page.</p> <p>Click on the Add new note, Go button. Navigate to the Add note page.</p> <p>Enter information into the text area. For Spell Check, click on the Check note spelling, Go button.</p> <p>To add note, click the Attach Note to claim, Go button. Navigate to the Claim Note History Page. Verify that new note is added.</p>
4. Review Note	<p>Click the Back button. Navigate to the Claim Details page. Verify that a note has been added.</p>

➔ **Result**

If you perform the practices correctly, the result will be similar to the screen below:


Customer Inquiry and Claims Response System (CICRS)

SYSTEM ADMINISTRATOR
RESTRICTED INFORMATION
Home | Help | Log out | About

- [Enter New Claim](#)
- ▼ [Search for Claim](#)
 - [Whole Search](#)
 - [Claim ID Search](#)
 - [Case Number Search](#)
 - [Customer Search](#)
 - [Check Number Search](#)
 - [Longest Pending Claims](#)

Claim Note History

Date	User	Note
07/27/2006	CRSH01	sig
07/27/2006	CRSH01	Denied - Proof of delivery provided - Proof of delivery confirmed
07/27/2006	CRSH01	Pending
07/27/2006	CCPS	Incomplete - Unvalidated

Case #: 660906156 (2855)

[Add new note](#) [Go](#)

• [Back](#)

Appendix A: Claim Status Descriptions

Paid Status

<i>Status</i>	<i>Description</i>
Pending Paid - Pending APARS Processing	A user or the CCRS system has indicated the claim is to paid. However, a check request has not yet been sent to APARS. This is step one of the payment process.
Pending Paid - Check Request Sent to APARS	A user or the CCRS system has indicated the claim is to paid. A request has been sent to APARS for creating a check. This is step 2 of the payment process.
Pending Paid - Pending Payment Certification	APARS has issued a check for the claim and it is awaiting payment certification. This is step 3 of the payment process.
Payment Certified	The payment has passed the Certification Process. This is the final step of the payment process.
Pending Paid - First Appeal Pay	A user has indicated the claim is to paid on first appeal. However, a check request has not yet been sent to APARS.
Pending Paid - Second Appeal Pay	A user has indicated the claim is to paid on second appeal. However, a check request has not yet been sent to APARS.
Paid - Locally Adjudicated	A field site has paid a claim locally. Note: no additional payment processing will take place.

Adjudication Status

<i>Status</i>	<i>Description</i>
Adjudication - Registered Claim	The Claim Service type is registered and requires further review before a pay/deny action is taken.
Adjudication - Claim Service Type is Document Reconstruction	The Claim Service type is Express Mail Document Reconstruction and requires further review before a pay/deny action is taken
Adjudication - Remittance information request made to local Post Office	The COD article was found delivered by DCG and the addressee zip code matched the delivery zip code. However, no remittance information was found. A letter was sent to the delivery post office to ask for remittance information.
Adjudication - Associated with Inspection Service case file	The Claim Mailing Receipt Number number matched a Mailing Receipt Number found in an Investigative Case File. Requires follow-up with the OIG.
Adjudication - Unable to determine insurance coverage based on fee paid	The CCRS has determined that a coverage amount is not in the system for the insurance fee indicated on the claim. Check the Fees section in System Administration.
Adjudication - Non-Mailable Matter Found	The CCRS found merchandise that a claim had merchandise with a category of "Non-Mailable Matter".

<i>Status</i>	<i>Description</i>
Adjudication - No Delivery Zip Code found on claim	The CCRS could not find a needed delivery zip code for a claim in order to make the pay/deny decision.
Adjudication - Pay Tolerance Exceeded	The CCRS has determined the claim can be paid. However, the tolerance level to pay the claim without user intervention has been exceed.
Adjudication - General Adjudication	The CCRS has found that there is a claim that requires review by an adjudicator.
Adjudication - Receivable Tolerance Exceeded	The CCRS has found that a paid complete loss claim has been delivered. The amount paid for the claim has exceeded the pay tolerance.
Adjudication - Delivery ZIP Code Does not match addressee zip	The COD article was found delivered by DCG. However, the addressee zip code did not match the delivery zip code.
Adjudication - System configuration needs attention	The CCRS has determined that the claim cannot be processed due to a problem with system data. Review the claim and correct using the System Administration Functions.
Adjudication - Voided check	During the Payment Certification Process a Check was voided. The claim will be sent to adjudication for processing again.
Adjudication - MRC Delivery Event Not Confirmed	The DCG Event Code indicates the article is at the MRC. However, the delivery ZIP Code is not equal to the MRC ZIP Code.
First Appeal	The claim has been placed in an appeal state.
Second Appeal	The claim has been placed in an appeal state.

Denied Status

<i>Status</i>	<i>Description</i>
Denied - First Appeal Denied	The claim has been denied on the appeal.
Denied - Second Appeal Denied	The claim has been denied on the appeal.
Denied - Packaged Disposed of by MRC	The claim has been denied the package was disposed of by the MRC.
Denied - Package Returned to Customer	The claim has been denied. The article was found at the MRC and returned to the customer.
Denied - Damage not caused by USPS	The claim was denied since it was indicated in the "Damage Reason" portion of the claim that the USPS did not cause the damage
Denied - DCG Presented Proof of Delivery	The complete loss claim was denied since DCG provided proof of delivery.
Denied - Exceeded Maximum Filing Tolerance	The claim was denied since the time between the date of mailing and the claim accepted date was longer than allowed for the Service Type.
Denied - Locally Adjudicated	The claim was denied at a field site.
Denied - Package Resides at MRC	The package was found at the MRC so the claim was denied.
Denied - Response Tolerance Exceeded	Correspondence was sent for a deficient item in the claim. However,

<i>Status</i>	<i>Description</i>
	the customer did not respond within the tolerance limit.
Denied - Attempt to pay USPS Site	The business name of the claim contained text that indicated a Postal entity should be paid.
Denied - ASC Adjudication	An Adjudicator chose to deny the claim.
Denied - Article purchase dates are after mailing date.	The claim was denied since the only article in the claim was purchased after the mailing date.

Receivable Status

<i>Status</i>	<i>Description</i>
Receivable Request Generated	A CCRS user made a request to have the claim amount refunded.
Receivable Request has been sent to Oracle Receivables	The CCRS system has sent the request to the Receivable System.

Other Status

<i>Status</i>	<i>Description</i>
Pending	The claim has passed the validation and is either waiting to be processed by CCRS or is waiting on a response from the customer for deficient items.
Incomplete - Internet	The claim has been submitted to CCRS using the Internet. However, the customer must complete the process by visiting the Post office and complete the remaining sections. All internet claims are placed in this state initially. Once the claim is updated it will be placed in a pending state.
Incomplete - Unvalidated	A claim has been submitted using the Business Mailer Data Feed and is waiting on the validation process.
Incomplete - Invalid	A claim has been submitted using the Business Mailer Data Feed. The CCRS attempted to validate the claim and found issues. The claim will appear in the business mailer's Invalid Claims section of the website.
Closed	The claim was closed either through inactivity (90 days) or manually.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-75. For FY 2005, how many insurance transactions were made?

- a. How many insurance claims were made?
- b. How many claims were paid in full?
- c. How many claims were paid in part?
- d. How many claims were denied?
- e. How many claims were denied in the St. Louis Accounting Service Center's (ASC) first decision?
- f. How many claims were denied on an appeal to the ASC?
- g. How many claims were denied on an appeal to the USPS Consumer Advocate?
- h. How many claims were left unresolved?
- i. What was the average length of time for the issuance of the ASC's first decisions? For all first decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- j. What was the average length of time for the issuance of ASC appeal decisions? For all ASC appeal decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- k. What was the average length of time for the issuance of USPS Consumer Advocate appeal decisions? For all Consumer Advocate decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- l. Provide the 15 most numerous reasons for denying insurance claims, in order of frequency.
- m. Provide the 15 most numerous types of complaints, in order of frequency.

RESPONSE:

There were 51,565,327 insurance transactions in FY 2005.

- a. 198,933 claims were filed.
- b-c. There are no statistics distinguishing fully paid claims from partially paid claims.
- d. 31,169 claims were denied.
- e. 29,886 claims were denied by the ASC.
- f. 1,085 1st appeals were denied by the ASC.
- g. The Consumer Advocate denied 199 2nd appeals.
- h. Due to the manner in which the data are stored it is not possible to identify the number of unresolved claims.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

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- i. See the response to OCA/USPS-T40-71(g). Due to the manner in which the data are stored it is not possible to provide the distribution of the number of first decisions by length of time for issuance.
- j. See the response to OCA/USPS-T40-71(g). Due to the manner in which the data are stored it is not possible to provide the distribution of the number of appeal decisions by length of time for issuance.
- k. Data are available in monthly rather than two week time periods. Second level appeals have an average cycle time of 17 days.

Oct	13
Nov	7
Dec	14
Jan	16
Feb	14
Mar	19
Apr	24
May	21
Jun	24
Jui	23
Aug	18
Sep	15
Avg	17

- l. Reasons for denying claim:
1. Proof of delivery provided
 2. Exceeded maximum filing tolerance
 3. Locally Adjudicated
 4. Damage not caused by Post Office
 5. Article purchase dates are after mailing date
 6. Delivery confirmation indicates no insurance for the article
 7. Online insurance fee refunded

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8. Article not mailable according to USPS guidelines
 9. Package resides at MRC
 10. First appeal denied
 11. Second appeal denied
 12. Response tolerance exceeded
 13. Denied for delivery delayed
 14. Article not shown to local Post Office
 15. No insurance purchased
- m. See the Postal Service's response to OCA/USPS-16.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
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OCA/USPS-T40-76. For FY 2006 (Q1, Q2, and Q3), how many insurance transactions were made?

- a. How many insurance claims were made?
- b. How many claims were paid in full?
- c. How many claims were paid in part?
- d. How many claims were denied?
- e. How many claims were denied in the St. Louis Accounting Service Center's (ASC) first decision?
- f. How many claims were denied on an appeal to the ASC?
- g. How many claims were denied on an appeal to the USPS Consumer Advocate?
- h. How many claims were left unresolved?
- i. What was the average length of time for the issuance of the ASC's first decisions? For all first decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- j. What was the average length of time for the issuance of the ASC appeal decisions? For all ASC appeal decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- k. What was the average length of time for the issuance of USPS Consumer Advocate appeal decisions? For all Consumer Advocate decisions, provide the distribution of the number of decisions by length of time for issuance. Use 2-week time periods for the distribution.
- l. Provide the 15 most numerous reasons for denying insurance claims, in order of frequency.
- m. Provide the 15 most numerous types of complaints, in order of frequency.

RESPONSE:

At this time the data are only available for the first 2 quarters:

Q1 16,154,000

Q2 12,361,000

- a. 129,249 claims were filed.
- b-c. There are no statistics distinguishing fully paid claims from partially paid claims.
- d. 28,500 claims were denied.
- e. 28,416 claims were denied by the ASC.
- f. 858 1st appeals were denied by the ASC.
- g. The Consumer Advocate denied 84 second appeals.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

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- h. Due to the manner in which the data are stored it is not possible to identify the number of unresolved claims.
- i. See the response to OCA/USPS-T40-71(g). Due to the manner in which the data are stored it is not possible to provide the distribution of the number of first decisions by length of time for issuance.
- j. See the response to OCA/USPS-T40-71(g). Due to the manner in which the data are stored it is not possible to provide the distribution of the number of appeal decisions by length of time for issuance.
- k. Data are available in monthly rather than two week time periods. Second level appeals have an average cycle time of 19.5 days.

Oct	21
Nov	21
Dec	21
Jan	19
Feb	20
Mar	21
Apr	18
May	19
Jun	17
Avg	20

- l. Reasons for denying claim:
1. Proof of delivery provided
 2. Exceeded maximum filing tolerance
 3. Locally Adjudicated
 4. Damage not caused by Post Office
 5. Article purchase dates are after mailing date
 6. Delivery confirmation indicates no insurance for the article

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
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7. Online insurance fee refunded
 8. Article not mailable according to USPS guidelines
 9. Package resides at MRC
 10. *First appeal denied*
 11. *Second appeal denied*
 12. Response tolerance exceeded
 13. Denied for delivery delayed
 14. Article not shown to local Post Office
 15. *No insurance purchased*
- m. See the Postal Service's response to OCA/USPS-16.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-77. Please provide as a library reference the 500 most recent Insurance complaints submitted to the Postal Service, in any format available.

RESPONSE:

This information is not available, because records of complaints are not identified by special service.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

- OCA/USPS-T40-78.** a. What percentage of insurance revenues were paid as indemnification in FY2005? (Show all calculations).
b. What percentage of insurance revenues were paid as indemnification in FY2006 (Q1, Q2, and Q3)? (Show all calculations).

RESPONSE:

a. In FY 2005, 15.5 percent of all insurance revenue was paid out as indemnities (total indemnities of \$19,079,000 divided by total revenues of \$122,878,158). Total indemnity payout for a fiscal year does not represent the claims filed in the fiscal year; it represents the amount of the claims paid during the fiscal year. Under the Commission's established fee design approach, insurance fees are set not just to cover indemnity costs but also to cover all other costs associated with the Insurance product, such as window and delivery costs. Given that only 17 percent of all costs are associated with the indemnity, a payout rate of 15.5 percent of total *revenue* shows that the Postal Service is not attempting to garner excess contribution from the indemnity portion of the service, especially considering that this product had a very low cost coverage of 112 percent in FY 2005.

Additionally, as noted in my testimony this is a labor intensive product:

I would note that the insurance product offered by the Postal Service is very labor intensive, including both window clerk and carrier costs. Most items mailed with insurance are presented at the window and require the clerk to interact with the customer. The indemnity portion of the costs is often less than the costs associated with the clerk or the carrier.

b. In the first 2 quarters of FY 2006, 15.6 percent of all insurance revenue was paid out as indemnities (total indemnities of \$11,086,000 were divided by total revenues of \$71,065,000). Total indemnity payout for a fiscal year does not represent the claims filed in the fiscal year; it represents the amount of the claims paid during the fiscal year.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-79. *Postal Bulletin* Issue No. 22127, April 29, 2004, at 36, sets forth new rules and procedures for filing and processing Indemnity Claims. They were made effective May 1, 2004.

- a. Please provide the total number of complaints about Insurance for the following 1-year periods: May 1, 2002 – April 30, 2003; May 1, 2003 – April 30, 2004; May 1, 2004 – April 30, 2005; and May 1, 2005 – April 30, 2006.
 - b. For the same time periods as in part a., provide the total number of claims filed.
- Note: Information sought in parts a. and b. is for the purpose of seeing whether the May 1, 2004, procedures improved the processing of Insurance claims.

RESPONSE:

- a. See the Postal Service's response to OCA/USPS-16.
- b. Claims filed:
 - May 1, 02 – April 30, 03 – The claims system was implemented in September of 2003, so data for this period are incomplete.
 - May 1, 03 – April 30, 04 – The claims system was implemented in September of 2003, so data for this period are incomplete.
 - May 1, 04 – April 30, 05 – 205,038
 - May 1, 05 – April 30, 06 – 167,863

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-80. What printed information is given to potential purchasers of Insurance at retail counters that informs them of the documents they should retain to furnish proof of Insurance and proof of value in the event a claim must be filed?

- a. Is this a requirement for every inquiry about the purchase of insurance?
- b. Or is it at the discretion of the clerk? Explain in full.

RESPONSE:

If printed information about insurance were requested by a customer, Notice 122, *Domestic Insurance Claims – Customer Quick Reference Guide* or Publication 122 *Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries* would be offered. Additionally, the back of the Form 3813-P, which is readily available, provides the time limits and procedures for filing a claim.

a-b. If a customer asks how much it will cost to mail a package with insurance, the Postal Service does not automatically provide them with a copy of Notice 122.

However, if a customer were to ask for additional information about insurance and a clerk were unable to assist the customer or the customer were to ask for something to take away, it is likely that a copy of Notice 122 or Publication 122 would be offered.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-81. What printed information is given to potential purchasers of Insurance at retail counters that informs them of the limitations and exclusions of Insurance coverage?

- a. Is this a requirement for every inquiry about the purchase of insurance?
- b. Or is it at the discretion of the clerk? Explain in full.

RESPONSE:

If printed information about insurance were requested by a customer, Notice 122, *Domestic Insurance Claims – Customer Quick Reference Guide* or Publication 122 *Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries* would be offered. Additionally, the back of the Form 3813-P, which is readily available, provides the time limits and procedures for filing a claim.

a-b. If a customer asks how much it will cost to mail a package with insurance, the Postal Service does not automatically provide them with a copy of Notice 122.

However, if a customer were to ask for additional information about insurance and a clerk were unable to assist the customer or the customer were to ask for something to take away, it is likely that a copy of Notice 122 or Publication 122 would be offered.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
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OCA/USPS-T40-82. What printed information is given to potential purchasers of insurance at retail counters that informs them of the time limits and procedures for filing claims?

- a. Is this a requirement for every inquiry about the purchase of insurance?
- b. Or is it at the discretion of the clerk? Explain in full.

RESPONSE:

If printed information about insurance were requested by a customer, Notice 122, *Domestic Insurance Claims – Customer Quick Reference Guide* or Publication 122 *Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries* would be offered. Additionally, the back of the Form 3813-P, which is readily available, provides the time limits and procedures for filing a claim.

a-b If a customer asks how much it will cost to mail a package with insurance, the Postal Service does not automatically provide them with a copy of Notice 122.

However, if a customer were to ask for additional information about insurance and a clerk were unable to assist the customer or the customer were to ask for something to take away, it is likely that a copy of Notice 122 or Publication 122 would be offered.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-83. What printed information is given to potential purchasers of Insurance at retail counters that informs them of the average length of time to resolve a claim?

- a. Is this a requirement for every inquiry about the purchase of insurance?
- b. Or is it at the discretion of the clerk? Explain in full.

RESPONSE:

No printed information on the average length of time to resolve a claim is provided at the retail counter.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-84. What printed information is given to potential purchasers of Insurance at retail counters that informs them of the percentage of Insurance claims that are paid in full; the percentage of Insurance claims that are paid in part; and the percentage of Insurance claims that are denied?

- a. Is this a requirement for every inquiry about the purchase of insurance?
- b. Or is it at the discretion of the clerk? Explain in full.

RESPONSE:

No printed information on the percentage of Insurance claims that are paid in full; the percentage of Insurance claims that are paid in part; or the percentage of Insurance claims that are denied is provided at the retail counter.

**RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-85. Please refer to Domestic Mail Manual (DMM) §609.4.3, "Nonpayable Claims."

- a. Under §609.4.3.l., how can a potential mailer/purchaser of Insurance obtain a binding approval or certification from the Postal Service that an item is "properly wrapped?"
- b. Under §609.4.3.m., how can a potential mailer/purchaser of Insurance obtain a binding approval or certification from the Postal Service that an item is not too fragile to be carried safely in the mail, regardless of packaging?
- c. Under §609.4.3.p., how can a potential mailer/purchaser of Insurance obtain a binding approval or certification from the Postal Service that an item has been packaged so as to withstand "shock, transportation environment, or x-ray" without being damaged?
- d. What prior notice is given to potential purchasers of Insurance that items must be sturdy enough, or packaged well enough, to satisfy the requirements of §§609.4.3.l., m., and p.?
- e. Do you agree that, without binding approval or certification with respect to §§609.4.3.l., m., and p., a mailer will never have a high degree of certainty whether an Insurance claim will be paid or not? If you do not agree, then explain in full.
- f. Do you agree that, without binding approval or certification with respect to §§609.4.3.l., m., and p., a mailer may be wasting his/her money to insure an item for which a claim will not be paid at a later time? If you do not agree, then explain in full.

RESPONSE:

a-c. We do not provide binding approval or certification at the time Insurance is purchased. However, the Sales and Service Associate (SSA) will usually check out the package quickly to make sure there are no obvious problems with the packaging. If needed, the SSA will instruct the customer to repackage the item.

d. I am not aware of any attempt by the Postal Service to notify all potential purchasers of Insurance that items must be sturdy enough, or packaged well enough, to satisfy the requirements of §§609.4.3.l, m, and p. However the DMM is available online and the customer could ask a retail clerk about the restrictions regarding insurance.

e-f. No. The Postal Service believes that a customer ready to insure an item has a strong interest in making sure that item safely reaches the recipient. Therefore, the

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

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customer would be sure to properly package the item, choose an alternative means than the mail to send an item that is so fragile that it could not travel through the mailstream, and cooperate in filling out the required forms necessary to file a claim, should that be necessary. As such, I believe that such a customer would have a high likelihood of having a claim paid and would not be wasting money by buying insurance.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-86. This interrogatory seeks information on Confirm service revenues. Please refer to USPS-LR-L-124, the spreadsheet "REV-USPS-LR-L-124_7-3-06.XLS," worksheet tab "W-P 4 Confirm."

- a. Refer to cell G14, which shows "Gold Revenue" of \$530,750. Please confirm that the revenue figure should be \$535,500 (\$4,500 Fee * 119 Gold Subscribers). If you do not confirm, please explain, show all calculations, and provide citations to all sources used.
- b. Refer to cell G23, which shows "Total Revenue" of \$1,159,500. Please confirm that the revenue figure should be \$1,164,250 (\$32,000 Total Silver Fees + \$535,500 Total Gold Fees + \$750 Additional Scan Fees + \$450,000 Total Platinum Fees + \$146,000 Additional IDs, Quarter). If you do not confirm, please explain, show all calculations, and provide citations to all sources used.
- c. Refer to cell W37, which shows "Total Before Rates Revenue" of \$1,018,250. Please confirm that the Before Rates revenue figure should be \$1,164,250 (\$32,000 Total Silver Fees + \$535,500 Total Gold Fees + \$750 Additional Scan Fees + \$450,000 Total Platinum Fees + \$146,000 Additional IDs, Quarter). If you do not confirm, please explain, show all calculations, and provide citations to all sources used.

RESPONSE:

a-b. Not confirmed. There are two separate sources of data, one for Revenue and another for Subscribers. The numbers presented in the billing determinants reflect the data that were available. The discrepancy is likely the result of Gold level subscribers buying up to the Platinum level during their subscription period.

c. *Not confirmed.* Please note that the total volume for additional IDs for the before rates is zero. As such the \$146,000 that you cite does not exist. See response to MMA/USPS-T40-2(e).

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-87. This interrogatory seeks information on Confirm service volumes. Please refer to USPS-LR-L-124, the spreadsheet "REV-USPS-LR-L-124_7-3-06.XLS," worksheet tab "W-P 4 Confirm." Refer to the table entitled Special Services, Confirm, Fiscal Year 2005. Please provide the number of additional scans

- a. Please provide the number of "Additional Scans (block of 2 million)" provided to Silver Subscribers at \$500 per additional scan in Fiscal Year 2005.
- b. Please provide the number of "Additional Scans (block of 6 million)" provided to Gold Subscribers at \$750 per additional scan in Fiscal Year 2005.

RESPONSE:

- a. As reflected in cell M16 of the worksheet cited in the lead in to this interrogatory, there were 0 additional blocks of scans provided to Silver subscribers.
- b. As reflected in cell M19 of the worksheet cited in the lead in to this interrogatory, there was 1 additional block of scans provided to Gold subscribers.

**RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T40-88. This interrogatory seeks information on Confirm service revenues. Please refer to your response to OCA/USPS-T40-43(d), which calculates the average price per scan of \$0.000061. Please confirm that your calculation of the average price per scan of \$0.000061 is based on only revenue on blocks of units and does not include revenue for fees. If you do not confirm, please explain, show all calculations, and provide citations to all sources used.

RESPONSE:

Confirmed.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-89. This interrogatory seeks information on the pricing of Confirm service. Please refer to your response to OCA/USPS-T40-32(e), where it states, "the existence of these different features shows that it is not unreasonable to treat the classes differently with respect to their ancillary services." Also, refer to your response to OCA/USPS-T40-31(d). *Please confirm that, with the exception of repositionable notes, the special services cited are not priced differently where those special services are available for use with two or more classes of mail. If you do not confirm, please explain.*

RESPONSE:

Not confirmed. Delivery Confirmation is also priced differentially, based on the class of mail by which the host piece is shipped. Additionally, the inability to combine many special services with Standard Mail could be viewed as each special service having a different "price," in that to avail oneself of some of the special services, the sender must purchase a different underlying class of mail. *Certainly, the underlying classes have different prices themselves.* The unavailability of some special services with Standard Mail is consistent with the notion that First-Class Mail and Standard Mail are indeed different, and have different features.

**RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PAGE**

OCA/USPS-T23-3. This interrogatory seeks information about the number of scans for Confirm service. Please refer to LR-L-59, and the Excel file "Confirm.xls."

- a. Please provide the total number of scans *actually provided to the 16 subscribers of the "Silver" subscription service in the base year, FY 2005.*
- b. Please provide the cost per scan (or cost per one million scans) for the 16 subscribers of the "Silver" subscription service in the base year, FY 2005. Please show all calculations.
- c. Please provide the total number of scans *actually provided to the 119 subscribers of the "Gold" subscription service in the base year, FY 2005.*
- d. Please provide the cost per scan (or cost per one million scans) for the 119 subscribers of the "Gold" subscription service in the base year, FY 2005. Please show all calculations.
- e. Please provide the total number of scans *actually provided to the 45 subscribers of the "Platinum" subscription service in the base year, FY 2005.*
- f. Please provide the cost per scan (or cost per one million scans) for the 45 subscribers of the "Platinum" subscription service in the base year, FY 2005. Please show all calculations.
- g. Please provide the total estimated number of scans for each block of one million units to be provided to Confirm subscribers in the test year after rates.
- h. Please provide the cost per scan (or cost per one million scans) for scans purchased in blocks for Confirm subscribers in the test year after rates. Please show all calculations.

RESPONSE:

- a. These data are not available for the entire FY 2005. Data of this type were not readily available in a reliable format until September 2005, so there is no accurate source of how many scans were actually used by a subscriber in FY 2005. Confirm data are tracked on the basis of the current subscription period and the subscription periods typically do not match up to the Postal Service's fiscal year. For the purpose of estimating Confirm usage for the rate case I

**RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
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extrapolated annual usage from the limited data we had about each subscriber's current subscription usage between September 2005 and December 2005 as detailed in the response to POIR 4, question 3.

b. The only information regarding cost per scan is presented in the response to OCA/USPS-T40-15.

c. See response to part a.

d. See response to part b.

e. See response to part a.

f. See response to part b.

g. The average estimated number of scans on a typical block of one million units is 357,143.

h. See response to part b.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T40-1. Please refer to page 18 of your testimony where you discuss your proposed new fee structure and fees for Confirm Service:

- a. Please confirm whether, under the proposed rate schedule for Confirm, a subscriber may purchase blocks of 1 million units one at a time. If you cannot confirm, please explain fully and state how many blocks must be purchased at any given time.
- b. Please confirm whether the declining rate schedule applies to each ID purchased by a subscriber that purchases more than one ID. If you cannot confirm, please explain fully.

RESPONSE:

a. Confirmed.

b. Not Confirmed. A subscriber buys blocks of units, and those units can be used for any IDs purchased for that subscription.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T40-2. Please refer to your response to OCA/USPS-T40-15 (a-d), where you state "the estimated total number of blocks to be purchased in the test year [is] (28,152)"

- a. Please provide a detailed explanation of how you developed this estimate for the total number of blocks to be purchased in the test year.
- b. Please confirm that 28,152 blocks represents 28,152,000,000 scans in TY 2008. If you cannot confirm, please explain fully.
- c. Please provide an estimate of how many of these scans will be for First-Class Mail pieces in TY 2008.
- d. Please provide an estimate of how many of these scans will be for Standard Mail pieces in TY 2008.
- e. Please provide an estimate of how many scans per piece do you assume for First-Class Mail in TY 2008.
- f. Please provide an estimate of how many scans per piece do you assume for Standard Mail in TY 2008.
- g. Please describe fully the basis for the estimates in PB/USPS-T40-2 (c-f).
- h. Please provide the total number of scans for Confirm in the Base Year.
- i. Please provide the distribution of the total number of scans for Confirm in the Base Year across First-Class Mail and Standard Mail.
- j. Please provide the total number of pieces of First-Class Mail that were scanned for Confirm in the Base Year.
- k. Please provide the total number of pieces of Standard Mail that were scanned for Confirm in the Base Year.

RESPONSE:

- a. See my response to question 3 of Presiding Officer's Information Request No. 4.
- b. Not confirmed. 28,152 blocks represents 28,152,000,000 units in TY 2008, which is estimated to be 10 billion scans. This estimate is based on the estimated average of 357,143 scans per million units, provided in my response to OCA/USPS-T23-3, redirected from witness Page.
- c. In the test year it is estimated that 5.5 billion scans will be for First-Class Mail.
- d. In the test year it is estimated that 4.5 billion scans will be for Standard Mail.
- e-f. See my response to OCA/USPS-T40-24.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T40-2, Page 2 of 2

- g. The basis for my estimates is the distribution of scans presented in my response to OCA/USPS-T40-24. The number of scans was based on the 2.37 scans per piece on average presented in that response. The shares of scans by class of mail were rounded to the nearest 5 percent so that First-Class Mail received a 55 percent share and other classes received a 45 percent share.
- h. See my response to OCA/USPS-T40-24.
- i- k. These data are not available. See my response to OCA/USPS-T40-24 for an explanation.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE ASSOCIATION FOR POSTAL COMMERCE

POSTCOM/USPS-T40-7. Please describe the method and rationale you used to derive the formula whereby First-Class Mail scans are proposed to be assessed one unit each and Standard Mail scans are proposed to be assessed five units each.

RESPONSE:

As noted in my responses to OCA/USPS-T40-31 and 32, First-Class Mail and Standard Mail have significantly different characteristics. One of the characteristics of Standard Mail is that it has fewer options for additional services. Like other features and services, Confirm could have been limited to First-Class Mail only. But it was decided that it should be more widely available. Then it became a matter of developing a price structure that would generate enough revenue to maintain a viable service, while holding true to the long-standing principle that First-Class Mail and Standard Mail have different features. Other options were considered, such as having a fee for all subscribers in order to pay for the dissemination of the data, but no charge for First-Class Mail "scans". However, it was determined that a very modest charge per scan would be appropriate for First-Class Mail, mostly because of the concern for unlimited scans. Then, in order to achieve a cost coverage greater than 100 percent, a higher effective per-scan price was developed for the other classes. Even higher effective prices were considered, but the rate design balanced the need to obtain a more reliable revenue base with the impact on customers. There was not a "formula" that was derived, but rather a balancing of the rate design objectives, and the need for Confirm to cover its costs.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM TO
POIR NO. 4, QUESTION 3

3. Please refer to both USPS-LR-L-123 and USPS-LR-L-124. The source for TYAR volumes for CONFIRM is listed as "TYAR Volume is estimated based on base year usage by existing customers." Please provide a spreadsheet with step-by-step calculations indicating how to develop the volumes.

RESPONSE:

The volumes for Confirm® service were calculated using the process presented below.

The attached spreadsheet presents an example of the calculations.

1. Estimate the annual number of scans used for each subscriber based on the current subscription usage as of December 2005. In those cases where the subscriber had a previous subscription that ended after September of 2005, the number of scans used in the previous subscription period was used.
2. Reduce the number of scans for each subscriber by 10 percent to reflect a contraction in demand as a result of the increased prices. This was intended to represent a 10 percent decrease in total scans, rather than a 10 percent reduction for every customer. However, since there was no way to determine how each individual user would respond, the decrease was spread across all users.
3. Assume that there would continue to be 180 subscribers.
4. Split the scan volume into First-Class Mail and Other
5. Multiply the number of Other scans by 5 to get the number of units used for other classes.
6. For each subscriber add the number units used for First-Class Mail scans (one unit per scan) to the number of units used for Other scans to arrive at the total unit volume.

**RESPONSE OF POSTAL SERVICE WITNESS MITCHUM TO
POIR NO. 4, QUESTION 3**

7. Determine the number of blocks of units each subscriber would need to purchase based on the number of units used.
8. Aggregate the number of blocks across all users.

Calculating the number of blocks used by each subscriber requires the acknowledgement that the first million units are included in the base price for each subscriber. See example below:

	Units Used	Additional Units Needed	Blocks Needed
User 1	9,500,000	8,500,000	9
User 2	9,500,000	8,500,000	9
User 3	9,500,000	8,500,000	9
User 4	9,500,000	8,500,000	9
User 5	9,500,000	8,500,000	9
Total	47,500,000		45
User 6	47,500,000	46,500,000	47

In the example, each of the of the first five users use 9.5 million units (a total of 47.5 million units), which requires them to buy 9 additional blocks each (a total of 45 blocks).

User six also uses 47.5 million units but needs to buy 47 additional blocks.

The attached spreadsheet provides an example showing the derivation of the TYAR volume for a hypothetical subscriber who used 500,000,000 scans in the most recent subscription period. This process was repeated for all of the subscribers, and then summed. Given the limited number of subscribers, providing the individual

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM TO
POIR NO. 4, QUESTION 3

subscriber's proprietary data could enable the identification of certain subscribers and reveal characteristics about their Confirm use or mailing patterns.

Number of Estimated Scans from Previous or Current Subscription (Step 1)

500,000,000

This Volume was Reduced by 10 percent to reflect a contraction in demand as a result of the increase in prices (Step 2)

450,000,000

This volume was split into two parts, First-Class Mail and Other (Step 3)

FCM	247,500,000
Other	<u>202,500,000</u>
Total	450,000,000

The number of units for each subset was determined by multiplying the number of scans by the number of units per scan by class, 1 unit per scan for First-Class Mail and 5 units for other classes of mail. The sum of these is the total units used by the subscriber. (Step 4)

FCM	247,747,500
Other	<u>1,012,500,000</u>
Total	1,260,247,500

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO POIR NO. 8, QUESTION 11

11. Please refer to worksheet "WP-3: Certificate of Mailing" in the revised version of USPS-LR-L-124. The volume data for TYAR Standard Regular and TYAR Standard Nonprofit (in cells U20 and U22 respectively) do not match the volume data in "WP-15: Volume Input Data." Please explain the discrepancy.

RESPONSE:

The volume data in WP-15 are correct. The deviation was due to two hard-coded cells in WP-3: Certificate of Mailing, and errata will be filed shortly. The correction results in an increase in revenue of roughly \$3,000.

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.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF VALPAK

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

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF VALPAK

VP/USPS-T40-3, Page 2 of 2

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.

1 CHAIRMAN OMAS: This brings us to oral
2 cross-examination.

3 One participant has requested oral cross-
4 examination, the Office of the Consumer Advocate.

5 Ms. Dreifuss, would you please introduce
6 yourself for the record?

7 MS. DREIFUSS: Yes, Good morning, Mr.
8 Chairman, Commissioners. I'm Shelley Dreifuss with
9 the Office of the Consumer Advocate.

10 CROSS-EXAMINATION

11 BY MS. DREIFUSS:

12 Q Good morning, Mr. Mitchum.

13 A Good morning.

14 Q This morning I'm going to discuss with you
15 two of the special services that you have testified
16 about in your testimony. One of them is Confirm, and
17 the other is insurance. I'd like to start with the
18 Confirm service.

19 A Okay.

20 Q Could you turn to page 14 of your testimony,
21 please?

22 A I'm there.

23 Q Toward the bottom of page 14 you say that
24 you are proposing classification changes for Confirm,
25 a new pricing structure and new fees. Is that correct?

1 A Yes.

2 Q The pricing structure changes seem to do the
3 following: It collapses three different subscription
4 tiers into a single tier. Is that correct?

5 A That is correct.

6 Q In the case of platinum subscriptions, which
7 formerly had unlimited scans after the subscription
8 fee was paid, under your proposal in this case the
9 platinum subscribers will have to pay per scan
10 charges, won't they?

11 A Under the proposal of removing the three
12 tiers there wouldn't be a platinum subscriber, but
13 current day platinum subscribers would no longer have
14 the unlimited option. In the future they would just
15 be subscribers. The unlimited option would not be
16 available. Correct.

17 Q Right. So if there are platinum subscribers
18 today and they choose to use Confirm, assuming this
19 proposal were to be adopted by the Commission, if they
20 remain with Confirm whereas currently they have
21 unlimited scans at no extra charge under your proposal
22 they would have to pay per scan charges. In fact, as
23 the number of scans accumulated the charges would grow
24 larger, wouldn't they?

25 A Yes, they would. If I can expand on that

1 answer?

2 Although they would continue to increase,
3 they would increase at a decreasing rate, and after
4 they hit a certain threshold the cost would be \$17.50
5 per one million scans or per one million units, which
6 on average would be about \$17.50 for 357,000 scans,
7 which would be roughly 150,000 mail pieces minimum.
8 While there would be a per scan price, it would be
9 rather trivial.

10 Q Right. It might be trivial for small
11 amounts, but as a current platinum subscriber began to
12 use million upon million upon million, those fees
13 would increase, would they not?

14 A Yes, they would, but as I noted in one of my
15 responses, an interrogatory response from the OCA, and
16 I can certainly find which one. I think it was
17 OCA-T40, No. 57.

18 Sorry. I think that might not have been the
19 right one. I'm sorry. There are a lot of
20 interrogatories. Just a second.

21 (Pause.)

22 A I'm sorry. It was T-57. There's currently
23 45, as stated in my library reference. There's 45
24 platinum subscribers.

25 Of those 45 platinum subscribers, underneath

1 my pricing proposal based on current usage by those
2 subscribers 29 of those would actually see a cost
3 decrease. Under my proposal, they would actually be
4 paying less based on their current usage.

5 Q Okay. So 45 are platinum subscribers now.
6 Twenty-nine, if they use Confirm to the same extent
7 they do today, would experience a price decrease, and
8 16 would experience a price increase. Is that
9 correct?

10 A That is correct.

11 Q And it could be a large price increase,
12 couldn't it?

13 A My calculations did not show a significantly
14 large increase.

15 Actually, in response to an interrogatory by
16 another Intervenor -- just a second. Let me find
17 which one it was real quick.

18 (Pause.)

19 A Major Mailers Association Interrogatory No.
20 4 directed to me, so it would be MMA-T40-4, Part (b).
21 Their question was, "Did you perform any computations
22 of the proposed percentage increase for representative
23 users of Confirm service? If not, why not? If so,
24 please provide these computations."

25 In my response I did provide those

1 computations. If a mailer were to use one billion
2 scans, which no mailer has to this point, their cost
3 increase would be 460 percent. If they were using 750
4 million scans, which is closer to the maximum -- it is
5 below the maximum, but closer to the maximum -- their
6 increase would be 338 percent, which is only going
7 from \$10,000 to \$43,000, and 750,000 scans will allow
8 them to track roughly 300,000 pieces of mail.

9 While it's still not a trivial increase,
10 that is a significant amount of mail that they're
11 getting information on, and I do believe that it's
12 fair and equitable.

13 Q I have looked at this table which is
14 presented in response to MMA No. 4, and it is not
15 consistent with discussions that I have had with some
16 platinum subscribers who have told me that their
17 postage tab may be 50 times higher under your proposal
18 than what they're paying now.

19 Do you have any reason to disagree with
20 that?

21 A Without having done any calculations I can't
22 verify that that's accurate, but I think it would be
23 very difficult for a user to spend \$500,000 on Confirm
24 on scans even if it were strictly 100 percent standard
25 mail.

1 That's an enormous amount of scans, and I'm
2 not aware of any mailers that are using that level of
3 scans.

4 Q Are you aware that there are at least two
5 platinum subscribers who are resellers of Confirm
6 service?

7 In fact, I provided a couple of cross-
8 examination exhibits to counsel in advance of your
9 appearance. The ones that I have in mind are Track My
10 Mail -- that's one of the vendors of Confirm service
11 -- and the other is Gray Hair Software. Are you
12 familiar with the two of them?

13 A I am familiar that they are customers, and I
14 am slightly familiar with the pricing structure of
15 trackmymail.com based on the exhibit you provided.

16 Other than knowing about it, Gray Hair is a
17 reseller, or I tend to refer to them as
18 intermediaries. I don't have any additional
19 information on Gray Hair.

20 Q Do you know if Track My Mail is a reseller?

21 A Yes, I'm aware they are a reseller or
22 intermediary.

23 MS. DREIFUSS: Before we go further in
24 discussing these two vendors, I think it might be
25 helpful for the Commissioners to be able to see the

1 cross-examination exhibits I submitted to Witness
2 Mitchum a few days ago, so I'm going to hand those out
3 now with your permission, Mr. Chairman.

4 I've marked one of them OCA-XE-Mitchum No.
5 1. That's a page out of the materials presented by
6 Track My Mail at its website.

7 The other consists of four pages, and this
8 is in the form of a newsletter that Gray Hair Software
9 circulates to anyone interested. I'm on their mailing
10 list. I get their Mail Track newsletter on a weekly
11 basis. This exhibit I've identified as OCA-XE-Mitchum
12 No. 2.

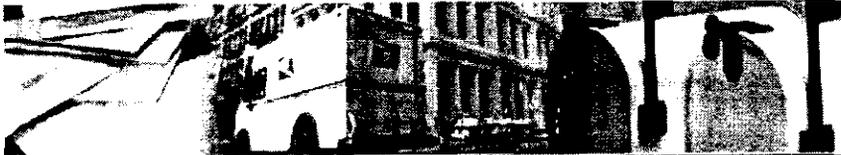
13 With your permission, Mr. Chairman, I will
14 give copies of these -- I think the reporter needs two
15 copies -- to be transcribed as OCA's cross-examination
16 exhibits, and I will circulate them amongst the
17 Commissioners as well.

18 (The documents referred to
19 were marked for
20 identification as Exhibit
21 Nos. OCA-XE-1 and OCA-XE-2
22 and were received in
23 evidence.)

24 //

25 //

OCA XE - Mitchum - #1


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First Class Letters

**Destination Performance Listing
for Seeds Scanned from 8/14/2006 through 8/21/2006**

	<u>Early</u>	<u>Within In-Home Window (1-3 days from Mail Date)</u>	<u>Late</u>	<u>Ave. # of Scans per Seed</u>
Total Scan Percentages:	0.6%	64.7%	34.7%	2.60

Percentage breakdown by destination is below:

<u>State</u>	<u>Destination City & State</u>	<u>Early</u>	<u>Within In-Home Window</u>	<u>Late</u>	<u>Average # of Scans per Seed</u>
AA Totals:		0.0%	41.5%	58.5%	3.72
	Apo, AA	0.0%	48.5%	51.5%	3.61
	Fpo, AA	0.0%	30.0%	70.0%	3.90
AE Totals:		0.0%	42.7%	57.3%	1.80
	Apo, AE	0.0%	44.4%	55.6%	1.80
	Fpo, AE	0.0%	32.6%	67.4%	1.77
AK Totals:		0.0%	43.4%	56.6%	3.17
	Ambler, AK	0.0%	50.0%	50.0%	1.00
	Anchor Point, AK	0.0%	40.0%	60.0%	3.00
	Anchorage, AK	0.0%	49.0%	51.0%	2.70
	Anke Bay, AK	0.0%	0.0%	100.0%	4.50
	Barrow, AK	0.0%	66.7%	33.3%	3.33
	Big Lake, AK	0.0%	100.0%	0.0%	2.00
	Chalkyitik, AK	0.0%	33.3%	66.7%	1.00
	Chevak, AK	0.0%	100.0%	0.0%	2.00
	Chugiak, AK	0.0%	7.7%	92.3%	2.85
	Coffman Cove, AK	0.0%	100.0%	0.0%	1.00
	Coldfoot, AK	0.0%	66.7%	33.3%	3.07
	Copper Center, AK	0.0%	100.0%	0.0%	2.00
	Craig, AK	0.0%	66.7%	33.3%	5.00
	Delta Junction, AK	0.0%	69.2%	30.8%	3.31
	Denali National Park, AK	0.0%	62.5%	37.5%	2.88
	Dillingham, AK	0.0%	50.0%	50.0%	2.00
	Douglas, AK	0.0%	0.0%	100.0%	7.00
	Dutch Harbor, AK	0.0%	8.3%	91.7%	3.00
	Eagle River, AK	0.0%	3.3%	96.7%	2.70
	Eek, AK	0.0%	50.0%	50.0%	1.50
	Fielson Afb, AK	0.0%	85.0%	15.0%	3.05
	Ikroavik, AK	0.0%	50.0%	50.0%	1.50
	Elmendorf Afb, AK	0.0%	2.6%	97.4%	3.21
	Fairbanks, AK	0.0%	77.4%	22.6%	3.16
	False Pass, AK	0.0%	0.0%	100.0%	2.00
	Fort Greely, AK	0.0%	100.0%	0.0%	1.00
	Fort Richardson, AK	0.0%	5.0%	95.0%	3.05
	Fort Wainwright, AK	0.0%	73.7%	26.3%	3.21
	Gakona, AK	0.0%	44.4%	55.6%	1.56
	Girdwood, AK	0.0%	6.3%	93.7%	3.06
	Glennallen, AK	0.0%	7.1%	92.9%	3.04
	Haines, AK	0.0%	0.0%	100.0%	5.33
	Healy, AK	0.0%	75.0%	25.0%	5.00
	Holy Cross, AK	0.0%	100.0%	0.0%	2.50
	Homestead, AK	0.0%	68.0%	32.0%	2.89
	Hoonah, AK	0.0%	0.0%	100.0%	2.00
	Hooper Bay, AK	0.0%	50.0%	50.0%	2.00

State	Destination City & State	Within In-Home			Average # of Scans per Seed
		Early	Window	Late	
AK Totals:		0.0%	43.4%	56.6%	3.17
Hope, AK		0.0%	50.0%	50.0%	1.50
Houston, AK		0.0%	37.5%	62.5%	2.00
Hydaburg, AK		0.0%	100.0%	0.0%	5.00
Iliamna, AK		0.0%	0.0%	100.0%	2.00
Indian, AK		0.0%	0.0%	100.0%	3.00
Juneau, AK		0.0%	21.9%	78.1%	5.97
Kalskag, AK		0.0%	0.0%	100.0%	2.00
Kasigluk, AK		0.0%	0.0%	100.0%	1.67
Kasilof, AK		0.0%	0.0%	100.0%	2.75
Kenai, AK		0.0%	72.2%	27.8%	3.25
Ketchikan, AK		0.0%	33.1%	66.9%	6.69
King Cove, AK		0.0%	0.0%	100.0%	1.00
King Salmon, AK		0.0%	50.0%	50.0%	2.50
Klawock, AK		0.0%	100.0%	0.0%	5.00
Kodiak, AK		0.0%	80.7%	19.3%	3.05
Kotzebue, AK		0.0%	0.0%	100.0%	3.00
Marshall, AK		0.0%	100.0%	0.0%	3.00
Metlakatla, AK		0.0%	50.0%	50.0%	3.50
Nikolski, AK		0.0%	0.0%	100.0%	1.00
Nimilchik, AK		0.0%	100.0%	0.0%	1.50
Nome, AK		0.0%	35.9%	64.1%	3.00
North Pole, AK		0.0%	76.8%	23.2%	3.14
Northway, AK		0.0%	50.0%	50.0%	1.00
Palmer, AK		0.0%	71.4%	28.6%	2.93
Petersburg, AK		0.0%	0.0%	100.0%	4.50
Point Hope, AK		0.0%	0.0%	100.0%	2.00
Port Alexander, AK		0.0%	50.0%	50.0%	2.50
Safcha, AK		0.0%	100.0%	0.0%	1.50
Savoonga, AK		0.0%	33.3%	66.7%	1.00
Seward, AK		0.0%	0.0%	100.0%	2.00
Shishmaref, AK		0.0%	50.0%	50.0%	1.00
Shungnak, AK		0.0%	50.0%	50.0%	1.00
Sitka, AK		0.0%	10.4%	89.6%	6.23
Skagway, AK		0.0%	6.0%	94.0%	4.56
Soldotna, AK		0.0%	54.5%	45.5%	2.95
Sterling, AK		0.0%	66.7%	33.3%	3.33
Sutton, AK		0.0%	0.0%	100.0%	1.00
Talkeetna, AK		0.0%	25.0%	75.0%	4.75
Tek, AK		0.0%	35.2%	64.8%	3.15
Tunakuska, AK		0.0%	25.0%	75.0%	5.25
Valdez, AK		0.0%	33.3%	66.7%	4.67
Wainwright, AK		0.0%	50.0%	50.0%	1.25
Wales, AK		0.0%	50.0%	50.0%	1.00
Ward Cove, AK		0.0%	71.4%	28.6%	5.14
Wasilla, AK		0.0%	2.8%	97.2%	2.98
Whittier, AK		0.0%	37.5%	62.5%	2.00
Willow, AK		0.0%	4.9%	95.1%	3.12
Wrangell, AK		0.0%	42.9%	57.1%	4.07
Yakutat, AK		0.0%	44.4%	55.6%	2.00
AL Totals:		0.0%	58.8%	41.2%	3.07
Abbeville, AL		0.0%	25.9%	74.1%	4.52
Adamsville, AL		0.0%	74.4%	25.6%	3.23
Addison, AL		0.0%	100.0%	0.0%	2.00
Adger, AL		0.0%	88.1%	11.9%	1.67
Alabaster, AL		0.0%	46.0%	54.0%	4.83
Albertville, AL		0.0%	11.0%	89.0%	5.01
Alexander City, AL		0.0%	1.8%	98.2%	4.89
Alexandria, AL		0.0%	0.0%	100.0%	3.13
Aliceville, AL		0.0%	0.0%	100.0%	3.20
Alpine, AL		0.0%	0.0%	100.0%	4.82
Altoona, AL		0.0%	7.7%	92.3%	5.00
Andalusia, AL		0.0%	37.1%	62.9%	4.01
Anderson, AL		0.0%	100.0%	0.0%	3.00
Anniston, AL		0.0%	54.8%	45.2%	4.61
Arab, AL		0.0%	2.3%	97.7%	4.89
Ardmore, AL		0.0%	74.2%	25.8%	1.24



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Standard Letters

**Destination Performance Listing
 for Seeds Scanned from 8/14/2006 through 8/21/2006**

	<u>Early</u>	<u>Within In-Home Window (7-10 days from Mail Date)</u>	<u>Late</u>	<u>Ave. # of Scans per Seed</u>
Total Scan Percentages:	31.9%	57.4%	10.7%	2.15

Percentage breakdown by destination is below:

<u>State</u>	<u>Destination City & State</u>	<u>Early</u>	<u>Within In-Home Window</u>	<u>Late</u>	<u>Average # of Scans per Seed</u>
AA Totals:		13.0%	69.6%	17.4%	1.61
	Apo, AA	13.0%	69.6%	17.4%	1.61
AE Totals:		1.6%	84.0%	14.4%	1.42
	Apo, AE	1.2%	83.9%	14.9%	1.43
	Epo, AE	3.7%	85.2%	11.1%	1.33
AK Totals:		36.2%	39.2%	24.5%	2.17
	Anchor Point, AK	100.0%	0.0%	0.0%	1.00
	Anchorage, AK	37.5%	27.9%	34.6%	1.96
	Auke Bay, AK	33.3%	33.3%	33.3%	1.67
	Barrow, AK	100.0%	0.0%	0.0%	1.00
	Big Lake, AK	50.0%	0.0%	50.0%	1.50
	Chugach, AK	0.0%	50.0%	50.0%	1.00
	Clam Gulch, AK	100.0%	0.0%	0.0%	1.00
	Coldfoot, AK	29.9%	33.6%	36.4%	1.58
	Cordova, AK	50.0%	0.0%	50.0%	1.00
	Craig, AK	50.0%	50.0%	0.0%	1.33
	Delta Junction, AK	50.0%	50.0%	0.0%	1.00
	Douglas, AK	55.6%	22.2%	22.2%	1.89
	Eagle River, AK	85.7%	0.0%	14.3%	1.14
	Eielson Afb, AK	33.3%	16.7%	50.0%	1.00
	Elmendorf Afb, AK	100.0%	0.0%	0.0%	1.00
	Fairbanks, AK	89.5%	5.3%	5.3%	1.16
	Fort Richardson, AK	33.3%	66.7%	0.0%	1.00
	Fort Wainwright, AK	57.1%	28.6%	14.3%	1.00
	Gustavus, AK	0.0%	100.0%	0.0%	1.00
	Haines, AK	0.0%	0.0%	100.0%	4.00
	Holy Cross, AK	0.0%	100.0%	0.0%	2.00
	Homer, AK	24.0%	24.0%	52.0%	1.79
	Hooper Bay, AK	0.0%	100.0%	0.0%	2.00
	Iliamna, AK	0.0%	100.0%	0.0%	4.00
	Juneau, AK	24.3%	64.2%	11.6%	3.13
	Kake, AK	0.0%	0.0%	100.0%	2.00
	Kasigluk, AK	100.0%	0.0%	0.0%	1.00
	Kasilof, AK	80.0%	20.0%	0.0%	1.00
	Kenai, AK	60.0%	30.0%	10.0%	1.00
	Ketchikan, AK	29.1%	53.8%	17.1%	2.86
	Kong Salmon, AK	100.0%	0.0%	0.0%	1.00
	Klawock, AK	66.7%	0.0%	33.3%	1.33
	Kodiak, AK	75.0%	25.0%	0.0%	1.50

<u>State</u>	<u>Destination City & State</u>	<u>Early</u>	<u>Within In-Home Window</u>	<u>Late</u>	<u>Average # of Scans per Seed</u>
AK	Totals:	36.2%	39.2%	24.5%	2.17
	Kotzebue, AK	100.0%	0.0%	0.0%	1.00
	Kwigillingok, AK	0.0%	100.0%	0.0%	1.00
	Nikiski, AK	50.0%	50.0%	0.0%	1.00
	North Pole, AK	62.5%	37.5%	0.0%	1.00
	Old Harbor, AK	100.0%	0.0%	0.0%	1.00
	Palmer, AK	70.0%	30.0%	0.0%	1.30
	Petersburg, AK	33.3%	66.7%	0.0%	2.67
	Sitka, AK	50.0%	25.0%	25.0%	2.31
	Skagway, AK	0.0%	100.0%	0.0%	3.25
	Soldotna, AK	100.0%	0.0%	0.0%	1.00
	Tok, AK	100.0%	0.0%	0.0%	1.00
	Unalaska, AK	100.0%	0.0%	0.0%	1.00
	Valdez, AK	66.7%	33.3%	0.0%	1.67
	Ward Cove, AK	100.0%	0.0%	0.0%	1.00
	Wasilla, AK	75.0%	16.7%	8.3%	1.17
	Willow, AK	75.0%	25.0%	0.0%	1.00
	Wrangell, AK	22.2%	55.6%	22.2%	2.11
AL	Totals:	35.9%	48.5%	15.7%	2.60
	Abbeville, AL	22.2%	66.7%	11.1%	2.78
	Adamsville, AL	14.3%	58.3%	27.5%	2.16
	Addison, AL	33.3%	44.4%	22.2%	2.44
	Adger, AL	33.9%	35.5%	30.6%	2.62
	Alabaster, AL	18.2%	66.5%	15.2%	3.45
	Albertville, AL	37.2%	60.5%	2.3%	3.47
	Alexander City, AL	44.4%	47.2%	8.3%	3.61
	Alexandria, AL	27.3%	63.6%	9.1%	1.91
	Aliceville, AL	100.0%	0.0%	0.0%	3.00
	Allgood, AL	100.0%	0.0%	0.0%	2.00
	Alpine, AL	66.7%	33.3%	0.0%	2.00
	Altoona, AL	71.4%	28.6%	0.0%	3.86
	Andalusia, AL	15.4%	51.1%	33.5%	3.42
	Anderson, AL	0.0%	50.0%	50.0%	2.50
	Anniston, AL	28.4%	59.6%	12.0%	4.08
	Arab, AL	81.3%	18.8%	0.0%	3.31
	Ardmore, AL	38.3%	60.5%	1.2%	1.32
	Ariton, AL	0.0%	100.0%	0.0%	3.67
	Arley, AL	30.0%	70.0%	0.0%	2.10
	Ashtford, AL	100.0%	0.0%	0.0%	1.00
	Ashland, AL	28.6%	57.1%	14.3%	2.29
	Ashville, AL	54.5%	45.5%	0.0%	3.55
	Athens, AL	33.3%	56.3%	10.4%	2.10
	Atmore, AL	27.1%	44.0%	28.9%	2.39
	Attalla, AL	28.6%	71.4%	0.0%	3.36
	Auburn University, AL	100.0%	0.0%	0.0%	1.33
	Auburn, AL	39.2%	53.1%	7.7%	2.98
	Autaugaville, AL	50.9%	21.7%	27.4%	2.42
	Axis, AL	29.5%	34.1%	36.4%	2.50
	Baileyton, AL	33.3%	66.7%	0.0%	3.00
	Banks, AL	42.0%	43.5%	14.5%	2.33
	Bankston, AL	100.0%	0.0%	0.0%	3.00
	Bay Minette, AL	23.9%	66.3%	9.8%	2.40
	Bayou La Batre, AL	16.7%	83.3%	0.0%	2.17
	Bear Creek, AL	100.0%	0.0%	0.0%	1.00
	Beatrice, AL	0.0%	100.0%	0.0%	3.00
	Beaverton, AL	100.0%	0.0%	0.0%	2.00
	Bellamy, AL	33.3%	58.3%	8.3%	1.25
	Berry, AL	66.7%	33.3%	0.0%	2.33

1 THE WITNESS: I've got them. Thanks.

2 BY MS. DREIFUSS:

3 Q You described Track My Mail and Gray Hair
4 Software as resellers of Confirm service, did you not?

5 A Yes.

6 Q They are, I would imagine, in business to
7 earn profits would you say?

8 A I would hope so.

9 Q Right. And I would assume their business
10 model is that they would like to provide Confirm
11 service to a growing number of customers in order to
12 increase their own revenues and profits. Is that a
13 safe assumption on my part?

14 A I'm not familiar with their business plan.
15 As I said, I'm not very familiar with Gray Hair at all
16 other than the fact that I am aware they are a
17 reseller, but I would assume that maximizing profit
18 would be part of the normal business plan for a
19 corporation.

20 Q Right. In fact, you may or may not know
21 this. I'll ask you if you do. Do you know whether
22 these two companies established businesses around the
23 current pricing structure for Confirm?

24 A Actually, I'm not aware if that is the case
25 or not.

1 Q Well, let's assume hypothetically that
2 that's what happened; that the Postal Service has a
3 current Confirm pricing structure in place, and these
4 two businesses were established based upon the current
5 pricing structure. Could you assume that?

6 A Sure.

7 Q Now, their businesses, which could currently
8 take advantage of an unlimited number of scans at no
9 additional charge, may be affected by the proposal
10 you're making in this case to charge them for
11 additional scans, million upon million. Is that
12 correct?

13 A Actually, given the other alternative, which
14 was that based on my analysis when I was deciding to
15 do the pricing structure change, I investigated
16 whether or not the existing pricing structure could be
17 utilized.

18 I did not believe that would be capable of
19 being utilized and at the same time producing enough
20 revenue to cover costs, which the product since
21 established as a Postal product in MC2003-3 has not
22 covered its costs.

23 I did not feel that using the existing
24 pricing structure with a price increase and using
25 unlimited scans would facilitate making this product

1 cover its costs, allowing the Postal Service to
2 continue providing it as it is required to cover its
3 costs.

4 Q What are the costs that have to be covered
5 in the test year by Confirm?

6 A Roughly about \$1.2 million.

7 Q And you're saying you didn't think that you
8 could increase the subscription fees enough to cover
9 those costs?

10 A Based on the information that I have about
11 the usage and the fact that we were coming up with a
12 reasonable cost coverage for the product, which I
13 think in my proposal we expect the cost coverage to be
14 about 126 percent, which is well below the system
15 average.

16 I did not think that there was a way to
17 raise the rates without causing unnecessary shifts
18 away from demand, people moving out from the Postal
19 Service into the resellers or beginning to seed and
20 moving down from platinum to a lower level, which
21 would decrease revenue.

22 I did not, in my opinion, find a way that I
23 can feel confident at a level that I felt was
24 necessary to use the existing pricing structure with
25 higher prices and cover costs.

1 I felt that my proposal, and I did start
2 with the existing proposal. If we could have used the
3 existing prices and there was a method that we could
4 have used to prevent causing the mailers inconvenience
5 by rethinking how they're going to use the product, we
6 would have gone with something like that.

7 As I said, I did not see a manner in which
8 that could be accomplished without changing the
9 pricing structure. It wasn't taken lightly. A lot of
10 effort was made in coming up with this new pricing
11 proposal, about nine months. It wasn't something that
12 we just automatically wrote off. A lot of effort was
13 decided.

14 A lot of thought and input was given by a
15 lot of people that are very well informed, and I think
16 that my proposal is a much superior way to guarantee
17 that we cover revenue than trying to modify the
18 existing pricing structure.

19 Q I didn't see any mention of a market survey
20 in your testimony. Am I correct that you didn't
21 mention it because in fact you didn't perform one?

22 A There was a market survey done when the
23 classification case was filed, and the demand at that
24 point in time was that there was going to be about
25 1,100 or 1,200 users.

1 We have about 190 to 200 users as a maximum
2 since the product has been in place, and the costs
3 that were implemented and the structure that was
4 implemented was based on that demand.

5 Given that this product wasn't covering cost
6 at \$1.2 million, we did not feel that it was worth the
7 very good investment to raise the cost by doing a
8 great deal of -- I mean, I'm assuming that part of the
9 reason we didn't do it was because we didn't want to
10 add additional cost to a product that was already
11 struggling, and we were trying to keep the cost as low
12 as possible to minimize how much of an increase we
13 were going to have to impose.

14 Q In your testimony I think you assume that
15 there would be the same number of subscribers in the
16 test year as there are today. Am I correct?

17 A That is correct.

18 Q And how did you determine that there would
19 be the same number of subscribers?

20 A It was basically a decision made after
21 looking at the data that we had.

22 We do believe that there's some demand for
23 the product, and while we don't think necessarily --
24 as I think I noted in my response to the Presiding
25 Officer's Information Request I think it was No. 4,

1 Question 3, or No. 3, Question 4, we don't necessarily
2 expect it to be the same 180 subscribers because we do
3 feel there's been shifts.

4 As subscribers have left, new ones have come
5 in to use the product. I felt that it was not an
6 unreasonable assumption to assume that we could
7 maintain the same number of users, but I did also make
8 an assumption that the number of scans they used would
9 decrease.

10 Q Have you heard about the widespread
11 dissatisfaction that exists among current Confirm
12 subscribers and users with the proposal you're making
13 in your testimony?

14 A I'm aware that there's some mailers that
15 have expressed some dissatisfaction, yes.

16 Q So it's possible that even though you're
17 assuming that you will maintain the same level of
18 subscription in the test year as you do currently,
19 that might not happen if the mailers find the prices
20 to outweigh the usefulness to the mailers. Is that
21 correct?

22 A I think part of the problem is that the
23 mailers are slightly confused about how much of an
24 increase they're going to face.

25 Some Intervenors, including the OCA, have

1 thrown around the number of I believe you used a 2,000
2 percent increase for users. We don't see that. I
3 haven't seen any justification for that or any basis
4 as to why that would be the case.

5 I also believe in MMA Interrogatory No. 1
6 they started throwing around numbers that if somebody
7 was to use as many as 10 billion scans. I don't think
8 that all mailers understand that no one has ever used
9 more than a billion scans, and 10 billion is actually
10 quite absurd.

11 The cost increase that they were showing
12 that the mailers would face in that interrogatory was
13 1,700 percent, similar to the 2,000 percent. I don't
14 think it's realistic, and I think that if a mailer is
15 told that by who they would deem to be reliable
16 sources, whether they're accurate or not, may cause
17 them to be alarmed.

18 I don't necessarily think that they have
19 cause to be alarmed, but I think they have
20 misunderstood or they've been given numbers that may
21 not be completely accurate, and they've based their
22 concern on those numbers.

23 Q We said a moment ago that at least in the
24 case of Track My Mail and Gray Hair that they are
25 resellers of Confirm service, and I think you agreed,

1 or at least you didn't find reason to disagree with
2 me, that their business model suggests that they would
3 want to try to increase their number of customers and
4 the number of scans that they provide to customers.

5 Did we agree on that a few minutes ago?

6 A I do agree that they would probably want to
7 increase the profits, yes.

8 Q All right. Now, you're saying that 10
9 billion scans is it is unrealistic?

10 A Yes.

11 Q It may be unrealistic today, given the
12 current level of usage, but can you allow that vendors
13 like Track My Mail and Gray Hair might want to and
14 might be successful in building their business under
15 the current pricing structure and eventually be
16 providing about that number of scans to customers?

17 A Actually, given the fact that 10 billion
18 scans, which I think I noted in one of my
19 interrogatory responses to MMA, would account for
20 roughly tracking the activity of 4.2 percent of all
21 first class mail, I find it unlikely that either
22 trackmymail.com or Gray Hair -- no disrespect for
23 their business plans because I'm sure they're
24 ambitious -- are likely to attract enough large users
25 that are going to allow them to have that kind of

1 market share because you're going to need very large
2 users to watch 4.2 billion pieces of mail.

3 If you're a large mailer and you're mailing
4 anywhere in that realm, you probably are better off
5 doing your calculations and your analysis of your data
6 in-house where you have the expertise on your own
7 mailing, what you're trying to accomplish with your
8 own mail system.

9 It would seem odd to me that they would rely
10 on a company that has that many clients to hit that
11 many pieces of mail to help them, to rely on them to
12 make their business decisions, when they could bring
13 it in-house and have control over the whole process.

14 While it is feasible that some of these
15 companies could do that, with Track My Mail many of
16 their products are in the exhibit that Ms. Dreifuss
17 provided to us. They're looking at products that are
18 100 PLANET codes, 150 PLANET codes, 1,000 PLANET
19 codes, 500 PLANET codes. You need a lot of customers
20 to get to 4.2 billion pieces 1,000 at a time.

21 A thousand PLANET codes is kind of small if
22 that's their target audience. I think they'd have a
23 very difficult time hitting 4.2 billion pieces,
24 tracking 4.2 billion pieces 1,000 pieces at a time.

25 Q You've just shared your opinion with us over

1 several minutes about what Track My Mail and what Gray
2 Hair may or may not be able to do. Is this based on
3 discussions that you've had with the owners of those
4 two companies or their managers?

5 A No, it's not. It's based on the fact that
6 you're talking about two different mailers possibly
7 controlling between the two or them 8.4 percent of the
8 mail, watching 8.4 percent of the first class
9 mailstream.

10 It seems while if you want me to assume
11 that's the case I can try to answer your questions
12 based on that assumption, but it doesn't seem like a
13 very realistic hypothetical to me.

14 Q It doesn't seem like a realistic
15 hypothetical to you, but nevertheless it's not based
16 on contacts you've had with these companies, correct?

17 A No, it's not.

18 Q How many large mailers who use the services
19 of Track My Mail and Gray Hair have you discussed this
20 with?

21 A I have had no direct contact with any of the
22 mailers that use the service.

23 Q Did you have occasion to read the testimony
24 of Witness Kiefer from Docket No. MC2002-1?

25 A Quite a while back. Yes, I did.

1 Q Yes. Docket No. MC2002-1 was a
2 classification proceeding in which the Postal Service
3 proposed that a new confirmed service be adopted. Is
4 that correct?

5 A I believe so, yes.

6 Q I'm going to quote a few observations that
7 Witness Kiefer made in his testimony and see whether
8 you would agree with the statements he made at that
9 time.

10 At page 4 of his testimony Witness Kiefer
11 said, "Once the confirmed hardware and software are in
12 place, the cost of additional scans is extremely
13 small." Would you agree with that?

14 A I'm not a costing witness, but that is my
15 understanding, yes.

16 Q He then said immediately following that
17 sentence, "A transaction based price would accordingly
18 exceed the true marginal cost by a large factor."
19 Would you agree with that?

20 A I would have to have more time to think
21 about whether or not -- I'd have to think about it in
22 more detail, and I'd probably want to read the full
23 testimony and supporting documents before I made a
24 decision about whether or not I agree or don't agree.

25 Q Have you read the full testimony?

1 A I read the full testimony several months
2 ago, yes.

3 Q Did you read the sworn documents that you
4 just referred to, whatever you just referred to?

5 Let's back up just for a second. Let me ask
6 this again. You would want to read his testimony,
7 correct?

8 A Yes. I would like to refresh myself with
9 his testimony, yes.

10 Q But even though you haven't read it recently
11 you did read it at least in preparation for your own
12 testimony, correct?

13 A I read the testimony in preparation for
14 developing my pricing proposal.

15 Q Okay. There was one other thing you said
16 you would like to have read before answering this
17 question. What was that?

18 A I said if there were references in his
19 testimony regarding either the costing analysis that
20 was done by the costing witness at the time or any
21 other witnesses, I would prefer to be able to refresh
22 myself with all of those before I would make an
23 assumption about a fragment of his testimony and risk
24 taking it out of context.

25 Q Again at page 4, Witness Kiefer made another

1 observation that I think would be applicable to your
2 proposal. Let me ask you if you agree with this.

3 The kind of pricing that you're proposing,
4 transactions-based pricing, he said would lead some
5 potential customers to restrict usage by barcoding
6 only some mailings or by just seeding barcoded pieces
7 within a larger mailing. Does that sound correct?

8 A That is a consideration. That was something
9 that was taken into consideration when I did my
10 pricing.

11 I'd also like to note that Witness Kiefer's
12 comments were once again the result of a demand study
13 that was performed that showed that we were going to
14 have about 1,200 or so customers.

15 We have 180 or between 180 and 200, so his
16 testimony was based on some research that didn't prove
17 to be -- the demand that was forecasted didn't appear
18 for the product.

19 Q But you don't disagree that transaction-
20 based pricing does tend to cause customers to restrict
21 usage? Isn't he right when he says that?

22 A Once again, 29 of the existing 45 platinum
23 customers would actually be seeing a price reduction
24 under my proposal, so in that case I can't imagine
25 that would actually entice them to curtail their

1 demand if they're going to actually see a price
2 reduction.

3 Q Are you certain that those 29 customers
4 would not have wanted to make increasing usage of
5 Confirm over time?

6 A Once again, I believe it's in response to
7 OCA-57. I think you had to have -- I'm sorry. There
8 it is. Being out of order is causing me problems
9 again.

10 A subscriber would have to use more than 169
11 million units to get to that point. That's a
12 significant number of units before they get to the
13 point where they would be facing any cost increase at
14 all.

15 Regardless of how we went about repricing
16 this product, there was going to have to be some price
17 increase so there's no telling how many more pieces
18 that would be to get to any proposed price under the
19 current structure.

20 It's possible instead of being 169 million
21 units it could be 300, 400, 500, 600 million units to
22 ensure that we hit the same cost and we would cover
23 our costs.

24 Do I think that under the transactional
25 necessarily means they're going to pay more or

1 decrease demand? We have mailers that have platinum
2 subscriptions, 29 of which would see a cost reduction
3 with my proposal. Many of those, even if they
4 increased usage, would still see a cost reduction.

5 We don't know what the cost increase would
6 have to be if we kept the existing pricing structure,
7 so it could actually be significantly more than 29.

8 Q The 16 platinum subscribers who are facing
9 price increases, they tend to be your largest Confirm
10 subscribers, don't they?

11 A Correct.

12 Q And wouldn't you agree that changing from
13 unlimited scan at no additional charge to fees for
14 scans -- I'm sorry. Are they scans or units and
15 blocks at a million?

16 A They would be units.

17 Q -- in terms of units, per million units,
18 would tend to restrain the number of scans that they
19 would acquire from the Postal Service?

20 A Not necessarily. If you're a reseller or
21 intermediary, as I prefer to call them, you have no
22 incentive to decrease your usage because if you're
23 making -- as your pricing shows for trackmymail.com,
24 their cost increase is transactional, so we're doing
25 the same thing they're already doing.

1 They're not giving away scans for free after
2 they make their \$10,000 back. They're maximizing
3 profit, so I can't imagine that they're going to
4 curtail trying to find customers to use their product
5 so that they can pay less when they're charging
6 significantly more than it's costing them even under
7 my proposal to sell the scans. They're not losing
8 money on any of the scans that they're selling.

9 Q Let's assume for the sake of argument that
10 Track My Mail is in that group of 16 that is facing
11 price increases.

12 Right now they are reselling Confirm service
13 to a customer base at a certain price. If the Postal
14 Service increases or starts to apply per scan charges
15 to Track My Mail, would you agree that there's at
16 least a chance that they will have to raise their
17 prices to their customers?

18 A Based on what you handed us and accepting
19 your assumption that they are one who would face an
20 increase so they're using at least 169 million scans,
21 based on the prices that you gave us, my proposal, the
22 first block of a million units, the most expensive one
23 you could buy after you pay your fee was \$70.

24 The Track Kit 1000 provides 1,000 PLANET
25 barcodes for \$80, so if they get a million scans on

1 those 1,000 barcodes, which is incredibly unlikely
2 since the average mail piece only gets about 2.4
3 scans, they would still make \$10 profit on that block
4 of units.

5 I mean, they may choose to raise their
6 rates, but they're already profitable on 1,000 mail
7 pieces, and we're saying they can have 169 million
8 units, which I believe each million units is 357,000
9 scans -- yes, 357,000 scans -- and that the average
10 number of scans per piece is 2.3 or 2.4.

11 Then I would assume they're probably selling
12 more than one of the Track Kit 1000s at \$80 apiece,
13 which covers the most expensive blocks, for every
14 block of units they buy.

15 Q Are you testifying that Track My Mail's only
16 expenses are the Confirm fees that they have to pay to
17 the Postal Service?

18 A No, I'm not, but I am saying that even if
19 their rate increased as they started using a million
20 units as I've shown in the MMA response, their cost
21 would only go up to about \$50,000. I think that was
22 right. Just a second.

23 (Pause.)

24 A If they increased their usage to one billion
25 scans, which they don't do today, their cost would go

1 up to \$56,000.

2 I agree with you that's probably not their
3 only cost that they would be facing. I would assume
4 they would have everything from electricity to the
5 computer costs, but I would think that \$56,000 is
6 probably a reasonable cost, and they're probably
7 making more profit than that.

8 Q Okay. So they've got costs. Track My Mail,
9 to use this example, has costs, and you don't know
10 what their total costs are, correct?

11 A No, I don't.

12 Q And you would agree that if they are going
13 to survive as a business their costs are going to have
14 to be recovered from the fees they charge their
15 customers, correct?

16 A That would be correct.

17 Q And if their postage tab increases that will
18 be increasing one of their expenses, will it not?

19 A I'm not aware that they actually do much --
20 the product pricing that you gave us doesn't really
21 show them as doing any mailings at all.

22 Their only costs are Confirm costs because
23 they're just providing scans that the mailer is
24 putting on mail that they're paying postage on.

25 Q That was a careless use of the term mail on

1 my part.

2 If their Confirm fee charges go up, and they
3 might very well under this changed pricing proposal,
4 would you agree that they would probably have to pass
5 those charges along to their customer?

6 A I don't know what their profit margin is,
7 but I also think it's very possible that given that
8 we're only talking \$46,000 and I would assume that
9 probably that's not one of their most expensive costs,
10 they may not have to increase their cost.

11 They may have enough of a profit margin that
12 increasing their cost is not necessary, so I can't
13 assume that they would have to increase their cost,
14 and I can't assume that they wouldn't.

15 I mean, that would be a business decision
16 they would make based on their business plan that they
17 have. I wouldn't want to step on their toes by making
18 assumptions for them.

19 Q Would you agree that Track My Mail, Gray
20 Hair, other resellers, that their potential to grow
21 their business larger and larger is increased under an
22 unlimited scan pricing structure as contrasted with
23 one where fees are charged for every million units?

24 A Obviously if they pay one fee for an
25 unlimited amount of information or they pay an amount

1 that charges even a trivial amount per piece, an
2 unlimited plan would benefit them.

3 In one of the responses to another
4 interrogatory, which give me a second and I'll find it
5 for you. I believe that we commented it's roughly a
6 little more than 16,000 scans equals \$1. If you give
7 me a second I'll find the citation for you.

8 (Pause.)

9 A The response was to OCA-T40-27, Part (b),
10 and we found that the average price of a scan is
11 roughly 6.1 thousandths of a penny, so it would take
12 16,856 scans to equal \$1.

13 The nature of the interrogatory was about
14 compensating mailers for bad scans. The calculation
15 was a justification for why we feel that it would
16 probably cost us more and thus would increase the cost
17 to mailers if we tried to offer some way of
18 compensating them for bad scans.

19 Q I'm going to go back to Witness Kiefer's
20 testimony again for a moment, and I'm going to read
21 you a statement he made at page 11 of his testimony.

22 He said, "Lower prices for additional scans
23 will encourage mailers to use Confirm on more mail
24 pieces, again benefitting mailers while better helping
25 the Postal Service to achieve its monitoring goals."

1 Do you agree with that statement?

2 A I think that based on the information he had
3 at the time that seemed like a reasonable statement to
4 make, but I don't think that history has proven that
5 to be necessarily an accurate statement.

6 Q So you disagree with the well-established
7 premise that lower prices tend to encourage more usage
8 of a product?

9 A I don't necessarily disagree that lower
10 prices will encourage usage, but I do think that if
11 the option of providing lower prices means the product
12 won't cover its cost and the Postal Service can no
13 longer offer the service it doesn't benefit the
14 resellers. It doesn't benefit the Confirm users. It
15 doesn't benefit the Postal Service.

16 Q That was a compound sentence. The first
17 part of the sentence was you do agree that lower
18 prices tend to spur more usage, correct?

19 A I agree in the general economic principle,
20 but I also believe there are certain products where an
21 increase in prices -- in the economic literature, an
22 increase in price actually increases demand for a
23 product.

24 Q Do you think that's true in Confirm; that if
25 you raised the price that you'll have more demand for

1 it?

2 A I think it's premature to make a statement
3 like that because the product is not fully -- it's
4 still in its infancy. It's still being established.

5 Full demand for the product probably has not
6 been achieved, but given the fact that the choices
7 were raising the rates or eliminating the product if
8 it didn't cover its cost, I don't think we had much of
9 a choice.

10 Q In fact, in response to the Presiding
11 Officer's Information Request No. 4 you projected a
12 reduction in usage, didn't you?

13 A I felt that it was appropriate to assume
14 that there would probably be some decrease in usage as
15 a result; that some mailers may move into seeding and
16 as a result that we might see some decrease in demand,
17 yes.

18 Q So that's an illustration of the first part
19 of that compound sentence you made earlier, right,
20 which is by raising the price on Confirm you expected
21 a reduced amount, correct?

22 A I think that the best decision I could have
23 made to ensure that the product covered its cost was
24 to assume that there would be some erosion in demand
25 as the rates were increased, but, as I said, if the

1 product doesn't cover its cost then the Postal Service
2 can't offer the product.

3 Regardless of what we did, the prices were
4 going to have to go up, so people were going to see
5 price increases. Regardless, demand would have been
6 probably expected to decrease, and it's not because of
7 my pricing proposals. It's because we needed to cover
8 cost and increased prices to do that.

9 Q Okay. You chose to cover those costs in the
10 test year by having a material restructuring in the
11 pricing design, didn't you?

12 A As I stated earlier, I began by looking at
13 whether or not the existing pricing structure could be
14 salvaged. I did not believe that the existing pricing
15 structure could be used with a new set of prices and
16 be confident.

17 There is emphasis on the words "of being
18 confident" that the product would cover its cost. I
19 mean, one of the roles I have is to make sure the
20 product covers its cost through pricing.

21 Q If that's one of your jobs, let me ask you
22 how much discussion you had with current Confirm users
23 to see how they would react to this change in pricing
24 structure.

25 If you're concerned that they maintain their

1 level of usage or increase it, I would imagine you
2 would have wanted to go out and discuss this with
3 them. How many resellers? How many Confirm users did
4 you discuss this proposal with?

5 A I personally did not discuss it with any.

6 Q Let's change to another Confirm related
7 subject now, and that relates to the value of confirm.

8 A Okay.

9 Q Do you agree that Confirm is a valuable
10 service?

11 A I believe that any product that customers
12 use and purchase they must perceive some value or they
13 wouldn't be purchasing the product.

14 Q Does the Postal Service make use of PLANET
15 codes? Do you know?

16 A The Postal Service does use it for internal
17 seeding.

18 Q Could you describe how the Postal Service
19 uses PLANET codes?

20 A If you're interested I can read the response
21 -- I believe there's an institutional response on how
22 the Postal Service uses it -- but I'm not an expert on
23 the operations and how the Postal Service is doing it,
24 and I would feel that I could not do it justice
25 lacking that expertise, but I would be happy to either

1 point you to the right institutional response or read
2 it to you.

3 Q Yes. That would be fine. Thank you.

4 A One second.

5 (Pause.)

6 Q We may be actually able to speed things up a
7 little bit. Let me turn your attention to your
8 response. This is your response to OCA Interrogatory
9 No. 64.

10 A Okay. Just a second. Okay.

11 Q You provided the answer to No. 64, didn't
12 you?

13 A Yes, I did.

14 Q In your response to (b) you say you agree
15 that when the Postal Service seeds the mail with
16 PLANET codes the data generated can be classified as a
17 rich stream of information and that the information
18 helps the Postal Service improve processing
19 efficiency. Did you say that?

20 A Yes, I did, but I believe I was asked
21 whether or not I agreed with Postmaster General
22 Potter's statement with regard to that. I do agree
23 with that statement.

24 Q Can we generalize from Postmaster General
25 Potter's statement that the Postal Service does have

1 value in using PLANET codes for its own management
2 purposes? Is that correct?

3 A It is correct that the Postal Service does
4 use PLANET codes for improving its processes and mail
5 stream flow, but the PLANET codes that it's using are
6 not related to the Confirm service.

7 These are PLANET codes that are put on --
8 I'm paraphrasing from the expertise that was provided
9 in the interrogatory that I couldn't find that was
10 institutional, but the mailer or the pieces are taken
11 out of the mailstream, and a label with a PLANET code
12 is placed on them and they're entered back into the
13 mailstream.

14 The whole system, including the servers, are
15 not related to the Confirm service. They get scans on
16 the same scanners that are scanning all barcodes on
17 mail pieces, but this isn't part of the Confirm
18 service.

19 The Postal Service does use it and has
20 improved efficiency through the use of these PLANET
21 codes that they've applied to mail pieces in the
22 mailstream.

23 Q You just mentioned that the Postal Service
24 improves efficiency based on this seeding that it does
25 using PLANET codes. How does that improve efficiency?

1 A Once again, this is my recollection of what
2 that institutional interrogatory said, but I believe
3 the information that's gathered off those barcodes
4 from those PLANET codes are analyzed by the
5 appropriate people and decisions are made.

6 Like I say, I'm not an expert on that, and I
7 wouldn't want to make more of a statement than that.

8 Q Let me draw your attention to another answer
9 that you provided. This is your answer to OCA
10 Interrogatory No. 28, Part (b).

11 In Part (b) in the second sentence of the
12 answer it's a compound sentence, but in the first part
13 of it you say, "Beyond the extent that Confirm
14 provides a new tool for identifying and resolving mail
15 processing flow problems..." and you go on to say
16 something about first class mail.

17 Let's turn that first part of the sentence
18 into a positive statement, or at least I'll try to do
19 that with you. Do you agree that Confirm provides a
20 new tool for identifying and resolving mail processing
21 flow problems?

22 A I believe that it is used in that way, yes.

23 Q Do you suppose --

24 A Actually, sorry. Let me restate that. I
25 would have to say that I believe that a more accurate

1 interpretation of that would be that the PLANET
2 codes -- there's two different portions of Confirm.
3 There's Confirm the concept and there's Confirm the
4 product.

5 The Confirm program would be the same one
6 that allows the Postal Service to utilize PLANET
7 codes. It is distinctly different than the Confirm
8 service, which is the product that is used by the
9 customers.

10 I do believe throughout all my responses
11 that we tried to differentiate between when it's
12 Confirm service and when it's Confirm, which was
13 intended to mean the program, not the product. Sorry
14 if it wasn't clear.

15 Q Okay. So what you just said was that the
16 Postal Service sees value in the Confirm product, but
17 not necessarily the Confirm service. Is that correct?

18 A The Postal Service sees value in using -- I
19 don't think it's an accurate statement. The Postal
20 Service sees value or gains value, gains intentional
21 internal value for improving processes, by using
22 PLANET codes, placing PLANET codes on mail pieces in
23 the mailstream.

24 I don't think it would be accurate to say
25 the Postal Service doesn't see any value on the

1 Confirm product.

2 Q Okay. So you're saying that there's
3 actually value in the way the Postal Service uses
4 Confirm and also in the way its customers use Confirm,
5 correct?

6 A The way the Postal Service uses the Confirm
7 program, which would be using it for placing PLANET
8 codes on mail pieces that are in the mailstream, and
9 for the Postal Service to be willing to continue
10 offering the product at all I would have to assume the
11 Postal Service would say that we do see value in the
12 Confirm service or Confirm product.

13 I mean, those would be synonymous in my
14 mind, Confirm service or Confirm product, which would
15 be different than the Confirm program or the internal
16 seeding program.

17 Q And one of the ways that the Postal Service
18 obtains value from the Confirm program, and I'm
19 referring again to your answer to 28, is that Confirm
20 provides a new tool for identifying and resolving mail
21 processing flow problems. Is that correct?

22 A The use of barcodes for internal seeding,
23 yes.

24 Q Now, if Confirm customers apply PLANET codes
25 to their mail pieces and the PLANET codes on those

1 pieces can be monitored, isn't it correct that that
2 might also be a tool for identifying and resolving
3 mail processing flow problems?

4 A I think in my response to -- hold on. Let
5 me find the response.

6 (Pause.)

7 A I think my response to OCA-20 points out
8 that while the original intent of the Postal Service
9 was to use customer scans as part of our process for
10 improving the mailstream, the flow of the mailstream,
11 we found that due to the poor quality of the
12 preshipment notification, and by that there is --

13 Q Let me interrupt you just for a second.

14 A Actually, can I please finish?

15 Q I didn't ask you about delivery performance.
16 I asked you about mail flows.

17 This hearing is going to go on just an
18 uncomfortably long period of time if you don't respond
19 to the questions that I put to you. I did not ask you
20 about delivery performance time.

21 Listen carefully, please, to my question. I
22 asked you whether the Postal Service could also
23 identify mail flow problems by looking at the PLANET
24 codes that are scanned as they move across Postal
25 Service equipment. Again, I'm going to emphasize I

1 did not ask you anything about delivery time
2 performance.

3 A I apologize if I misinterpreted your first
4 question or the way you asked the question the first
5 time.

6 While it is possible that the Postal Service
7 could benefit from using those PLANET codes, but it
8 did not find that to be the case, the Postal Service
9 installed an internal seeding program and relies on
10 those scans for those purposes.

11 As such, once again this is not my area of
12 expertise, but I have a great deal of faith that my
13 fellow Postal workers made a decision that allows them
14 to make the process flow as smooth as possible and
15 improve the performance as good as possible, as I'm
16 sure that's what the underlying goal of the Postal
17 Service is to do by reducing these costs, by improving
18 performance and reducing costs.

19 I can't imagine that we would have chosen to
20 use internal seeding if we felt that we could get
21 equal or better performance by using customer scans.

22 Q Have you ever discussed with any of the
23 operational experts at the Postal Service whether
24 impeded mail flows, for example, could be ascertained
25 by observing the scan data on customer PLANET coded

1 mail?

2 A I believe in my response to OCA-20 we did
3 mention that the customers have been known to use
4 their scans that they receive to bring to the
5 attention of the Postal Service when they thought
6 there were problems with the flow of their mail, but I
7 don't have any expertise and I don't have any direct
8 information about whether or not -- I mean, that's as
9 much as I can respond to your question.

10 Q So I think what you've just said is that
11 when customers identify mail flow problems by
12 observing the travel paths and the travel times for
13 their own particular mail that they may bring those
14 matters to the attention of Postal officials, and the
15 Postal Service then may take action to correct the
16 problems. Would that be a correct statement?

17 A Your assumption is as good as mine in that.
18 I would assume. I mean, that doesn't seem
19 unreasonable.

20 Q Okay. If that doesn't seem unreasonable,
21 would you agree that the more such information the
22 Postal Service can get from mailers the better picture
23 it will have of the entire mail flow system?

24 A The problem is I can't answer that because I
25 don't know how many complaints we get resulting from

1 Confirm that are about mail flow. I have no idea. I
2 don't know if it's one or if it's a million. I would
3 feel uncomfortable.

4 I mean, the Postal Service has made a
5 conscious effort to use internal seeding to address
6 these issues. I can't imagine the Postal Service
7 would ignore a customer that called up and felt that
8 there was a complaint, but I don't know that we get a
9 rich source of information from customers in that
10 manner.

11 Q You just don't know is what you're saying?
12 It may be a rich source, but you don't know
13 personally?

14 A I'm a pricing witness. I'm not an
15 operations witness. I mean, the internal seeding
16 program is not a part of the Confirm product and
17 doesn't affect the pricing of the product. I mean,
18 it's not an area that I profess any expertise in, and
19 I would feel wrong to try to --

20 I mean, there are experts in the Postal
21 Service on that subject matter, and there are
22 operations witnesses I believe, but that's not
23 something that I would feel -- I mean, I'm not in
24 operations. I would feel uncomfortable trying to do
25 their job.

1 Q Okay. Let's now go to the next topic, which
2 is the topic of insurance.

3 A Okay.

4 Q You're proposing the prices for insurance in
5 this proceeding, are you not?

6 A That is correct.

7 Q And with the exception of unnumbered
8 insurance, I think you're proposing that the insurance
9 fees actually be lower in your proposal than current
10 fees. Is that correct?

11 A There are 51 fee cells in insurance. Forty-
12 eight of those are proposed to go down. One of the
13 three that are proposed to go up, I believe the
14 increase is one percent. Yes.

15 Q What are the reasons you're proposing fee
16 reductions in 48 cells?

17 A Over the past few years, the total cost of
18 insurance, the portion of the cost for insurance that
19 are associated with the indemnity, have decreased.

20 For what had traditionally been numbered
21 insurance, now which would be something more
22 accurately called something along the lines of
23 insurance requiring a signature, I chose to decrease
24 the incremental fee per 100 to reflect the fact that
25 the costs for indemnity have decreased, so I proposed

1 a decrease for the additional 100 fee from \$1.05 to 90
2 cents.

3 Q Do you know the causes for the indemnity
4 expense being lower in recent years than it had been
5 formerly?

6 A Probably part of it, I believe there's been
7 a decrease in demand for the insurance products, a
8 small decrease, but I think part of it is just the
9 fact that the Postal Service has experienced less
10 loss, less damage of the items that have been insured.

11 Q Is it possible that even when loss and
12 damage occurs on an insured item that the Postal
13 Service has made it very difficult for a claimant to
14 be indemnified, and therefore ultimately the Postal
15 Service does not make the indemnity payments that it
16 might have if the process had run more smoothly?

17 A I personally don't believe that's the case,
18 but I do know that others do feel that way.

19 Q What is your personal belief based on?

20 A Based on some information that we submitted
21 in the R2005-1 case in Transcript Volume 8-C, pages
22 454-58, which is a response to Douglas Carlson's
23 Institutional Interrogatory No. 23 to the Postal
24 Service.

25 We provided a list of claims for fiscal year

1 2004 and why claims were denied. Based on some
2 analysis I did on that response, so this is
3 information that is on the record, I didn't see that
4 the Postal Service was particularly unfair by any
5 means in responding to claims.

6 Actually there were 14,000 denials in fiscal
7 year 2004 that we had records for. We had some
8 computer changes, and not all the information was in
9 there. Out of the 14,000 that were available, out of
10 the 14,000 that were denied, which is out of a total
11 of I believe 82,000 that were approved, the calls for
12 these denials -- 82,751 were paid and 14,000 were
13 denied.

14 Out of the 14,000 that were denied, 3,651 of
15 those were denied because the claim was for the
16 package not having arrived, but we have a signature on
17 file for someone signing for that package. That
18 accounts for 26 percent of all the claims that were
19 denied.

20 Twenty-three percent of the claims were
21 denied because customers, when the Postal Service
22 contacted them because we needed additional
23 information to resolve their claim, no additional
24 information was provided or wasn't provided in a
25 timely manner.

1 Twenty-six point five percent of the claims
2 were denied because the claims weren't filed in a
3 timely manner, so those three alone account for about
4 75 percent of the claims.

5 Q Mr. Mitchum, I'm going to have to interrupt
6 you again because again you're trying to inundate the
7 record with information that I didn't ask you for.

8 A I actually --

9 Q What I asked you, and you'll have to listen
10 very carefully to my question. My question was
11 whether the Postal Service might have had a process in
12 place that made it very difficult for insurance
13 purchasers to be indemnified.

14 I'll be specific here so we can save
15 ourselves some time. Would you turn to OCA
16 Interrogatory No. 75 to you, please, and then go to
17 Part (h)?

18 A Okay.

19 Q Are you there?

20 A Yes.

21 Q OCA asked you how many claims, insurance
22 claims, are left unresolved, and your answer is, "Due
23 to the manner in which the data are stored, it is not
24 possible to identify the number of unresolved claims."
25 Is that correct? Is that what you said?

1 A That is correct.

2 Q So you were just reciting a list of facts
3 for claims that were paid, were you not?

4 A Actually, I was giving you information on
5 claims that were resolved.

6 Q Right. My initial question really related
7 to claims that are unresolved.

8 The Postal Service has no metric, as I
9 understand it, for determining how many customers who
10 initiate the claims process become discouraged by the
11 processing of that claim by the Postal Service and
12 just give up. Am I correct on that?

13 A Actually, I believe the reason my response
14 was what it was was the fact that if a customer's
15 claim is denied the customer has the right to appeal,
16 and until the period in which that claim has expired,
17 the time period for the appeal has expired, that claim
18 is considered to be unresolved. It continues on if
19 the customer were to file an appeal.

20 After that appeal was denied, if it were
21 denied, then once again there's a second appeal
22 process, so until the time period between the first
23 appeal ends and the expiration period for the filing
24 of the second appeal I believe the reason that the
25 information is not available is because those are

1 classified as unresolved.

2 They may actually be resolved, but we don't
3 have final resolution on them because it is possible
4 that a customer may be filing an appeal.

5 Q When a customer wants to submit a claim to
6 the Postal Service -- I'll just pick out one reason --
7 for damage to an item, the customer believes that the
8 item was entered in good condition and it has been
9 damaged while in the custody of the Postal Service.

10 Am I right that the customer has to go to a
11 retail office and show a clerk the damaged item and
12 the container that it was in?

13 A I don't necessarily agree with that
14 statement. I'm not fully knowledgeable of the claims
15 process, but I thought there was a provision for
16 damage below a certain level, but I could be wrong.

17 I mean, we're in the process of changing.
18 It's moving to an on-line claim, making on-line claims
19 available. Some of the discussions I've had with that
20 -- unfortunately it's possible that my facts are
21 muddled between the two so I wouldn't feel adequately
22 familiar with all the steps of the claims process.

23 Once again, I'm not an operations witness.
24 I'm a pricing witness.

25 Q Let's assume, subject to check, that when a

1 customer wants to make a claim for damage that the
2 damage has to be inspected by a postal clerk. Would
3 you accept that subject to check?

4 A Sure.

5 Q Okay. I believe you've answered
6 interrogatories on this. If you can't recall, I'll
7 find out where you made these statements.

8 The customer then fills out the top portion
9 of a claim form, and the employee is supposed to fill
10 out the bottom portion of the claim form. Is that
11 correct?

12 A Yes, it is.

13 Q There are several things that may happen in
14 that situation. Let's say the customer submits and
15 properly fills out the top part of the claim form.

16 Is it possible that an employee may not fill
17 out or may not properly fill out the bottom part of
18 the claim form? Is that a possibility?

19 A Anything is possible. Whether or not it's
20 probable I don't have the knowledge to know, but
21 anything is possible.

22 Q Okay. It's also possible that even if that
23 form has been filled out properly that the employee
24 does not send it off ever or possibly doesn't send it
25 off in a timely manner. Is that possible?

1 A It is possible, yes.

2 Q And it's also possible that when the
3 employee sends it off that the mail piece it has been
4 placed in, that the form has been placed in, has not
5 been properly addressed. Is that possible?

6 A Once again, anything is possible. Yes.

7 Q Up to this point in these possible scenarios
8 the claim actually was never received by the
9 Accounting Service Center in St. Louis, correct?

10 A If you say so. Sure. I mean, if it's
11 misaddressed and it ended up in the wrong place, it
12 ended up in the wrong place. Yes.

13 Q Okay. So it's not just because I say so.
14 Is there reason to think that that wouldn't --

15 A One of the things I've learned since I've
16 been an employee of the Postal Service is it's amazing
17 how wrong an address on a letter can be, and it can
18 still get to where it's going. Just because it's not
19 addressed exactly correctly doesn't mean it doesn't
20 end up where it's going.

21 To me, it was one of the epiphanies of the
22 job. I was shocked to see how wrong an address can be
23 and it can end up in the right place.

24 Q Right. So a mail piece may be improperly
25 addressed, and it's conceivable. Sometimes it will

1 find its way to the Accounting Service Center.

2 Sometimes it will not. That's possible too, isn't it?

3 A Completely.

4 Q Am I right that the Postal Service wouldn't
5 even count that as a claim at all, would it?

6 A I don't know if it would, if it ended up in
7 the Mail Recovery Center if it would end up being
8 forwarded back to St. Louis or not. I don't know.

9 I'm not aware of the process. I mean,
10 that's once again outside of my area of knowledge.

11 Q Right. What I'm positing is an insurance
12 claim that never made its way to the Accounting
13 Service Center. That wouldn't even be counted as a
14 claim, would it?

15 A No, it wouldn't, but I believe the Postal
16 Service does tell the mailers that if they don't hear
17 anything to file a second claim. It's in the manuals
18 that if they don't hear anything they should file --
19 it might be in their best interest to file an
20 additional claim or refile the claim.

21 Q Okay. So it's possible that a claim is
22 submitted and it never finds its way to the Accounting
23 Service Center, so a customer has to come back to the
24 retail facility and go through the process again?
25 That's possible too, isn't it?

1 A It is possible, yes.

2 Q And it's possible that after the paperwork
3 is submitted to the Accounting Service Center they may
4 deny the claim? Is that possible?

5 A If they feel the claim is invalid they would
6 deny it, yes.

7 Q Right. Now, the customer, for his or her
8 part, may feel that it is valid, and they may then
9 appeal it. Is that correct?

10 A That is correct.

11 Q And chances are they'd have to send
12 additional information to the Accounting Service
13 Center, true?

14 A True.

15 Q And if the claim continues, if the appeal is
16 denied then the customer has one more chance to bring
17 an appeal to the Consumer Advocate of the Postal
18 Service, correct?

19 A Yes.

20 Q And that may be denied also, right?

21 A If it was felt after being investigated by a
22 staff that goes through, in my opinion and my
23 experience, and makes an incredible effort to validate
24 whether or not the claim should be -- they look at it
25 very sincerely, and if they still feel after looking

1 at it that it needs to be denied then yes, they will
2 deny it.

3 Q Right. So customers through a series of
4 unfortunate events, sometimes not their misfortune,
5 but Postal Service inappropriate actions with an
6 insurance claim, it's possible that customers may get
7 discouraged and just give up pursuing the claim to its
8 conclusion?

9 A While that is a possibility, it's also
10 possible that the person is filing a fraudulent claim,
11 and they are not continuing the process because they
12 don't want to be found committing fraud. Yes, it is
13 possible also that they get discouraged.

14 Q Right. Do you know how many instances of
15 fraud there are on the part of customers?

16 A Actually, I would guess that you could
17 classify -- I mean, I don't want to blanket our
18 customers by calling them fraudulent, but, as I noted
19 before based on the information we filed in response
20 to Mr. Carlson, 26 percent of all denials are because
21 the customer claimed that the item hadn't been
22 delivered, and we have a signature on file. Would I
23 say that means there's a significant amount?

24 Additionally, another 3.7 percent of the
25 claims, they file a receipt that's dated after the

1 item was mailed. If you consider that to be
2 fraudulent, which it may or may not be, that's 30
3 percent right there.

4 I think that means the Postal Service needs
5 to be very diligent in making sure that it only pays
6 claims that are valid and that we do have customers
7 that do try to commit fraud.

8 We have an inspection service because people
9 are bad people. Not all their time is devoted to try
10 to capture people that are defrauding us of insurance,
11 but there are bad people in the world, and we need to
12 make an effort.

13 If we don't make any effort to catch
14 fraudulent claims then we end up paying all claims,
15 and then the cost of insurance goes up even more and
16 people figure out that we're going to pay all claims,
17 and then more fraudulent people are going to start
18 filing insurance.

19 I don't think that the Postal Service is
20 remiss in assuming that we do have some fraudulent
21 claims.

22 Q If you look at the Postal Service's attitude
23 towards payment of claims on a continuum, you spoke
24 about one end of the continuum where the Postal
25 Service would accept any kind of evidence that a

1 claimant would submit and there would be rampant
2 fraud. The Postal Service would overpay and pay when
3 it wasn't appropriate to pay on insurance claims.

4 A Okay.

5 Q Is it possible that the Postal Service's
6 treatment of insurance claimants may actually lie at
7 the other end of the continuum where the Postal
8 Service has honest, decent people who have used the
9 Postal Service in good faith and because of this high
10 level of mistrust or because of ineptitude in the way
11 the insurance claim is processed may make it so
12 difficult for claimants that many of them just give
13 up, and therefore the Postal Service doesn't need to
14 indemnify those customers?

15 A I'm not going to claim that the Postal
16 Service doesn't make mistakes in the way it handles
17 some claims.

18 I don't think that anybody is perfect. I
19 don't think the Postal Service should be expected to
20 be perfect. I mean, we should strive for perfection,
21 but I think it's unrealistic to think that we're going
22 to handle 100,000 claims without making any errors.

23 Additionally, we recognize that there are
24 problems and there have been problems in the way
25 claims are processed. They're in the process of

1 implementing an on-line claims process which will
2 allow customers to fill out their claim form on line.

3 They will not be allowed to submit their
4 claim unless they have all the information provided,
5 which will get rid of one of the problems that we
6 have, which accounts for I think 23 or 26 percent of
7 all claims is that the mailers fail to provide
8 additional information that's needed after we request
9 it.

10 The claim will automatically be sent to St.
11 Louis, and it will be started in the system of whether
12 or not it's going to be in the adjudication process.
13 The Postal Service does recognize there's a problem,
14 but it's not like we are not taking it very seriously.

15 This is a very expensive undertaking for the
16 Postal Service, and we don't want to end up rolling
17 out an on-line claim system that doesn't allow the
18 customer to feel confident. We don't want a customer
19 to end up with a bad experience because they filed a
20 claim on line and we have a bug, so we want to make
21 sure when we roll it out that it rolls out correctly.

22 We expect it will reduce the time for claim
23 processing substantially because a couple of the big
24 areas that we have problems in will go away. The
25 claims will be submitted accurately by the customer,

1 and the claims will be submitted timely.

2 I mean, this is something that the Postal
3 Service is trying to resolve, and we think we're
4 making a very sincere effort to do it in the most
5 efficient way possible.

6 Q Mr. Mitchum, I'm going to have to question
7 how serious the Postal Service is about perfecting its
8 processing of insurance claims.

9 We asked you, and I don't have the
10 interrogatory in front of me. If you want to refer to
11 it I'll try to find it. OCA asked you whether the
12 Postal Service separately identifies complaints about
13 insurance and does something in response to that.

14 Do you recall what your answer was to that
15 question?

16 A I believe my response to that question was a
17 reference to another interrogatory that was responded
18 to.

19 There were very few interrogatories on
20 insurance, unlike Confirm, so I'm sure I can find my
21 response rather quickly.

22 Q I think we would be very pleased with a
23 reduced time.

24 Let me interrupt just for a second. I can
25 cut this short a little bit. I did find our response

1 to an OCA interrogatory. I placed it under my
2 notebook here.

3 Could you turn your attention to your
4 response to OCA Interrogatory No. 77, please?

5 A Sure.

6 Q OCA asked you to file as a library reference
7 the 500 most recent insurance complaints submitted to
8 the Postal Service, and your answer was, "The
9 information is not available because records of
10 complaints are not identified by special service."
11 Was that your answer?

12 A Yes, it was.

13 Q And that means that the Postal Service does
14 not make any effort that you can share with us to
15 identify complaints about insurance and thereby take
16 action on them? Am I correct?

17 A I would not be able to answer that. I mean,
18 I can't respond to that.

19 I would assume that when a complaint comes
20 in the Postal Service addresses each complaint or at
21 least reviews each complaint. I don't know. I'm not
22 the one that maintains that database. I don't know
23 why the data is handled as it is.

24 All I can do is respond with what I was
25 told, and what I was told was the information is not

1 available because the records of complaints are not
2 identified by special service, which to some extent
3 makes sense because how do you classify something that
4 was a piece of Priority Mail that had insurance, was
5 certified with insurance and had delivery
6 confirmation?

7 Is that four different records, or is that
8 one record? Is it unnumbered insurance or numbered
9 insurance? I mean, it gets difficult, and I don't
10 know how the complaints were resolved.

11 They may deem that it's not necessary to
12 maintain them in that manner, or they may have -- you
13 know, this is way outside of my area of knowledge.

14 Q All right. The fact is that it sounds like
15 you speculate that it's difficult for the Postal
16 Service to manage more than one product characteristic
17 at a time. They can't deal with Priority Mail that
18 has insurance added and therefore can't systematically
19 identify insurance complaints. Is that your
20 speculation?

21 A No. I'm saying that it may not be as simple
22 as it appears on the face, and there may be reasons
23 for why they're doing it.

24 Once again, I'm not an expert. I don't work
25 in the Consumer Affairs Office. I'm not sure how the

1 complaints are handled. I'm a pricing witness.

2 Q Well, whether it's simple or hard to do it,
3 the fact is the Postal Service doesn't do it, and
4 that's what your answer tells us, right?

5 A To the best of my understanding, the data
6 wasn't available. Yes.

7 BY MS. DREIFUSS:

8 Q Could you turn to your answer to OCA
9 Interrogatory No. 74, please? I'm sorry. Not No. 74,
10 No. 73.

11 A Okay.

12 Q In this interrogatory OCA asked you to give
13 a detailed description of the training given to postal
14 clerks on how to submit an insurance claim on behalf
15 of claimants. Is that correct?

16 A In which portion of that?

17 Q That's the initial part of the question, the
18 very first statement in the question. Give a detailed
19 description of the training given to postal clerks on
20 how to submit an insurance claim on behalf of
21 claimants. Is that what we ask you?

22 A Which interrogatory was that again?

23 Q OCA No. 73 to you.

24 A I'm sorry. I don't believe I have that one.
25 If it was filed I think we filed it after I finished

1 putting my book together.

2 Q Okay. I may have another copy. If you want
3 me to get it out I'll locate the second copy.

4 A If you wouldn't mind I'd appreciate that.

5 CHAIRMAN OMAS: Does counsel have a copy to
6 give the witness?

7 (Nonverbal response.)

8 CHAIRMAN OMAS: Thank you, Mr. Rubin.

9 THE WITNESS: I apologize to the
10 Commissioners for the oversight.

11 CHAIRMAN OMAS: That's okay.

12 Thank you, Mr. Rubin.

13 THE WITNESS: I apologize as well --

14 BY MS. DREIFUSS:

15 Q Do you have it in front of you now?

16 A Yes, ma'am.

17 Q Okay. So OCA said give a detailed
18 description of the training given to postal clerks on
19 how to submit an insurance claim on behalf of
20 claimants. Am I right that's the first part of our
21 question?

22 A Yes.

23 Q We then say provide all training materials,
24 and we then ask you how many hours of training are
25 required and we finish up by saying or asking how

1 often are clerks tested to see if they have a good
2 understanding of how to process an insurance claim?
3 Would I be correct in surmising that what you provided
4 would be a full answer to that question?

5 All that, the training of postal clerks, is
6 contained in these several pages that were attached to
7 the response?

8 A To the best of my knowledge that's true.

9 Q There's some kind of testing at the end of a
10 two week period which involves other training than
11 with respect to insurance claims. Is that correct?

12 A I believe it's a two week training process
13 for the clerks and part of which is how to handle
14 claims. Yes.

15 Q Okay. Then at the end of the two weeks the
16 clerks are tested?

17 A That is my understanding.

18 Q Do you know what happens if they don't pass
19 the test?

20 A No, I do not.

21 Q At any rate once that training period is
22 over, the two weeks, there's no additional testing of
23 a clerk's understanding of how to process an insurance
24 claim. Is that what your answer says?

25 A Yes, it is.

1 Q Do you know of any other programs in the
2 Postal Service to monitor how well clerks are
3 processing insurance claims or starting that process?

4 A Well, just a second. I believe you
5 requested that I review the POM Section 147, which I
6 think you intended to be 146, and it appears to me
7 there's a quarterly review about how claims are being
8 handled, so I would assume that is what -- I mean, if
9 there is something I would assume that's it.

10 Q Yes. I noticed the quarterly review, also.
11 Did you investigate that at all to see whether those
12 quarterly reviews are as faithfully produced in every
13 office where insurance claims are processed?

14 A This was brought to my attention. I think
15 you requested David give it to me yesterday and in
16 preparing it did not unfortunately -- other than
17 reading what you provided I did not have any time to
18 investigate.

19 MS. DREIFUSS: I have no further questions,
20 Mr. Chairman.

21 CHAIRMAN OMAS: Thank you, Ms. Dreifuss.

22 Is there anyone else who wishes to cross-
23 examine Witness Mitchum?

24 (No response.)

25 CHAIRMAN OMAS: Are there any questions from

1 the bench?

2 (No response.)

3 CHAIRMAN OMAS: Mr. Rubin, that being the
4 case would you like some time with your witness?

5 MR. RUBIN: We could use five minutes or
6 maybe we can --

7 CHAIRMAN OMAS: No. I plan to do a break
8 with it. You do need time?

9 MR. RUBIN: Yes.

10 CHAIRMAN OMAS: Okay. That being the case
11 let's come back at 11:20, okay? Thank you.

12 (Whereupon, a short recess was taken.)

13 CHAIRMAN OMAS: Would you please be seated.
14 Mr. Rubin?

15 MR. RUBIN: Thank you.

16 REDIRECT EXAMINATION

17 BY MR. RUBIN:

18 Q Mr. Mitchum, in discussing your response to
19 MMA Interrogatory No. 4 you referred to 300,000 pieces
20 of mail being tracked at the second highest level in
21 the table in that response. Was that a proper
22 reference?

23 A No. I think I actually also said that it
24 was 750,000 SCANS and it was supposed to be 750
25 million SCANS and 300 million pieces.

1 MR. RUBIN: Thank you. I have no further
2 questions.

3 CHAIRMAN OMAS: Is there any re-cross?

4 (No response.)

5 CHAIRMAN OMAS: There being none, Mr.
6 Mitchum, that completes your testimony here today. We
7 thank you for your contribution and your candor and
8 you did a great job on your first appearance before
9 us. Thank you. You are now excused.

10 THE WITNESS: Thank you very much.

11 (Witness excused.)

12 CHAIRMAN OMAS: Mr. Heselton, will you
13 please introduce your witness?

14 MR. HESELTON: Thank you, Mr. Chairman. The
15 Postal Service calls Marc A. Smith to the stand.

16 CHAIRMAN OMAS: Mr. Smith, would you please
17 raise your right hand?

18 Whereupon,

19 MARC A. SMITH

20 having been duly sworn, was called as a
21 witness and was examined and testified as follows:

22 CHAIRMAN OMAS: Thank you. Please be
23 seated.

24 (The document referred to was
25 marked for identification as

1 Exhibit No. USPS-T-13.)

2 DIRECT EXAMINATION

3 BY MR. HESELTON:

4 Q Mr. Smith, earlier I handed you two copies
5 of a document entitled direct testimony of Marc A.
6 Smith on behalf of the United States Postal Service
7 marked as USPS-T-13. I'm now giving these copies to
8 the reporters. Did you have a chance to examine them?

9 A Yes, I did.

10 Q Was this testimony prepared under you or
11 under your direction?

12 A Yes, it was.

13 Q Do you have any changes or corrections to
14 make at this time?

15 A No, I do not.

16 Q So if you were to testify orally today your
17 testimony would be the same?

18 A Yes.

19 MR. HESELTON: Mr. Chairman, I ask that the
20 direct testimony of Marc A. Smith on behalf of the
21 United States Postal Service marked as USPS-T-13 be
22 received as evidence at this time.

23 CHAIRMAN OMAS: Is there any objection?

24 (No response.)

25 CHAIRMAN OMAS: Hearing none I will direct

1 counsel to provide the reporter with two copies of the
2 corrected direct testimony of Marc A. Smith. That
3 testimony is received into evidence. However, as is
4 our practice it will not be transcribed.

5 (The document referred to,
6 previously identified as
7 Exhibit No. USPS-T-13, was
8 received in evidence.)

9 (The document referred to was
10 marked for identification as
11 Exhibit No. USPS-T-13.)

12 CHAIRMAN OMAS: Mr. Smith, have you had an
13 opportunity to examine the packet of designated
14 written cross-examination provided to you this
15 morning?

16 THE WITNESS: Yes, I have.

17 CHAIRMAN OMAS: If those questions contained
18 in that packet were asked to you orally today would
19 your responses be the same?

20 THE WITNESS: Yes, they would.

21 CHAIRMAN OMAS: Are there any corrections or
22 additions you would like to make to those answers?

23 THE WITNESS: No. No, sir.

24 CHAIRMAN OMAS: Thank you.

25 Counsel, would you please provide two copies

1 of the corrected designated written cross-examination
2 of the Witness Smith to the reporter. That material
3 is received into evidence and is to be transcribed
4 into the record.

5 (The document referred to,
6 previously identified as
7 Exhibit No. USPS-T-13, was
8 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS MARC A. SMITH
(USPS-T-13)

<u>Party</u>	<u>Interrogatories</u>
Alliance of Nonprofit Mailers	MPA/USPS-T13-1
American Bankers Association and National Association of Presort Mailers	ABA-NAPM/USPS-T13-1-2 ABA-NAPM/USPS-T22-11c redirected to T13
American Postal Workers Union, AFL- CIO	APWU/USPS-T13-1-2
Greeting Card Association	GCA/USPS-T13-1-2
Magazine Publishers of America	MPA/USPS-T13-1
Major Mailers Association	MMA/USPS-T13-1-2 MMA/USPS-T22-2a redirected to T13
Office of the Consumer Advocate	APWU/USPS-T13-1 PSA/USPS-T13-2, 6-9
Parcel Shippers Association	PRC/USPS-POIR No.10 - Q02, 03, 04 redirected to T13 PSA/USPS-T13-1a, c-e, 2-14

PartyInterrogatories

Postal Rate Commission

ABA-NAPM/USPS-T13-1-2
ABA-NAPM/USPS-T22-11c redirected to T13
APWU/USPS-T13-1-2
GCA/USPS-T13-1-2
MMA/USPS-T13-1-2
MMA/USPS-T22-2a redirected to T13
MPA/USPS-T13-1
MPA/USPS-T4-1 redirected to T13
MPA/USPS-T42-1c redirected to T13
PRC/USPS-POIR No.4 - Q01, 02,16, 17,
POIR No.6 - Q03, 05, POIR No.8 - Q03,
POIR No.10 - Q02, 03, 04 redirected to T13
PSA/USPS-T13-1a, c-e, 2-14
PSA/USPS-T4-1b redirected to T13
VP/USPS-T13-1

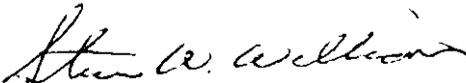
United Parcel Service

PSA/USPS-T13-3

Valpak Direct Marketing Systems, Inc.
and Valpak Dealers' Association Inc.

VP/USPS-T13-1

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS MARC A. SMITH (T-13)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
ABA-NAPM/USPS-T13-1	ABA-NAPM, PRC
ABA-NAPM/USPS-T13-2	ABA-NAPM, PRC
ABA-NAPM/USPS-T22-11c redirected to T13	ABA-NAPM, PRC
APWU/USPS-T13-1	APWU, OCA, PRC
APWU/USPS-T13-2	APWU, PRC
GCA/USPS-T13-1	GCA, PRC
GCA/USPS-T13-2	GCA, PRC
MMA/USPS-T13-1	MMA, PRC
MMA/USPS-T13-2	MMA, PRC
MMA/USPS-T22-2a redirected to T13	MMA, PRC
MPA/USPS-T13-1	ANM, MPA, PRC
MPA/USPS-T4-1 redirected to T13	PRC
MPA/USPS-T42-1c redirected to T13	PRC
PRC/USPS-POIR No.10 - Q02 redirected to T13	PRC, PSA
PRC/USPS-POIR No.10 - Q03 redirected to T13	PRC, PSA
PRC/USPS-POIR No.10 - Q04 redirected to T13	PRC, PSA
PRC/USPS-POIR No.4 - Q01 redirected to T13	PRC
PRC/USPS-POIR No.4 - Q02 redirected to T13	PRC
PRC/USPS-POIR No.4 - Q16 redirected to T13	PRC
PRC/USPS-POIR No.4 - Q17 redirected to T13	PRC
PRC/USPS-POIR No.6 - Q03 redirected to T13	PRC
PRC/USPS-POIR No.6 - Q05 redirected to T13	PRC
PRC/USPS-POIR No.8 - Q03 redirected to T13	PRC
PSA/USPS-T13-1a	PRC, PSA
PSA/USPS-T13-1c	PRC, PSA
PSA/USPS-T13-1d	PRC, PSA
PSA/USPS-T13-1e	PRC, PSA
PSA/USPS-T13-2	OCA, PRC, PSA
PSA/USPS-T13-3	PRC, PSA, UPS
PSA/USPS-T13-4	PRC, PSA
PSA/USPS-T13-5	PRC, PSA
PSA/USPS-T13-6	OCA, PRC, PSA

Interrogatory

PSA/USPS-T13-7
PSA/USPS-T13-8
PSA/USPS-T13-9
PSA/USPS-T13-10
PSA/USPS-T13-11
PSA/USPS-T13-12
PSA/USPS-T13-13
PSA/USPS-T13-14
PSA/USPS-T4-1b redirected to T13
VP/USPS-T13-1

Designating Parties

OCA, PRC, PSA
OCA, PRC, PSA
OCA, PRC, PSA
PRC, PSA
PRC, PSA
PRC, PSA
PRC, PSA
PRC, PSA
PRC
PRC, Valpak

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS**

ABA-NAPM/USPS-T-13-1. In the PRC version of your mail processing cost pool spread sheet, you have provided FY2005 base year unit costs by cost pool and calculated total. See LR-L-99, file shp05prc.xls. In the USPS version, however, you have not provided the corresponding table for FY2005 base year unit costs. See LR-L-53. Please provide that table with the same labels for rows as used in your table for TY2008 unit mail processing costs by cost pool and calculated total.

RESPONSE:

The requested table is provided in Library Reference USPS LR-L-143, "Base Year Mail Processing Costs by Shape, USPS Version."

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS**

ABA-NAPM/USPS-T13-2.

In LR-L-99, you provide the unit mail processing costs for First Class Single Piece Metered Letters in this case using the PRC methodology. Please provide the same information as found in PRC TY Letters (4), pages 1 through 5, by cost pool and total using the USPS methodology.

RESPONSE:

This information is provided in my response to APWU/USPS-T13-2. See spreadsheet SmithAttachmentQ2.xls, sheet Letters (4), row 47. See also witness Van-Ty-Smith's response to APWU/USPS-T11-1, which confirms the First-Class single-piece metered mail volume variable mail processing labor costs provided by APWU. These labor costs were used in the spreadsheet SmithAttachmentQ2.xls (on sheet Letters, row 51) to obtain the results on sheet Letters (4), row 47.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH, USPS-T-13,
TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS ABDIRAHMAN**

ABA-NAPM/USPS-T22-11. Attached please find two figures from USPS witness Shah's testimony in N2006-1, one labeled "Current Network Complexities", the other labeled "Network Simplification".

(a) To what degree are the current network complexities reflected in your mail flow and cost models, or excluded from them?

(b) On page 3 of his testimony in N2006-1, USPS witness Shah refers to "complexities and redundancies of today's network". Do your mail flow models and cost models fully reflect those redundancies? If so, please explain exactly where in your models the redundancies are modeled. If not, why do your models not reflect the current redundancies?

(c) Please confirm that the CRA costs must reflect current network complexities and redundancies? Explain fully any failure to confirm without qualification.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH, USPS-T-13,
TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS,
REDIRECTED FROM WITNESS ABDIRAHMAN**

- c. I confirm that the FY 2005 CRA reflects conditions as they were in FY 2005. I have no position on whether or not there were "network complexities and redundancies" in FY 2005. If one takes as a given that there were "network complexities and redundancies" in FY 2005, then the FY 2005 CRA reflects them.

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO
APWU/USPS-T13-1

APWU/USPS- T13-1 On page 33 of your testimony at 13-14, you state "I adjust labor costs for each cost pool for the percentage change in the costs projected between the base year and the test year. This approximates the wage escalation, mail volume changes by subclass, and cost reductions and other program adjustments that witness Waterbury has employed in developing test year before rates costs."

- a) Does witness Waterbury provide these changes for each cost pool? If so, please indicate where those are shown in the testimony.
- b) If not, please describe the steps you take to determine each cost pool escalation factor in your calculations.

RESPONSE:

- a. No.
- b. This calculation is shown in USPS LR-L-52, page 50 (also spreadsheet MPPGBY08.xls, sheet "E"). First, the starting point is column 1 of this page, which contains the base year volume variable mail processing labor costs by cost pool from witness Van-Ty-Smith, USPS-T-11, Table 1. These costs total \$12,703,875,000. Second, column 4 provides estimates of the test year changes in volume variable labor costs due to *Other Programs and Cost Reductions*, as well as projected equipment deployments and removals. These estimates are made using the information from USPS LR-L-49, spreadsheet L49_R2006_8.xls, along with additional information from Engineering. The total impact of cost reductions and other programs for all cost pools is a savings of \$1,156,717,000. Third, a factor, 1.0782, is developed to reflect the increase in costs due to the rise in costs per workhour and volume levels and offsetting general productivity improvements. This factor is calculated so that the test year volume variable mail processing labor cost for all the

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO
APWU/USPS-T13-1

cost pools sums to the total volume variable mail processing labor cost in the test year before rates rollforward provided by witness Waterbury, in USPS-10J, which is \$12,540,395,000. Fourth, this factor is applied to column 1 to obtain the wage/volume adjusted costs in column 3.

Combining column 3 (wage/volume adjusted costs) and column 4 (other programs and cost reductions) provides the test year volume variable mail processing labor costs by cost pool in column 6. Column 6 totals to \$12,540,395,000, consistent with the costs provided by witness Waterbury in USPS-10J. The cost ratios employed to adjust the costs by cost pool which you reference above (for use in the calculations of mail processing costs by shape in shp08usps.xls in USPS LR-L-53) are the ratio of test year to base year volume variable mail processing labor costs by cost pool (column 6 divided by column 1).

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO
APWU/USPS-T13-2**

APWU/USPS- T13-2 Please examine the response to APWU/USPS-T11-1. If these data had been generated by witness Van-Ty-Smith and provided to you, please confirm that they would generate the per piece volume variable costs for First Class metered letter-shaped mail (USPS version) for the FY '08 Test Year shown on the last line of the attached table, assuming the methodology you employed in R2005-1 was followed. If you can not confirm, please provide the corrected numbers and show how those numbers were generated.

RESPONSE:

Confirmed.

Test Year 2008 - USPS Version, with piggyback costs	MODS 11	MODS 11	MODS 11	MODS 12	MODS 12	MODS 13	MODS 13	MODS 13	MODS 13
Volume-Variable Mail Processing Costs - Letters	D/BCS	OCR/	AFSM100	FSM/1000	MECPARC	SPBS OTH	SPBSPRIO	1SACKS_M	1TRAYSRT
Subclass	MODS 11	MODS 11	MODS 12	MODS 12	MODS 13	MODS 13	MODS 13	MODS 13	MODS 13
	D/BCS	OCR/	AFSM100	FSM/1000	MECPARC	SPBS OTH	SPBSPRIO	1SACKS_M	1TRAYSRT
1--First Class Letters Single Piece	2.60	0.68	0.03	0.01	0.00	0.02	0.01	0.01	0.20
2-2 First Class Letters Presort (Carrier Route included)	1.32	0.14	0.01	0.01	0.00	0.01	-	0.01	0.17
3--First Class Cards Single Piece	1.73	0.60	0.02	0.02	0.00	-	0.00	0.00	0.08
4-2 First Class Cards Presort (Carrier Route included)	0.83	0.10	0.01	0.00	0.00	0.00	-	0.00	0.06
8-1 IN COUNTY	0.00	-	0.01	0.00	0.00	-	-	0.00	0.00
8-2 OUT COUNTY	0.77	0.20	0.71	0.00	0.00	0.83	-	0.00	0.00
Periodicals Total	0.48	0.13	0.44	0.00	0.00	0.52	-	0.00	0.00
STANDARD ENH.CARRIER ROUTE	0.49	0.05	0.01	0.01	0.00	0.02	0.00	0.00	0.15
STANDARD REGULAR	1.18	0.16	0.04	0.01	0.00	0.02	0.00	0.01	0.18

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	2.36	0.95	0.04	0.02	0.00	0.02	0.00	0.01	0.21
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Test Year 2008 - USPS Version, with piggyback costs	MODS 14	MODS 14	MODS 14	MODS 14	MODS 15	MODS 17	MODS 17	MODS 17	MODS 17
Volume-Variable Mail Processing Costs - Letters	MANF	MANL	MANP	PRIORITY	LD15	1CANCEL	1DSPATCH	1FLATPRP	1MTRPREP

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

Subclass	MODS 14 MANF	MODS 14 MANL	MODS 14 MANP	MODS 14 PRIORITY	MODS 15 LD15	MODS 17 1CANCEL	MODS 17 1DSPATCH	MODS 17 1FLATPRP	MODS 17 1MTRPREP
1--First Class Letters Single Piece	0.02	1.41	0.01	0.01	0.51	0.68	0.20	0.01	0.05
2-2 First Class Letters Presort (Carrier Route included)	0.00	0.26	0.00	0.00	0.07	0.02	0.08	0.00	0.01
3--First Class Cards Single Piece	0.03	2.45	0.00	0.01	0.32	0.47	0.09	0.02	0.02
4-2 First Class Cards Presort (Carrier Route included)	0.00	0.37	0.00	0.01	0.06	0.01	0.06	0.01	0.01
8-1 IN COUNTY	-	1.30	0.00	-	-	-	-	0.00	0.01
8-2 OUT COUNTY	0.38	1.27	0.00	0.14	-	-	-	0.28	0.05
Periodicals Total	0.24	1.22	0.00	0.09	-	-	-	0.17	0.03
STANDARD ENH.CARRIER ROUTE	0.00	0.07	0.00	0.00	0.01	0.03	0.03	0.01	0.00
STANDARD REGULAR	0.01	0.22	0.01	0.00	0.03	0.02	0.04	0.01	0.01
PARCEL POST									
BOUND PRINTED MATTER									
MEDIA MAIL									
17--(B) LIBRARY									
Total									
Metered Mail Single Piece Letter	0.02	1.34	0.00	0.01	0.34	0.37	0.21	0.00	0.08
Test Year 2008 - USPS Version, with piggyback costs									
Volume-Variable Mail Processing Costs - Letters	MODS 17 1OPBULK	MODS 17 1OPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY
Subclass	MODS 17 1OPBULK	MODS 17 1OPREF	MODS 17 1OPTRANS	MODS 17 1PLATFRM	MODS 17 1POUCHNG	MODS 17 1PRESORT	MODS 17 1SACKS_H	MODS 17 1SCAN	MODS 18 BUSREPLY
1--First Class Letters Single Piece	0.04	0.27	0.09	1.00	0.03	0.01	0.02	0.06	0.02

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

2-2 First Class Letters Presort (Carrier Route included)	0.02	0.18	0.03	0.38	0.01	0.03	0.01	0.03	0.00
3--First Class Cards Single Piece	0.02	0.14	0.03	0.79	0.02	0.00	0.00	0.07	0.04
4-2 First Class Cards Presort (Carrier Route included)	0.01	0.08	0.01	0.28	0.02	0.01	0.00	0.04	-
8-1 IN COUNTY	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00
8-2 OUT COUNTY	0.00	0.31	0.01	1.36	0.03	0.00	0.02	0.01	0.13
Periodicals Total	0.00	0.19	0.00	0.93	0.02	0.00	0.01	0.00	0.08
STANDARD ENH.CARRIER ROUTE	0.10	0.10	0.03	0.28	0.01	0.03	0.03	0.00	0.00
STANDARD REGULAR	0.13	0.10	0.03	0.37	0.01	0.01	0.02	0.01	0.00

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	0.02	0.27	0.08	0.91	0.02	0.02	0.02	0.05	0.02
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Test Year 2008 - USPS Version, with piggyback costs:

Volume-Variable Mail Processing Costs - Letters

Subclass	MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTLISC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1
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1--First Class Letters Single Piece

2-2 First Class Letters Presort (Carrier Route included)

1--First Class Letters Single Piece	0.01	0.01	0.01	0.03	0.04	0.02	0.18	0.02	0.39
2-2 First Class Letters Presort (Carrier Route included)	0.00	0.00	0.03	0.00	0.01	0.01	0.18	0.21	0.15

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

3--First Class Cards Single Piece	0.00	0.00	0.00	0.02	0.03	0.01	0.27	0.07	0.37
4-2 First Class Cards Presort (Carrier Route included)	-	0.00	-	0.01	0.06	0.00	0.18	0.09	0.11
8-1 IN COUNTY	0.00	0.00	0.00	0.00	0.01	-	0.00	-	0.10
8-2 OUT COUNTY	0.00	0.00	0.00	0.00	0.04	0.05	1.05	-	0.36
Periodicals Total	0.00	0.00	0.00	0.00	0.02	0.03	0.65	-	0.26
STANDARD ENH. CARRIER ROUTE	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.08	0.08
STANDARD REGULAR	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.14	0.13

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Meiered Mail Single Piece Letter	0.00	0.00	0.01	0.01	0.05	0.02	0.22	0.02	0.36
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Test Year 2008 - USPS Version, with piggyback costs
Volume-Variable Mail Processing Costs - Letters

Subclass

	BMCS NMO	BMCS OTHR	BMCS PLA	BMCS PSM	BMCS SPBS	BMCS SSM
1--First Class Letters Single Piece	0.00	0.01	0.01	0.00	0.00	0.00
2-2 First Class Letters Presort (Carrier Route included)	-	0.00	0.00	-	-	-
3--First Class Cards Single Piece	-	0.00	0.00	-	-	-
4-2 First Class Cards Presort (Carrier Route included)	-	0.00	0.00	-	-	-

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

8-1 IN COUNTY	-	0.03	0.02	-	-	-
8-2 OUT COUNTY	-	0.44	0.26	-	0.00	0.20
Periodicals Total	-	0.28	0.16	-	0.00	0.13
STANDARD ENH CARRIER ROUTE	0.03	0.13	0.12	0.00	0.01	0.01
STANDARD REGULAR	0.01	0.10	0.11	0.00	0.01	0.03

PARCEL POST

BOUND PRINTED MATTER

MEDIA MAIL

17--(B) LIBRARY

Total

Metered Mail Single Piece Letter	-	0.00	0.00	-	0.00	0.00
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Test Year 2008 - USPS Version,
with piggyback costs.
Volume-Variable Mail Processing
Costs - Letters

	PO/STA/BR								
	ALLIED	AUTO/MEC	EXPRESS	MANF	MANL	MANP	MISC	REGISTRY	
Subclass	PO/STA/BR	Calculated Total							
	ALLIED	AUTO/MEC	EXPRESS	MANF	MANL	MANP	MISC	REGISTRY	
1--First Class Letters Single Piece	0.56	0.44	0.01	0.03	1.67	0.01	0.49	0.09	12.023
2-2 First Class Letters Presort (Carrier Route included)	0.16	0.23	0.00	0.03	0.56	0.01	0.25	0.01	4.587
3--First Class Cards Single Piece	0.31	0.31	0.00	0.03	1.56	0.00	0.48	0.02	10.461

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

4-2 First Class Cards Presort (Carrier Route included)	0.10	0.08	0.00	0.33	-	0.18	0.02	3.143
8-1 IN COUNTY	-	-	-	-	-	-	-	1.735
8-2 OUT COUNTY	0.90	0.25	-	0.95	-	0.41	0.00	11.407
Periodicals Total	0.56	0.16	-	0.59	-	0.25	0.00	7.649
STANDARD ENH.CARRIER ROUTE	0.09	0.20	-	0.16	0.00	0.07	0.00	2.484
STANDARD REGULAR	0.13	0.17	0.00	0.37	0.01	0.15	0.00	4.059
PARCEL POST								
BOUND PRINTED MATTER								
MEDIA MAIL								
17--(B) LIBRARY								
Total	0.46	0.39	0.01	1.58	0.03	0.49	0.18	11.250
Metered Mail Single Piece Letter								

ATTACHMENT TO APWU/USPS-T13-2 QUESTION

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF THE GREETING CARD ASSOCIATION
GCA/USPS-T13-1

4229

GCA/USPS-T13-1. Please refer to Part IV and Attachment 14 of your prefiled testimony. Please explain how you have defined the terms "letter," "card," and "flat" as you use them in developing Test Year mail processing unit costs by shape for single-piece First Class Mail.

RESPONSE:

I rely on the shape definitions employed in the volume and cost systems from which I draw my data. The shape definitions for the LR-L-87 RPW volumes by shape for First-Class single piece mail are provided in Docket No. R2005-1, LR-K-22, *Data Collection User's Guide for Revenue, Volume and Performance Measurement Systems*, Handbook F-75, pages 3-67, 3-68, and 3-187 to 3-189. The shape definitions for the In-Office Cost System (IOCS) are provided in LR-L-21, *Data Collection User's Guide for In-Office Cost System*, Handbook F-45, pages 8-5 to 8-8.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF THE GREETING CARD ASSOCIATION
GCA/USPS-T13-2**

4230

GCA/USPS-T13-2 In your analysis of Test Year mail processing unit costs by shape, as reflected in Attachment 14, would a single-piece First-Class letter which (i) weighs one ounce or less, and (ii) is less than 11.5 in. by 6.125 in. by 0.25 in. thick, but (iii) has an aspect ratio less than 1:1.3 or greater than 1:2.5 be counted as a "letter" or as a "flat"? Please explain your answer fully.

RESPONSE:

I assume that by (ii) you mean to describe a piece that does not exceed the size limits for the letter shape definition. Given this interpretation of the question it is my understanding that such a piece would be considered a letter in both the In-Office Cost System (IOCS) and in the LR-L-87 RPW volumes by shape. So such a piece would be counted as a letter.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION**

MMA/USPS-T13-1

Please refer to Library Reference USPS-LR-L-99, which uses the PRC attributable cost methodology to derive cost pools in much the same way that Library Reference USPS-LR-L-53 does using the Postal Service's attributable cost methodology. It appears that several columns are missing on tab page "Letters (4)." Please explain why these columns are missing and provide an Excel file with those columns included.

RESPONSE:

I believe you are referring to columns which have been unintentionally hidden, but are present in the LR-L-99 spreadsheets for mail processing cost by shape. The spreadsheets used for LR-L-53 and LR-L-99 mail processing costs by shape are identical in their alignment of columns and most rows. The different sets of mail processing labor cost pools for the PRC and USPS versions have been accommodated by leaving blank and hiding the unused cost pool columns. In preparing LR-L-99 spreadsheets shp05prc.xls and shp08prc.xls, the additional cost pools (or columns) used in the PRC version of mail processing labor costs were erroneously hidden. All columns on Sheet "Letters (4)" (or other sheets) can be unhidden by highlighting one row of the full range of columns that are visible and using the tool bar menu "Format," then "Column" and select "Unhide." The unit cost summations across all cost pools do include the hidden columns, so the results will not change. Spreadsheets shp05prc.xls and shp08prc.xls, showing the hidden columns, will be filed in revisions to Library Reference USPS LR-L-99.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION**

MMA/USPS-T13-2

Please refer to page 40 of your direct testimony where you indicate that USPS witness Taufique discusses the Postal Service's reason for including costs for single piece metered mail in Library Reference USPS-LR-L-99, which is based on the Commission's attributable cost methodology, but not in Library Reference USPS-LR-L-53, which is based on the Postal Service's attributable cost methodology. Please state exactly where in witness Taufique's direct testimony this topic is discussed and explain why the unit costs for single piece metered mail were excluded from Library Reference USPS-LR-L-53.

RESPONSE:

Witness Taufique, USPS-T32, at pages 12-17 discusses his proposed new approach for designing First-Class workshare rates. It is my understanding that the unit costs for First-Class single piece metered letters are not required by witness Taufique for his rate design, so I don't include them in USPS LR-L-53. The reference on page 40 of my testimony to witness Taufique was in relation to no longer providing First-Class single piece metered letters unit costs in USPS LR-L-53, and did not relate to USPS LR-L-99. The inclusion of these costs in USPS LR-L-99 is consistent with past PRC practice and is not part of my testimony or, as far as I'm aware, that of witness Taufique.

Response of United States Postal Service Witness Marc A. Smith, USPS-T13,
To Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman

MMA/USPS-T22-2

On page 6 of your testimony you discuss the problem associated with separating Nonautomation and Automation letter costs within the in-office cost system. To solve this problem you have obtained combined the costs from the CRA and used the mail flow models as the basis to de-average the CRA costs into Nonautomation and Automation costs. You also indicate that separate costs for Nonautomation and automation letters are no longer available to you.

- A. Has the postal service officially combined Nonautomation and Automation costs within the in-office cost system? If so, please provide the date when this change took place. If not, please provide the unit costs separately for Nonautomation and Automation letters as determined by the CRA data system.
- B. Please confirm that you show the total unit cost to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) as 4.59 cents and 4.06 cents, respectively, for TY 2008 in this case. (See USPS-LR-L-48, pages 3 and 45) If not, please provide the correct total unit costs.
- C. Please confirm that in R2005-1, you showed that the total unit cost to process an average First-Class and Standard presorted letter (Nonautomation and Automation combined) for TY 2006 was 4.12 and 4.34 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 CRA TY Unit Cost (\$)	Associated Volume (000)	Total Cost (\$ 000) (1) x (3)	Combined Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.1897	1,949,367	369,707	
Automation (No Car Rt)	0.0350	43,841,671	1,534,799	
Carrier Route	0.0186	718,203	13,352	
Presorted		46,509,242	1,917,859	0.0412
Standard:				
Nonautomation	0.1626	3,517,027	571,957	
Automation	0.0340	44,600,687	1,515,895	
Presorted		48,318,487	2,087,853	0.0434

Source: USPS-LR-K-53

- D. Please explain why the total unit cost to process presorted First-Class letters was **lower** by 0.22 cents than the total unit cost to process presorted Standard mail for the test year in R2005-1, but **higher** by 0.53 cents for the test year in R2006-1.

Response of United States Postal Service Witness Marc A. Smith, USPS-T13,
To Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman

- E. Please confirm that, for First-Class presorted letters, the total unit processing cost is expected to increase by 11.4% (4.59/4.12 - 1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.
- F. Please confirm that, for Standard presorted letters, the total unit processing cost is expected to decrease by 6.5% (4.06/4.34 - 1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.

Response.

- A. No, the Postal Service has not combined auto and non-auto costs within the *In-Office Cost System*, as discussed in witness Czigler's response to MMA/USPS-T1-1. Separate auto and non-auto costs are provided in USPS LR-L-151.
- B.-C. Answered by witness Abdirahman.
- D. Answered by witness Bozzo, USPS-T46.
- E.-F. Answered by witness Abdirahman.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC., AND
ALLIANCE OF NONPROFIT MAILERS**

MPA/USPS-T13-1. Please refer to your attachment to PSA/USPS-T13-3, your response to PSA/USPS-T13-9(d), and page 41 of USPS-LR-L-43.

(a) Do you believe that the most likely explanation for the difference between the RPW estimate of 1.8 million Periodicals Outside County parcels and the ODIS estimate of 36.6 million Periodicals Outside County parcels is that ODIS records Periodicals Outside County automation flats that are between $\frac{3}{4}$ inch and $1\frac{1}{4}$ thick as parcels, and RPW records these mailpieces as flats? If not confirmed, please explain fully.

(b) Please confirm that IOCS records the costs for Periodicals Outside County automation flats between $\frac{3}{4}$ inch and $1\frac{1}{4}$ thick as Periodicals Outside County parcel costs. If not confirmed, please explain fully.

(c) Please confirm that the vast majority of mail processing costs reported for Periodicals Outside County parcels are probably incurred processing Periodicals Outside County flats. If not confirmed, please explain fully.

(d) Please provide the unit cost for Periodicals Outside County nonletters by cost pool for each of the cost pools shown on page 41 of USPS-LR-L-43. Produce documents sufficient to verify your response.

RESPONSE:

- a. I do not know. As indicated in my response to PSA/USPS-T13-3, I have only looked into these sorts of issues with regard to Standard Regular. It may be of help to see the response of witness Harahush to POIR No. 5, question 16, part b.
- b. Confirmed.
- c. I do not know. See my response to PSA/USPS-T13-1, part e.
- d. This is provided in the attachment. The attached spreadsheet, Periodicals Outside County Non-Letters.xls, contains the calculations using data from shp08usps.xls of USPS LR-L-53.

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS ASSOCIATION, INC.

TEST YEAR MAIL PROCESSING UNIT COSTS
BY COST POOL FOR NON-LETTERS

	Volumes	MODS 11 D/BCS	MODS 11 OCR/	MODS 12 AFSM100	MODS 12 FSM1000	MODS 13 MECPARC	MODS 13 SPBSOTH	MODS 13 SPBSPRIO	MODS 13 1SACKS_M	MODS 13 1TRAYSRT	MODS 14 MANF	MODS 14 MANL	MODS 14 MANP	MODS 14 PRIORITY
PERIODICALS OUTSIDE COUNTY--FLATS (FROM sph08usps.xls, Flats (4), row 21)	8,207,322	0.038	0.012	1.148	0.546	0.003	1.415	0.047	0.110	0.107	0.615	0.095	0.042	0.019
PERIODICALS OUTSIDE COUNTY--PARCELS (FROM sph08usps.xls, Parcels (4), row 21)	1,713	2.066	-	26.123	21.392	0.589	744.869	12.116	36.481	15.783	40.309	0.357	0.669	46.820
PERIODICALS OUTSIDE COUNTY--NON-LETTERS (WEIGHTED AVERAGE OF FLATS AND PARCELS)	8,209,035	0.038	0.012	1.153	0.550	0.003	1.370	0.050	0.118	0.111	0.623	0.095	0.042	0.029

NOTE: COSTS INCLUDE LABOR AND PIGGYBACK COSTS.

ATTACHMENT TO MPA/USPS-T13-1
2 OF 4

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS ASSOCIATION, INC.

TEST YEAR MAIL PROCESSING UNIT COSTS
BY COST POOL FOR NON-LETTERS

	MODS 15 LD15	MODS 17 CANCEL	MODS 17 DISPATCH	MODS 17 FLATPRP	MODS 17 INTPRP	MODS 17 OPBULK	MODS 17 OPREF	MODS 17 OPTRANS	MODS 17 PLATFORM	MODS 17 POUCHNG	MODS 17 PRESORT	MODS 17 SACKS_H	MODS 17 ISCAN	MODS 18 BUSREPLY
PERIODICALS OUTSIDE COUNTY-FLATS (FROM sp108usps.xls, Flats (4), row 21)	0.024	0.048	0.277	0.978	0.010	0.177	0.489	0.108	1.514	0.160	0.021	0.171	0.044	0.000
PERIODICALS OUTSIDE COUNTY-PARCELS (FROM sp108usps.xls, Parcels (4), row 21)	3.279	0.001	106.039	57.209	0.022	37.699	63.599	17.900	392.758	60.620	5.962	117.958	1.625	0.108
PERIODICALS OUTSIDE COUNTY-NON-LETTERS (WEIGHTED AVERAGE OF FLATS AND PARCELS)	0.025	0.048	0.209	0.990	0.010	0.184	0.502	0.111	1.596	0.173	0.021	0.196	0.044	0.000

NOTE: COSTS INCLUDE LABOR AND PIGGYBACK COSTS.

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS ASSOCIATION, INC.

TEST YEAR MAIL PROCESSING UNIT COSTS
BY COST POOL FOR NON-LETTERS

	MODS 18 EXPRESS	MODS 18 MAILGRAM	MODS 18 REGISTRY	MODS 18 REWRAP	MODS 18 1EEQMT	MODS 19 INTL ISC	MODS 49 LD49	MODS 79 LD79	MODS 99 1SUPP_F1	BMCS NMO	BMCS OTHR	BMCS PLA	BMCS PSM	BMCS SPBS
PERIODICALS OUTSIDE COUNTY--FLATS (FROM sph08usps.xls, Flats (4), row 21)	0.004	0.000	0.004	0.033	0.061	0.034	0.561	0.087	0.441	0.000	0.105	0.192	0.003	0.066
PERIODICALS OUTSIDE COUNTY--PARCELS (FROM sph08usps.xls, Parcels (4), row 21)	0.304		2.635	0.231	11.473	8.677	22.511		96.529		64.495	71.020	14.548	7.470
PERIODICALS OUTSIDE COUNTY--NON-LETTERS (WEIGHTED AVERAGE OF FLATS AND PARCELS)	0.004	0.000	0.005	0.033	0.063	0.036	0.566	0.087	0.461	0.000	0.119	0.207	0.006	0.067

NOTE: COSTS INCLUDE LABOR AND PIGGYBACK COSTS.

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS ASSOCIATION, INC.

TEST YEAR MAIL PROCESSING UNIT COSTS
BY COST POOL FOR NON-LETTERS

	BMCS SSM	PO/STA/BR ALLIED	PO/STA/BR AUTO/MEC	PO/STA/BR EXPRESS	PO/STA/BR MANF	PO/STA/BR MANL	PO/STA/BR MANP	PO/STA/BR MISC	PO/STA/BR REGISTRY	
PERIODICALS OUTSIDE COUNTY-FLATS (FROM sph08usps.xls, Flats (4), row 21)	0.127	1.045	0.022		2.279	0.081	0.030	0.496	0.003	13.693
PERIODICALS OUTSIDE COUNTY-PARCELS (FROM sph08usps.xls, Parcels (4), row 21)	58.396	87.465		43.448	72.629	17.211	175.021	46.206	2.779	2,610.443
PERIODICALS OUTSIDE COUNTY-NON-LETTERS (WEIGHTED AVERAGE OF FLATS AND PARCELS)	0.139	1.055	0.022	0.009	2.294	0.084	0.067	0.505	0.004	14.235

NOTE: COSTS INCLUDE LABOR AND PIGGYBACK COSTS.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC., AND
ALLIANCE OF NONPROFIT MAILERS, REDIRECTED FROM WITNESS
HARAHUSH**

MPA/USPS-T4-1. This question refers to:

- USPS-T-13, Attachment 13, which shows a unit Periodical Outside County cost for parcels of approximately \$26.
- The attachment to PSA/USPS-T13-3, which shows an RPW volume estimate of 1.8 million Periodicals Outside County parcels and an ODIS volume estimate of 36.6 million Periodicals Outside County parcels.
- Your response to POIR No. 5, Question 16(b), where you state: "There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems."

(a) Do you believe that the most likely explanation of the \$26 unit cost estimate for Periodicals Outside County parcels is that some Periodicals "show as flats on mailing statements and parcels in [IOCS]"? If not, please explain fully.

(b) Given the \$26 unit cost estimate for Periodicals Outside County parcels, do you believe that most of the costs in IOCS for Periodicals Outside County parcels are actually costs for Periodicals Outside County pieces that "show as flats on mailing statements"? If not, please explain fully.

RESPONSE:

- a. Quite possibly, but I can not say for sure.
- b. I don't know. It is possible, but I have not studied this. Please see my response to PSA/USPS-T13-7.

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REDIRECTED FROM WITNESS MCCRERY**

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MPA/USPS-T42-1. Please refer to lines one through three on page 20 of your testimony, where you state, "Very few delivery units have an FSM, so the vast majority of the incoming secondary processing at the delivery units is manual. Very little manual incoming secondary distribution takes place at plants." Please also refer to lines four through six on page 21 of your testimony where you state, "In FY 2005, 59 percent of flat mail incoming secondary (non carrier-route presort) volume was processed in the plants, and 93 percent of this volume was finalized on automated operations."

(a) In FY 2005, what percentage of non-carrier-route presort flats received manual incoming secondary sorts? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results.

(b) In FY 2005, what percentage of Periodicals Outside County non-carrier route presort flats received manual incoming secondary sorts? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results. If no data specific to the Periodicals Outside County subclass are available, please provide your best estimate and explain the rationale for your estimate.

(c) What was the Postal Service's total piggybacked FY 2005 Periodicals Outside County manual incoming secondary flat sorting cost? Please explain your calculation and produce, or provide citations to, underlying documents sufficient to replicate your results.

Response:

a-b. Answered by witness McCrery.

c. The attachment to this response shows piggybacked processing costs for Periodicals Outside County for manual incoming secondary flats sorting of \$141.563 million in FY 2005. This calculation is based on determining the incoming secondary share of the Periodicals Outside County labor costs in each of the two cost pools for manual flat sorting (one for the plant and one for the post office, stations and branches). This share is approximated using direct tallies as described in the attachment. Piggyback factors for each cost pool (from USPS LR-L-137) are applied to obtain the piggybacked costs.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
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REDIRECTED FROM WITNESS MCCREERY**

**FY 2005 Periodicals Outside County Piggybacked Processing Costs for
Manual Incoming Secondary Flat Sorting**

Columns	(1) Periodicals Outside County Volume Variable Labor Costs (in 000s of \$)	(2) Share of Costs for Incoming Secondary	(3) Incoming Secondary Labor Costs (in 000s of \$)	(4) Piggyback Factor	(5) Labor and Piggyback Costs (in 000s of \$)
Cost Pool					
Manual Flat Sorting at Plants	49.399	33.65%	16.623	1.258	20.911
Manual Flat Sorting at Post Offices, Stations and Branches	146.602	63.60%	93.239	1.294	120.651
Total Cost			109.862		141.563
Source:	USPS-T-11 Table 3	IOCS-see note	C1 * C2	USPS LR-L-137	C3 * C4

Note: Data from In-Office Cost System (IOCS) was used to determine the incoming secondary share of Periodicals Outside County direct tallies for each of these cost pools. For manual sorting at the plant, this was determined by the percentage of direct tallies with MODS operation no. 175 for manual incoming secondary. For manual sorting at post offices, stations and branches the share of incoming secondary sorting was determined based on the share of direct tallies with the response on IOCS question 18D2 of "D" for incoming secondary. (For manual sorting at plants, the percent of direct tallies for the MODS incoming secondary operation no. 175 is close to the percent based on IOCS incoming secondary scheme, option D of Q18d02, 33.65% vs 32.41%.)

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2. In response to PSA/USPS-T13-1.c. and 1.d, witness Smith acknowledges that the unit mail processing costs for First-Class presort parcel and ECR parcels seemed to be anomalous, but that he can not explain why. The table below shows that the unit costs have been anomalously high, at least, since R2001-1.

Test Year Unit Attributable Mail Processing Cost (Cents) - Parcels

	<u>R2001-1</u>	<u>R2005-1</u>	<u>R2006-1</u>
First-Class Presort	270.32	288.91	303.81
<u>ECR</u>	<u>205.95</u>	<u>893.44</u>	<u>2405.04</u>

Source: Docket No. R2001-1, USPS-LR-J-53

Docket No. R2005-1, USPS-LR-K-53

Docket No. R2006-1, USPS-LR-L-53

Witness Czigler's response to PSA/USPS/T13-1.b. shows coefficients of variation (CVs), associated with the unit mail processing costs above, for First-Class presort parcels and ECR parcels, of 11.4 percent and 13.4 percent, respectively. Generally, CVs of this magnitude are considered to be high. These unit costs are important because they are used to design parcel rates in ECR and First-Class.

- a. When your analysis showed that the average cost simply of processing each ECR parcel (not counting transportation, delivery, etc.) was \$24.00 did you consider this anomalous? If not, why not? If yes, did you convey your concerns to your superiors? If not, why not?
- b. Did you alert the rate design analyst responsible for ECR of this potential problem? If not, why not?
- c. Have you undertaken any additional studies or analysis to identify the cause of this outcome? If not, why not?
- d. Have you undertaken any analysis to develop an appropriate adjustment? If not, why not?
- e. If no additional studies or analysis has been performed to identify the cause of this outcome, please undertake such an effort and indicate when a discussion of the actual cause can be provided.
- f. If no appropriate adjustment has yet been identified, please develop such an adjustment.

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- a. Yes, I considered the Standard ECR parcel processing cost, which exceeds \$24, as anomalous. I did not alert my manager or others regarding the high processing unit costs for Standard ECR parcels because such results had been occurring in previous years (as indicated by the table provided in the question) and had been seen by managers and other staff.

Prior to Docket No. R2005-1, pricing managers and staff had requested a look into an apparent inconsistency between costs and volumes for Standard Regular parcels, as I indicate in my response to PSA/USPS-T13-3. Pricing personnel identified what they thought was the reason for the inconsistency - that parcel shaped pieces which qualified for automation flat rates were reported as flats in RPW, but as parcels in our costs - as I discuss in my testimony, USPS-T-13, pages 34-35.

In looking into the inconsistency in costs and volumes for Standard Regular parcels, the anomalously high processing unit costs for Standard ECR parcels came to my attention and that of my manager and others. The inconsistency arising from parcel shaped pieces qualifying for automation flats rates for Standard Regular did not apply to ECR. Moreover, there didn't seem to be the same interest or need for resolving the ECR parcel cost

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anomaly.¹ It should also be noted that in preparations for this docket and the last docket, I was not aware of the Postal Rate Commission's interest in addressing the anomalous Standard ECR parcel costs.

For these reasons, it was not pursued.

- b. No, I did not alert the rate design analyst responsible for ECR of this cost anomaly. As I indicated in my response to part a, I addressed inconsistencies between volumes and costs for Standard Regular parcel costs; no indication of need was forthcoming on ECR parcels.
- c. No, see my response to part a.
- d. No, see my response to part a.
- e. As I indicate above, the source of the Standard ECR parcels cost anomaly is unclear. In addition, I am not able to say when the actual cause of this anomaly can be determined. I am told that the Postal Service has been investigating this issue in response to the questions raised in POIR No. 5, question 16, and is considering collecting additional data. The result of this work is not likely to be available for this rate case.

Data currently available, however, can shed some light on this. I have attached, in Attachment 1, the mail processing labor

¹ See Postal Service response to POIR No. 2, question 3 in Docket No. R2005-1.

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costs per piece using Postal Service and Postal Rate Commission cost methodologies for First-Class single piece, First-Class presort, Standard ECR and Standard Regular parcels for the years 1996, 1998, 1999, 2000, 2004 and 2005.² Please note the unit cost for Standard ECR parcels has exceeded First-Class single-piece parcels unit costs since FY 1999, under both Postal Service and Postal Rate Commission cost methods. In addition, the Standard ECR parcel unit cost has risen at a rapid pace, suggesting that the cost anomaly is growing over time.³ While the source of the anomaly is unclear, there does appear to be an inconsistency between determining processing labor costs and developing volumes for Standard ECR parcels.

In my testimony, USPS-T-13, page 35, I indicate that an estimate of the inconsistency between Standard Regular parcel costs and volumes can be obtained by comparing RPW by shape

² These are the base years for all the omnibus rate case filings for Docket No. R97-1 and since. It was in Docket No. R97-1 that the MODS cost pool based method for mail processing labor costs was introduced.

³ Changes in cost and volume data systems and methodology changes over this time period have no doubt contributed to changes in Standard ECR parcel unit costs for some years. For instance see witness Bozzo, USPS-T-46, pages 38-39 on the discussion of the impact of IOCS redesign on Standard ECR costs. Nevertheless, most of the observed changes in Standard ECR parcel unit costs can not be accounted for due to changes in data systems or methodology. For additional information on the changes in data systems or methodology over the period FY 1996 to FY 2005, see the documentation provided in each of the Dockets listed in Attachment 1.

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Report data (from USPS LR-L-87) and ODIS-RPW sample based Standard Regular volumes by shape. The basis for this indication is that ODIS-RPW sample based system and the cost systems (which are also sample based) have the same definition of shape and, therefore, diverge from RPW by shape data in the same way. Thus, parcel shaped mail pieces which qualify for automation flats rates and which are reported as flats in RPW, and as parcels in cost systems, would also be reported as parcels in ODIS-RPW volumes by shape. Attachment 2 shows the comparison of RPW by shape and ODIS-RPW volumes by shape for Standard Regular. The last column has the ratio of RPW by shape volumes (USPS LR-L-87/mailling statement based) to ODIS-RPW sample based system volumes for Standard Regular parcels for the fiscal years 1996 to 2005. This ratio shows that the Standard Regular parcel volumes for the years FY 1996 to FY 1998 were about the same for the two systems. However, starting in FY 1999 -- which is when the parcel rate surcharge and DMM 301.3.4.2 allowing certain parcel-shaped pieces to qualify for automation flats rates were implemented -- RPW by shape parcel volumes have declined relative to those reported by ODIS-RPW. The decline in the ratio of RPW by Shape volumes to ODIS-RPW volumes for Standard Regular parcels since 1999 is consistent with the rise in the

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Standard Regular parcels unit costs, thus showing the value of the ratio as a measure of the cost and volumes inconsistency.

For Standard ECR parcels, the reason for cost and volume inconsistency is unknown. If, however, this inconsistency is reflected by inconsistency between RPW by Shape volumes and ODIS-RPW volumes for Standard ECR parcels, as may well be the case, then we can again use the ratio of RPW by Shape volumes to ODIS-RPW volumes for Standard ECR parcels to get a measure of inconsistency between costs and volumes. Attachment 3 shows a very large divergence between RPW by Shape volumes and ODIS-RPW volumes for Standard ECR parcels. It is one that has grown over time and it appears that this divergence has been present in the whole FY 1996 to FY 2005 time period. This divergence was present before the FY 1999 implementation of the parcel rate surcharge for Standard Mail.

- f An approach is to apply the same adjustment process used for Standard Regular using ODIS and RPW as shown in my testimony, USPS-T-13, Attachment 13, to Standard ECR parcels. Even without knowing the source for the cost anomaly, one can support the use of this method to adjust Standard ECR parcel costs on the basis that ODIS-RPW and the cost systems are both sample based

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and have the same definition of shape and, therefore, both may well diverge from RPW by shape data in a parallel way.

I provide a version of my testimony Attachment 13 for Standard ECR parcels, in Attachment 4 of this response. This shows the adjustment to be made to both Standard ECR flats and parcels as done for Standard Regular flats and parcels in USPS-T-13, Attachment 13. The test year Standard ECR parcel unit cost of 2450.04 cents as reported in USPS-T-13, Attachment 14, would be 27.87 cents, if adjusted as proposed. In addition, Standard ECR flats processing unit costs would rise by 3.5 percent from 1.94 cents to 2.01 cents.

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ATTACHMENT 1
TO QUESTION 2

MAIL PROCESSING LABOR UNIT COSTS FOR PARCELS FOR USPS AND PRC METHODS
BASE YEARS FY 1996 TO FY 2005*

USPS LABOR UNIT COST TRENDS

BASE YEAR	1996	1998	1999	2000	2004	2005
FIRST- CLASS SINGLE-PIECE	43.77	45.52	47.55	53.33	61.06	67.68
FIRST-CLASS PRESORT	20.68	110.59	87.78	163.68	184.02	203.95
STD ECR	9.07	21.59	91.50	117.14	595.08	1,637.91
STD REGULAR	17.22	30.77	31.62	37.89	50.43	46.58
DOCKET NO.	R97-1	R2000-1	R2000-1	R2001-1	R2005-1	R2006-1
USPS LR-SPREADSHEET	H-106 CSTSHAPE XLS	I-81 MPSHAPBN xls	I-464 SP99USPS xls	J-46 shp00usps xls	K-148 shp04usps xls	L-143 shp05usps xls

PRC LABOR UNIT COST TRENDS

BASE YEAR	1996	1998	1999	2000	2004	2005
FIRST- CLASS SINGLE-PIECE	58.81	48.19	51.89	58.77	68.54	70.92
FIRST-CLASS PRESORT	26.55	85.10	62.00	121.58	159.17	207.36
STD ECR	12.30	25.01	82.08	125.79	604.06	1,376.17
STD REGULAR	23.90	32.52	33.67	40.46	58.46	50.23
DOCKET NO.	R97-1	R2000-1	R2000-1	R2001-1	R2005-1	R2006-1
USPS LR-SPREADSHEET	H-320 CSTSHAPE XLS	I-137 MPSSHA-1.xls	I-466 SP99PRC.xls	J-81 shp00prc.xls	K-99 shp04prc.xls	L-99 shp05prc.xls

*USING THE SPREADSHEETS LISTED ABOVE, CALCULATIONS WERE DONE BY TAKING THE TOTAL LABOR PROCESSING COSTS FROM SHEET PARCELS (2) AND DIVIDING BY BASE YEAR VOLUMES FOR EACH CATEGORY. FOR DOCKET NO. R97-1, SEE SHEET ADJ. PARCELCST. COSTS FOR THESE SHEETS INCLUDE GENERAL RATE SHEET AND PREMIUM PAY ADJUSTMENTS.

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COMPARISON OF STANDARD REGULAR RPW AND ODIS VOLUMES BY SHAPE FOR FY1996 TO FY2005

FY	RPW SHAPE REPORT VOLUME BY CLASS & SHAPE Volume In Thousands				ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING VOLUME BY CLASS & SHAPE Volume In Thousands Controlled to RPW				RATIO OF RPW TO ODIS FOR PARCELS/PPS VOLUMES
	Letters/Cds.	Flats	Parcels/PPs	All Shapes	Letters/Cds.	Flats	Parcels/PPs	All Shapes	
1996	26,762,761	11,776,419	911,794	39,450,974	26,556,590	12,080,851	813,533	39,450,974	1.121
1997	27,987,649	13,865,284	852,716	42,705,649	29,015,635	12,859,065	830,949	42,705,649	1.026
1998	30,082,582	14,714,976	854,093	45,651,650	31,179,949	13,614,401	857,300	45,651,650	0.996
1999	33,724,748	15,421,273	799,839	49,945,860	34,345,319	14,688,773	911,769	49,945,860	0.877
2000	37,872,913	15,771,844	711,753	54,356,510	38,223,109	15,308,226	825,179	54,356,510	0.863
2001	40,421,962	14,996,482	676,623	56,095,067	40,344,656	14,968,069	782,342	56,095,067	0.865
2002	40,725,213	13,497,171	640,574	54,862,958	40,047,299	14,011,353	804,306	54,862,958	0.796
2003	43,928,876	13,625,157	610,021	58,164,054	43,298,128	14,048,555	817,371	58,164,054	0.746
2004	48,117,714	13,859,534	590,572	62,567,820	47,479,534	14,306,463	781,823	62,567,820	0.755
2005	51,289,509	14,028,861	600,304	65,918,674	50,560,811	14,573,851	784,012	65,918,674	0.766

Source: LR-L-87 Shape GFY 2005rV xls and predecessors

Source: ODIS-RPW UDS file and predecessors

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ATTACHMENT 3
TO QUESTION 2

COMPARISON OF STANDARD ECR RPW AND ODIS VOLUMES BY SHAPE FOR FY1996 TO FY2005

FY	RPW SHAPE REPORT VOLUME BY CLASS & SHAPE Volume In Thousands				ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING VOLUME BY CLASS & SHAPE Volume In Thousands Controlled to RPW				RATIO OF RPW TO ODIS FOR PARCELS/IPPS VOLUMES
	Letters/Cds.	Flats	Parcels/IPPs	All Shapes	Letters/Cds.	Flats	Parcels/IPPs	All Shapes	
1996	15,102,584	16,915,917	70,853	32,089,354	15,105,610	16,858,478	125,266	32,089,354	0.566
1997	13,938,145	20,383,605	55,043	34,376,793	16,148,760	18,145,232	82,801	34,376,793	0.665
1998	15,091,974	21,564,244	49,997	36,706,215	16,757,151	19,863,665	85,400	36,706,215	0.585
1999	13,531,544	22,118,596	23,674	35,673,814	14,365,305	21,231,515	76,994	35,673,814	0.307
2000	11,892,684	23,790,828	17,125	35,700,637	12,992,096	23,501,006	107,535	35,700,637	0.159
2001	10,307,620	23,529,662	6,080	33,843,362	9,867,071	23,866,419	107,872	33,843,362	0.056
2002	9,716,807	22,640,951	9,920	32,367,678	8,804,191	23,457,370	106,117	32,367,678	0.093
2003	8,737,941	23,453,648	2,873	32,194,462	8,111,783	24,045,575	137,104	32,194,462	0.021
2004	8,500,989	24,492,946	1,766	32,995,701	8,650,349	24,253,825	91,528	32,995,701	0.019
2005	9,040,800	25,981,881	737	35,023,418	9,039,834	25,918,785	64,798	35,023,418	0.011

Source: LR-L-87 Shape GFY 2005rV.xls and predecessors.

Source: ODIS-RPW UDS file and predecessors

**RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
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STANDARD ECR FLATS-PARCEL COST ADJUSTMENT FOR COSTS BY SHAPE

PART I: CALCULATION OF RPW/RPW-ODIS RATIO FOR STANDARD ECR PARCELS

ORIGIN-DESTINATION INFORMATION SYSTEM - REVENUE PIECES & WEIGHT
STANDARD MAIL DESTINATING VOLUME BY SHAPE, FY2005
Volumes in 000s

ODIS		Letters & Cards	Flats	IPPS/Parcels	Total		
STANDARD MAIL	<i>ECR-RT</i>	6,867,690	19,690,868	49,228	26,607,786		
All	<i>OTHER</i>	52,739,909	15,201,963	817,802	68,759,674		
	<i>ALL</i>	59,607,600	34,892,831	867,030	95,367,461		
ODIS		Letters & Cards	Flats	IPPS/Parcels	Total		
Distribution Key %	<i>ECR-RT</i>	25.8%	74.0%	0.2%	1		1
	<i>OTHER</i>	76.7%	22.1%	1.2%	1		1
	<i>ALL</i>						
RPW Volumes with ODIS Shape Shares							
		Letters & Cards	Flats	IPPS/Parcels	Total		
RPW Adjusted	<i>ECR-RT</i>	9,039,834	25,918,785	64,798	35,623,418		
STANDARD MAIL	<i>OTHER</i>	50,560,811	14,573,851	784,012	65,918,674		
All	<i>ALL</i>	59,600,645	40,492,636	848,810	100,942,091		
				100,942,091			
RPW Volumes by Shape							
RPW	<i>ECR-RT</i>	9,040,800	25,981,881	737	35,623,418		
STANDARD MAIL	<i>OTHER</i>	51,289,509	14,028,861	600,304	65,918,674		
All	<i>ALL</i>	60,330,308	40,010,742	601,041	100,942,091		
					100,942,091		
RPW/RPW-ODIS	<i>ECR</i>			0.011374118			

PART II: CALCULATION OF ADJUSTMENT

						Unit Costs With Final Reconciliation Factor
		Unadjusted Costs				Unadjusted Unit Costs
Std. ECR Unit Costs	n/a		1.96	2,472.41		1.94 2,450.04
Total ECR Costs			508,840	18,222		
Split of Parcel Costs to Flats & Parcels			18,015	207		
		Adjusted Costs				Adjusted Unit Costs
Total ECR Costs			526,854	207		
Std. ECR Unit Costs			2.03	28.12		2.01 27.87
Adjustment Ratios			1.035	0.011374118		1.035 0.011374118

Based on USPS LR-L-53, shp08usps.xls

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 10, QUESTION 3
(Heading Revised August 18, 2006)

3. Please identify the source and verify the amount of \$124,054,000 for the FY05 Parcel Sorting Machine (PSM) cost pool as shown in tab PPSM&SPSM of both MPPGBY08PRC.xls in USPS-LR-L-98 and MPPGBY08.xls in USPS-LR-L-52. Please explain the rationale for using accrued costs instead of volume variable cost when calculating the PSM adjustment factor used to adjust Primary and Secondary PSM volume variable costs. Please provide a revised version of the aforementioned spreadsheets if deemed necessary.

RESPONSE:

The source for the \$124,054,000 for the FY05 PSM cost pool for both spreadsheets is Witness Van-Ty-Smith, USPS-T-11, Table 1. This is the accrued costs for both the USPS and PRC PSM mail processing labor cost pool (see also Witness Van-Ty-Smith, USPS-T-11, Table 5, which is the same as for the USPS cost, except for rounding).

Using accrued costs for the adjustment accounts for differences in the operations or activities included in the PSM labor cost processing cost pool as compared with the PSM operation used by witness Miller, USPS-T-21, in developing the PSM productivities. The primary PSM and Secondary PSM piggyback factors as initially developed (without the adjustment) are based on the PSM mail processing labor cost pool cost of \$124,054,000 for FY 2005. The PSM productivities are based on the MODS PSM operation, the cost of which was approximately \$177,712,139 in FY 2005. The difference is that the former *only includes some of the support work for sweeping the PSM runouts and tying out the sacks*, while the latter includes all of this support work. A piggyback factor appropriate for the PSM labor cost pool would be inappropriate for the labor costs associated with the PSM MODS operation, since it would overstate

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 10, QUESTION 3
(Heading Revised August 18, 2006)

the amount of equipment and facility-related costs. The ratio, 1.43 (which is equal to $\$177,712,139/\$124,054,000$), applied in the adjustment is meant to expand the labor costs to be consistent with the MODS operation in order to get a more accurate piggyback factor.

This adjustment is required due to two changes made since Docket No. R2005-1. First, witness Miller, USPS-T-21, adopted MODS work hours for developing PSM productivities, as he discusses at pages 4-5 of his testimony. Second, IOCS redesign led to an expanded PSM cost pool, since some "Allied" cost pool activities related to the PSM were shifted to the PSM cost pool (see witness Bozzo, USPS-T-46, pages 30-31). In Docket No. R2005-1, the cost pool and the workhours used in the productivity were consistent in that both covered only the keying work. In R2006-1, both the cost pool and workhours used in the productivity calculation grew, but the latter grew more. As a result the adjustment is needed. The PSM piggyback factors for R2006-1 are lower than in Docket No. R2005-1 due to the broader labor cost base for the piggyback factors.

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 10, QUESTION 4

4. Please refer to the revised USPS-LR-L-98, spreadsheet MPPGBY08PRC.xls, Tab I which produces a reference error when attempting to update the link to TY08Equipment.xls. The equipment depreciation spreadsheet provided in USPS-LR-L-54 is not the same as the one used in Tab I of MPPGBY08PRC.xls. Please either correct the linkage in MPPGBY08PRC.xls or provide a new TY08Equipment.xls.

RESPONSE:

Revised versions of MPPGBY08PRC.xls and MPPGBY05PRC.xls for USPS-LR-L-98 and MPPGBY08.xls for USPS-LR-L-52 will be provided to address these reference errors. No results have changed, but the references in these spreadsheets now correctly line up with the equipment cost spreadsheets in USPS-LR-L-54.

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 4, QUESTION 1

1. Please provide the source for the 'Shift of BMC space to ISC' data in USPS-LR-L-54 in workbook fcilty05.xls on page I-15.

RESPONSE:

The source for the data, though not provided in LR-L-54, was briefly described at page 17 of my testimony, lines 4-7, as based on data from the FY 1999 Facility Survey data for the BMC where the shifted space is located.¹ More specifically, the data used to make this shift from BMC to ISC categories was the same data used in editing the survey results, as discussed in my testimony in Docket No. R2005-1, USPS-T-13, pages 26-27. As indicated there, the original survey data identified the international operations space at all major facilities, as part of the International category, consistent with the FY1999 definition of the mail processing International labor cost pool. An edit removed international operations space located at non-ISCs from the International category to the appropriate non-International operation to be consistent with the ISC based definition of the International cost pool for the FY 2000 CRA. As indicated at page 27: "[F]or 47 non-ISC facilities, 185,092 sq. ft. were shifted to non-international operations." The bulk of this space, 167,980 sq. ft., was located at this particular BMC. The shift of this space from BMC to ISC in my current testimony was a reversal of the edit made in the original study. The shift of this space to ISC just restores the treatment of this space in the original survey data.

¹ BMC space was shifted to the ISC to make the facility space categories consistent with the mail processing labor cost pools. This shift was prompted by the changes in mail processing labor cost pools described by Witness Van-Ty-Smith, USPS-T-11. Witness Van-Ty-Smith, at page 5 of her testimony, indicates that the ISC cost pool has been modified due to the addition of international operations at a particular BMC.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR NO. 4, QUESTION 2

2. Please provide the source for FY 2008 annual equipment depreciation data in USPS-LR-54 in workbook TY08Equipment.xls on page IV-10.

RESPONSE:

The FY2008 annual depreciation for the equipment categories on page IV-10 is developed with two main steps. The first step is to estimate the test year depreciation for the equipment existing in the base year (or FY 2005). The second step is to determine the additional depreciation expected for the test year due to new equipment acquisitions over the FY 2006 to FY 2008 period. The test year depreciation is the sum of depreciation for the two steps. The estimation of the test year depreciation for the equipment categories on page IV-10 is done so as to be consistent with the overall projected test year equipment depreciation, included in the revenue requirement, as discussed below. This two-step process mirrors the calculations used to develop the overall test year depreciation estimates for the revenue requirement.

To obtain FY 2008 depreciation for the equipment existing in the base year, we start with the FY2005 annual depreciation by equipment type shown in LR-L-54, page IV-2 (of spreadsheet fy05equip.xls). The reduction in depreciation from assets that will be fully depreciated before or during FY2008 is estimated for each equipment type. The estimates are based on the Property and Equipment Accounting System (PEAS) data used in developing the FY 2005 depreciation costs and identifying equipment records by equipment type for equipment that will become fully depreciated by FY 2008. In the case of mail processing equipment, which has a 10-year service life, FY 2005 depreciation by equipment type was obtained for equipment purchased after January 1, 1998, eliminating all equipment purchased before FY1998 and that purchased in the

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR NO. 4, QUESTION 2

first three months of FY1998. (The elimination of the equipment purchased in the first three months of FY 1998 is an approximation of reduced test year depreciation associated with the equipment purchased during FY 1998, which will not have a full year's depreciation for FY 2008.) In addition, for equipment acquired during FY 2005, depreciation is augmented to reflect the full year depreciation for such equipment during FY 2008. This provides an estimate of the FY 2008 depreciation for equipment in use in the base year.

It is then necessary to determine the additional FY 2008 depreciation by equipment type arising from equipment purchases in the period FY 2006 to FY 2008. Capital budget information is used to estimate the amount for each equipment type. I was provided estimates of expenditure for each capital program based on the capital budget. For many programs these estimates are closely held to avoid interfering with procurement actions that will be undertaken in the future. The amount of expenditure by equipment type per year is calculated using these program expenditure estimates, and is reconciled, generally adjusted downward, to be consistent with the total projected expenditures shown in LR-L-50, chapter 5, section J, pages 234-5, in the third column called "Cash Flow," for the years FY 2006 to FY 2008. For each equipment type, the projected expenditures for FY 2006 and FY 2007 would have a full year's depreciation in FY 2008. Given the 10-year service life for mail processing equipment, the FY 2008 depreciation associated with the total expenditure for these two years is 10 percent of the total expenditures. For expenditures during FY2008, such equipment would have a partial year of depreciation. It is assumed such expenditures will be depreciated on average for half the year. One-half of the annual depreciation is 5 percent, and 5

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR NO. 4, QUESTION 2

percent of FY 2008 expenditures are included in FY 2008 depreciation. For each equipment type, the additional FY 2008 depreciation due to FY 2006 to FY 2008 purchases is added to the FY 2008 depreciation estimated for the base year equipment to obtain the total FY 2008 depreciation.

This process mirrors that used to develop the depreciation estimates in the revenue requirement. See USPS LR-L-50, chapter 5, section J, pages 234-5; or see USPS LR-L-50 data files, folder "Model," spreadsheet Input_06.xls, sheet "Depreciation." For example, the determination of the FY 2006 mail processing depreciation is shown in row 59. The starting point is the Adjusted Base from FY 2005 in cell B59 of \$606,998,558. This is the annual depreciation of existing assets as of 9/30/05. This is below the actual FY 2005 depreciation of \$763,868,752 due to a large amount of assets that became fully depreciated in FY 2005. This figure also reflects the full annual depreciation for assets added in FY 2005, since such assets will have a full year's depreciation for FY 2006. The amount of added equipment in FY 2006 is projected to be \$986,843,032 (see cell F59). If this equipment were all added on the first day of FY 2006, and had a full year's worth of depreciation for FY 2006, the depreciation would be that shown in cell J59 of \$98,684,303, which is one tenth of the amount added. However, since this equipment will be added throughout the year, a first year factor is .5 (in cell K59), which implicitly assumes all of the added equipment will have a half year's depreciation. Thus half of the \$98,684,303 is added to the adjusted base to get the FY 2006 depreciation estimate of \$656,340,709 in cell M59.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR No. 4, QUESTION 16

16. In USPS-LR-L-52, workbook MPPGBY08.xls, tab H, cell D98 contains the formula '=!!C80.' Should the formula actually be '=!!G80'? If not, please explain.

RESPONSE:

Yes, cell D98 should be '=!!G80'. Likewise, cells E98 and F98 should be '=!!H80' and '=!!I80', respectively.

In addition, a minor correction is made in cells G98, H98 and I98 in the same way as shown below for G98. The second term is changed from:

+ 'C'!\$J\$20*!!G\$52*(E!\$K101/E!\$Q\$13)

to

+ 'C'!\$J\$20*!!G\$50*(E!\$K101/E!\$Q\$13)

where !!G\$52 is changed to "!!G\$50."

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR NO. 4, QUESTION 17

17. In USPS-LR-L-52, workbook MPPGBY08.xls, tab H, cell D99 contains the formula '=!!C81.' Should the formula actually be '=!!G81'? If not, please explain.

RESPONSE:

Yes, cell D99 should be '=!!G81'. Likewise, cells E99 and F99 should be '=!!H81' and '=!!I81', respectively.

In addition, a minor correction is made in cells G99, H99 and I99 in the same way as shown below for G99. The second term is changed from:

+ 'C'!\$J\$20*!!G\$52*(E!\$K102/E!\$Q\$13)

to

+ 'C'!\$J\$20*!!G\$50*(E!\$K102/E!\$Q\$13)

where !!G\$52 is changed to "!!G\$50."

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 6, QUESTION 3

3. Please refer to shp08usps.xls in USPS-LR-L-53.
- a. Please confirm that the formula for the cells in row 37 on tab 'Flats(2)' is '= (Flats! Δ 37 + Letters! Δ 37) * Pool! Δ \$8 * Pool! Δ \$14 * Class!\$E37,' where Δ equals the appropriate column designation (as opposed to '=Flats! Δ 37 * Pool! Δ \$8 * Pool! Δ \$14 * Class!\$E37').
 - b. Please refer to shp08usps.xls in USPS-LR-L-53. Please confirm that the formula for the cells in row 39 on tab 'Flats(2)' is '= (Flats! Δ 39 + Letters! Δ 39) * Pool! Δ \$8 * Pool! Δ \$14 * Class!\$E39,' where Δ equals the appropriate column designation (as opposed to '= (Flats! Δ 39) * Pool! Δ \$8 * Pool! Δ \$14 * Class!\$E39').
 - c. If confirmed, please provide a rationale for combining MODS pool letter costs with MODs pool flat costs to calculate mail processing costs for flats.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Letter and flat mail processing costs were combined to calculate the flats mail processing costs for both Bound Printed Matter and Media Mail for the following reasons. First, there were no letter volumes reported for either Bound Printed Matter or Media Mail in the RPW by Shape Report (USPS LR-L-87). Second, the letter mail processing labor costs for Bound Printed Matter and Media Mail were small enough relative to the costs for flats to minimize any distortion in the costs for flats. Shp08usps.xls, sheet "Letters" shows letters mail processing labor costs of \$236,000 and \$451,000 for Bound Printed Matter and Media Mail compared with \$40,520,000 and \$19,472,000 for flats mail processing labor costs from sheet "Flats."¹ Third, the letters costs reported by IOCS are most likely to relate to the RPW by Shape flats volumes.

¹ The costs shown on the "Letters" and "Flats" sheets in spreadsheet shp08usps.xls are in 1000s of dollars.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
POIR NO. 6, QUESTION 5

5. Please provide an updated version of USPS-LR-L-98 to reflect the changes made in USPS-LR-L-52 as filed in the revised version on June 15, 2006.

RESPONSE:

A revised version of USPS-LR-L-98 reflecting the changes made to USPS-LR-L-52 was filed on June 27, 2006.

RESPONSE OF POSTAL SERVICE WITNESS SMITH
TO POIR NO. 8, QUESTION 3

3. The capital factors for components 1208 and 1219 in the Test Year Before Rates and After Rates files found in USPS-LR-L-6, *TY2008BR_FacilSpace_Equip_UseTY_USPS_ForFiling.XLS* and *TY2008AR_FacilSpace_Equip_UseTY_USPS_ForFiling.XLS* do not match the factors for those components calculated in the file *Ty08Equipment.XLS* which is found in USPS-LR-L-54. Please reconcile the differences.

RESPONSE:

The factors in *Ty08Equipment.xls*, found in USPS-LR-L-54, are correct. Non-final results were inadvertently provided to witness Waterbury.

Please note that the small shift of 17,032 from component 1208 to 1219 (given the total of 100,000,000 for all components), has a very small impact on the distribution of equipment depreciation costs for the test year. This shift between components will result \$257,601 being distributed using the General and Logistics Non-BMC distribution of component 1219, rather than the FSM distribution of component 1208. The impact on any class or subclass from this different distribution will be only a fraction of the \$257,601.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-1**

PSA/USPS-T13-1. Please refer to Attachment 14 of your testimony, which contains Test Year mail processing unit costs by shape and Table 1 below.

Table 1. Test Year Mail Processing Unit Costs for Parcels

Mail Category	Unit Costs (in Cents)
First-Class Single Piece Letters	102.49
First-Class Presort Letters	303.81
Periodicals Within-County	304.70
Periodicals Outside County	2,610.44
Standard Mail Enhanced Carrier Route	2,450.04
Standard Mail Regular	59.60
Parcel Post	125.92
Bound Printed Matter	62.28
Media Mail	111.67

(a) Please confirm that Table 1 accurately reports the unit mail processing costs for parcels from Attachment 14 of your testimony. If not confirmed, please provide the correct figure.

(b) Please provide the coefficient of variation for every figure in Table 1.

(c) Do you believe that the unit mail processing cost of parcels in the First-Class Presort Letters category is actually larger than the unit cost of parcels in the First-Class Single Piece Letters category? If so, please explain fully. If not, please explain why your method generated this result.

(d) Do you believe that the unit mail processing cost for Standard Mail Enhanced Carrier Route parcels is actually more than \$24 per piece? If so, please explain fully. If not, please explain why your method generated this result.

(e) Do you believe that the unit mail processing cost for Periodicals Outside County parcels is actually more than \$26 per piece? If so, please explain fully. If not, please explain why your method generated this result.

RESPONSE:

- a. Confirmed.
- b. Redirected to witness Czigler, USPS-T-1.
- c. The First-Class Presort parcels unit costs appears to be anomalous and I do not know why it is so large.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-1**

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- d. The Standard Mail Enhanced Carrier Route parcels unit costs appears to be anomalous and I do not know why it is so large.
- e. The Periodicals Outside County parcels unit costs appears to be anomalous and I do not know why it is so large.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-2**

4268

PSA/USPS-T13-2. Please refer to Attachment 13 of your testimony, which shows the Standard Regular Flats-Parcel cost adjustment. Did the Postal Service consider any methods other than that shown in Attachment 13 for performing the Standard Regular Flat-Parcel Cost Adjustment? If so, please describe the other methods considered and provide the results of the other methods.

RESPONSE:

I did get three suggestions on doing the adjustment differently at various points in my work prior to Docket No. R2005-1 (where I first used the adjustment) and prior to this docket. I don't remember giving them much consideration. I did not have results for these alternative approaches in terms of base year costs, but I can supply the following information.

The first suggested approach was to use the ratio of LR-L-87 Standard Regular parcel volumes to non-RPW controlled ODIS-RPW volumes for Standard Regular parcels. This would be used in place of the ratio in Attachment 13 which uses RPW controlled ODIS-RPW volumes as the denominator. The impact of this suggested approach, if computed using the data in Attachment 13 is a 26.6% reduction ($= 600,304/817,804$) in Standard Regular parcel unit costs. Attachment 13 shows the flats-parcel cost adjustment which I employ provides a 23.4% reduction in parcel unit costs. Using the RPW controlled ODIS-RPW volumes is the better approach since it is most comparable to the RPW volumes by shape from LR-L-87.

A second suggested approach involved dividing Standard Regular parcel costs between those parcels with Postnet 9 or 11-digit barcodes and those without. The Postnet 9 or 11-digit barcode was to be an indicator of automation

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-2**

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flats preparation and costing such pieces as flats, with the remainder as parcels. The impact of this approach was a 35.7% reduction in the parcel unit costs based on FY 2000 IOCS data. It was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation, so this was dropped.

I also looked into using data from a new question from the revised IOCS (Question number Q23A2). The new question was intended to allow for identification of *parcel shaped pieces* that were 3/4th to 1 1/4th inch thick. An examination of this data suggested the need for a better understanding of this data before utilizing it.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-3**

4270

PSA/USPS-T13-3. Please refer to Attachment 14 of your testimony and lines 1-3 on page 35 of your testimony where you state, "An estimate of the inconsistency can be obtained by comparing RPW by Shape Report data (from USPS-LR-L-87) and ODISRPW sample based Standard Regular volumes by shape." Please provide a comparison of RPW by Shape Report data and ODIS-RPW sample based volumes by shape for each subclass shown in Attachment 14.

RESPONSE:

See attached table. I was specifically requested to address an alleged inconsistency in volumes and costs for Standard Regular parcels. I investigated and found there to be an inconsistency due to the treatment of some parcel shaped pieces as automation rate flats and so made the adjustment in my testimony. In this case I found the volume disparity cited above as a good measure of the inconsistency of the costs and volumes. I have not studied other subclasses or categories of mail regarding parcel unit cost anomalies.

INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
3-3

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH
PSA/US

ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING VOLUME BY CLASS & SHAPE.
CONTROLLED TO RPW REPORT TOTALS
FY 2005, Volume in Thousands

Source: USPS ARJL 0037e

SubClass	Letters/Cds.	Flats	Parcels/PPs	All Shapes	Letters/Cds.	Flats	Parcels/PPs	All Shapes
First Class Letters Single Piece	39,317,031	3,573,125	466,762	43,375,938	39,230,365	3,627,112	458,491	43,375,888
First Class Letters Presort (Car Rt. included)	48,147,533	5,035,625	9,334	49,065,552	47,977,533	1,061,112	25,907	49,065,552
First Class Cards Single Piece	2,521,714	0	0	2,521,714	2,521,714	0	0	2,521,714
First Class Cards Presort (Car Rt. included)	3,107,701	0	0	3,107,701	3,107,701	0	0	3,107,701
Inside County Periodicals	91,456	1,011,462	56	762,673	235,103	8,798,282	36,618	9,070,003
Outside County Periodicals	98,284	8,207,322	1,113	8,307,335	9,039,834	25,918,785	64,798	35,023,418
Periodicals Total	159,750	8,908,484	1,769	9,070,003	50,560,811	14,573,851	784,012	65,918,674
STANDARD ENH CARRIER ROUTE	9,040,800	25,981,281	737	35,023,418	1	5,127	382,677	387,805
STANDARD REGULAR	51,289,509	14,028,861	600,304	65,918,674	789	273,233	309,751	663,774
PARCEL POST	0	3,158	384,647	387,805	501	30,351	163,103	193,955
BOUND PRINTED MATTER	0	269,143	314,631	583,774				
MEDIA & LIBRARY MAIL	0	30,579	163,376	193,955				

USPS LRL-97 VOLUME BY CLASS & SHAPE
FY 2005, Volume in Thousands

USPS LRL-97 Shape Q4 FY 2005 Volume

SubClass	Letters/Cds.	Flats	Parcels/PPs	All Shapes
First Class Letters Single Piece	39,317,031	3,573,125	466,762	43,375,938
First Class Letters Presort (Car Rt. included)	48,147,533	5,035,625	9,334	49,065,552
First Class Cards Single Piece	2,521,714	0	0	2,521,714
First Class Cards Presort (Car Rt. included)	3,107,701	0	0	3,107,701
Inside County Periodicals	91,456	1,011,462	56	762,673
Outside County Periodicals	98,284	8,207,322	1,113	8,307,335
Periodicals Total	159,750	8,908,484	1,769	9,070,003
STANDARD ENH CARRIER ROUTE	9,040,800	25,981,281	737	35,023,418
STANDARD REGULAR	51,289,509	14,028,861	600,304	65,918,674
PARCEL POST	0	3,158	384,647	387,805
BOUND PRINTED MATTER	0	269,143	314,631	583,774
MEDIA & LIBRARY MAIL	0	30,579	163,376	193,955

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-4**

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PSA/USPS-T13-4. Please refer to lines 3-5 on page 35 of your testimony where you state, "ODIS-RPW volume reporting by shape is consistent with the reporting of cost by shape since both ODIS-RPW and cost systems are sample based and use the same methods to determine piece shape."

- (a) Do ODIS-RPW and cost systems also use the exact same methods to determine mail subclass? If your response is no, please explain fully.
- (b) Please provide the definition of a flat used in ODIS-RPW.
- (c) Please provide the definition of an IPP used in ODIS-RPW.
- (d) Please provide the definition of a parcel used in ODIS-RPW.
- (e) Please provide the definition of a flat used in cost systems.
- (f) Please provide the definition of an IPP used in cost systems.
- (g) Please provide the definition of a parcel used in cost systems.
- (h) According to ODIS-RPW, what shape is a 5" x 5 $\frac{3}{4}$ " x $\frac{1}{2}$ " cardboard box containing a CD or DVD in a rigid "jewel case"?
- (i) According to cost systems, what shape is the piece described in subpart (h) of this interrogatory?

RESPONSE:

- a. There may well be differences in the methods used to determine mail subclass, but I have not examined this. Please see LR-L-21 for the IOCS handbook and the documentation of the process used to determine subclass in LR-L-9. Also see Docket No. R2005-1, LR-K-21 and LR-K-22 for the other cost systems and ODIS-RPW handbooks.
- b-d. See Docket No. R2005-1, LR-K-22, *Data Collection User's Guide for Revenue, Volume and Performance Measurement Systems*, Handbook F-75, pages 3-67, 3-68, and 3-187 to 3-189.
- e-g. See LR-L-21, *Data Collection User's Guide for In-Office Cost System*, Handbook F-45, pages 8-5 to 8-8 for IOCS, and Docket No. R2005-1, LR-K-21 *Data Collection User's Guide for Cost Systems*, Handbook F-65, pages 4-28 to 4-32 and 4-71 to 4-72 for the Rural Carrier Cost System (RCCS). For City Carrier Cost System (CCCS) see LR-L-23,

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-4

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Supplemental Statistical Programs Policies and Data Collection

Instructions, SP Letter #4, FY 2005. The Transportation Cost System (TRACS) does not record shape information.

- h. I am told that the dimensions of this piece would make it fall into the flat category for the ODIS-RPW sample based system. See Docket No. R2005-1, LR-K-22, *Data Collection User's Guide for Revenue, Volume and Performance Measurement Systems, Handbook F-75*, pages 3-187 to 3-189.
- i. In IOCS a piece with these dimensions would be a flat. For CCCS, I am told such a piece would be defined as a flat for carriers with a One-Bundle Sliding-Shelf (OBSS) case, based on the piece dimensions as indicated in LR-L-23, Supplemental Statistical Programs Policies and Data Collection Instructions, SP Letter #4, FY 2005. If a city carrier still had separate letter and flat cases then piece shape is defined based on where it is cased. I am told RCCS records Compensation Category, not shape. For the 5" x 5 1/4" x 1/2" jewel case, the mail piece could be one of several compensation categories, depending on extra services, the orientation of the address, and whether or not the mail piece could be cased.

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**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-5**

PSA/USPS-T13-5. Please refer to lines 7-22 on page 34 of your testimony, which discusses the inconsistency between the cost and volume data that necessitates the Standard Regular flat-parcel adjustment.

(a) Is the classification of cost and volume of pieces that are between $\frac{3}{4}$ " and $1\frac{1}{4}$ " thick and prepared as flats the only inconsistency between the cost and volume data? If not, please list all other pieces for which the cost and volume data have classification inconsistencies.

(b) Are there any inconsistencies in how ODIS-RPW and cost systems classify the types of pieces listed in your response to subpart (a) of this interrogatory? If so, please explain fully.

Response:

- a. No. DMM section 301.3.4.2 allows automation flats rates for pieces longer up to 15-3/4 inches, while the IOCS and CCCS have a 15 inch maximum length for flats.

In addition, I am told the following regarding CCCS and RCCS. In the CCCS, if a Standard flat shaped mail piece that is less than $\frac{3}{4}$ inch thick is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system, while the RPW by shape volume (LR-L-87) will treat this as a flat.

In RCCS, there are two instances for Standard flat shaped mail pieces less than $\frac{3}{4}$ inch thick which the RPW by shape volume (LR-L-87) treat as flats, but RCCS treats as a parcel. First, if a Standard mail piece is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle in the parcel compensation category, using the top-piece rule. Secondly, in RCCS, rigid flats (including properly prepared "do

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**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-6**

PSA/USPS-T13-6. Please refer to your response to PSA/USPS-T13-2 where you state, "A second suggested approach involved dividing Standard Regular parcel costs between those parcels with Postnet 9 or 11-digit barcodes and those without. The Postnet 9 or 11-digit barcode was to be an indicator of automation flats preparation and costing such pieces as flats, with the remainder as parcels. The impact of this approach was a 35.7% reduction in the parcel unit costs based on FY 2000 IOCS data. It was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation, so this was dropped."

(a) Please explain why the Postal Service believes that the presence of "Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation."

(b) Please explain how "[i]t was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation."

(c) Please confirm that reducing the parcel unit cost by 35.7% would produce a Test Year unit mail processing cost for Standard Regular parcels of 50 cents per piece. If not confirmed, please provide the correct figure.

Response:

a-b. A brief examination of Postnet barcodes as an indicator of automation flats rate preparation showed that Postnet 9 or 11-digit barcodes could be found on Standard Regular parcels (thicker than 1 ¼ inch) and also on some Package Services mail pieces such as Parcel Post, even though Postnet barcodes are not used in parcel sorting by either the Postal Service or mailers. Some mailers may be including Postnet 9 or 11-digit barcodes on the address labels for all their Standard Regular parcels, whether or not such pieces are prepared for automation flats rates. It appears that some mailers are using the same database that produces the correspondence address blocks, including the Postnet barcode, to print the parcel address labels. Such mailers do not suppress the Postnet barcode when using the database to produce the parcel labels. As a

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**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-5**

not bend" mailpieces) that exceed five inches in height are recorded in the parcel compensation category.

- b. Yes. The ODIS-RPW sample based volume system is inconsistent with the cost systems regarding the last three of the cases listed above for CCCS and RCCS. Specifically, the Standard Regular flats pieces that are less than 3/4th inch thick which are treated as flats in ODIS-RPW sample based volumes, but treated as parcels in the CCCS and RCCS are pieces:
- put into parcel hampers for delivery by city carriers using a two case system,
 - that are the top piece of a direct bundle for delivery by rural carriers or
 - that are sufficiently rigid so as not to fit into the carrier case given delivery by rural carriers.

The frequency of these circumstances is not known, but is thought to be low, so ODIS-RPW sample based volumes by shape are substantially consistent with reporting of costs by shape. These three instances affect city carrier street and rural carrier costs, not mail processing or city carrier in-office costs. Mail processing and city carrier in-office costs are based on IOCS, which reports costs by shape in exactly the same way as ODIS-RPW sample based volumes, based on piece dimensions

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION**

PSA/USPS-T13-7

PSA/USPS-T13-7. Please refer to your response to PSA/USPS-T13-2 where you state, "I also looked into using data from a new question from the revised IOCS (Question number Q23A2). The new question was intended to allow for identification of parcel shaped pieces that were 3/4th to 1 1/4th inch thick. An examination of this data suggested the need for a better understanding of this data before utilizing it." (a) Please explain what the Postal Service found in its "examination of this data" that "suggested the need for a better understanding of this data before utilizing it." (b) Please explain how the Postal Service planned to use the new question to perform the Standard Regular flat-parcel cost adjustment. (c) If the Q23A2 data had been utilized to perform the Standard Regular flat-parcel cost adjustment, how large would the adjustment have been?

Response:

- a. There was a concern that data collectors were misinterpreting the new question. As a result, this question was revised at the beginning of the third quarter of FY 2005. The two versions of this question are shown in the Attachment to this response. Options C and E were modified to be more accurate and complete. The result of this change led to a large increase in the C responses and a large decline in the E responses. As a result more analysis of this data is needed before trying to use it.
- b. We would have modified the definition of the activity codes Standard Regular flats and parcels to shift responses to Q23A2 options D and E from parcels to flats. This would redefine the way shape is determined; see the current definition at LR-L-9, Appendix B, part 2, page B-35, section 6.0A. These results would need to be incorporated by witness Van-Ty-Smith, USPS-T-11, into LR-L-55, part III to get the flats and parcels costs by cost pool.

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PSA/USPS-T13-7**

c. We have not done the calculations envisioned in part b, but the tallies themselves may give some indication. Based on data for quarters 1 and 2, there would be a 31 percent reduction. Based on data for quarters 3 and 4 there would be an 9 percent reduction. The tallies for the whole year would indicate a 19 percent reduction. These percentages are not based on a full development of the costs as discussed in part b, and only are an indication of using IACS dollar weighted tallies for clerks and mailhandlers.

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PSA/USPS-T13-7

Question Q23A2 for FY 2005, Q1 and Q2 VS. FY 2005 Q3 and Q4
Options C and E Modified

FY 2005, Q1 and Q2

Q23A2 IPP/Parcel Characteristics →

Does the IPP or Parcel have any of the following characteristics? (Choose the FIRST applicable option.)

- A Roll/Tube less than or equal 26" in Length
- B Non-Uniform Thickness and or Non-Rectangular Shape
- C Length less than 6" or Height less than 3" or Thickness less than 1/4"
- D "USPS (FSM) 1000 Approved Poly(wrap)" on piece
- E Length less than or equal to 13" and Height: less than or equal to 12" and Thickness less than or equal to 1 1/4"
- F None of the Above

Source: USPS LR-L-21, F-45 Handbook, page 8-8.

FY 2005, Q3 and Q4

Q23A2 IPP/Parcel Characteristics →

Does the IPP or Parcel have any of the following characteristics? (Choose the FIRST applicable option.)

- A Roll/Tube less than or equal 26" in Length
- B Non-Uniform Thickness and/or Non-Rectangular Shape
- C Small Package (Length less than 6" **OR** Height less than 3" **OR** Thickness less than 1/4")
- D "USPS (FSM) 1000 Approved Poly(wrap)" on piece
- E Oversized "Flat" (Length less than or equal to 13" **AND** Height less than or equal to 12"
AND Thickness less than or equal to 1 1/4")
- F None of the Above

Source: USPS LR-L-9, Appendix H.

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PSA/USPS-T13-8**

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PSA/USPS-T13-8. Please refer to your response to PSA/USPS-T13-2 where you discuss “*suggestions on doing the adjustment differently*” and the adjustment that would have resulted from each. Would you agree that performing the Standard Regular Flat-Parcel Cost Adjustment is an inexact science that increases the uncertainty in the Standard Regular parcel unit cost estimate? Please explain your response fully.

Response:

No, I don't agree that the Standard Regular Flat-Parcel Adjustment is an inexact science or that it increases the uncertainty on Standard Regular parcel unit cost estimate.

As I indicate at page 34 of my testimony, the need for the adjustment stems from an inconsistency between cost and volume data. As I indicate at pages 34-35, and in my calculations in Attachment 13 (and LR-L-53), I use the ratio of Standard Regular parcel volumes from RPW by Shape Report data (from USPS LR-L-87) to the Standard Regular parcel volumes from sample based ODIS-RPW. This ratio of volumes, which is the ratio of Standard Regular parcel rated volumes to Standard Regular parcel shaped volume, is used to proxy the ratio of costs for these two groups of pieces. That assumes that the cost per piece is the same for flats rated Standard Regular parcels as for the parcel rated. Clearly, this is an approximation, which could be refined, but it provides an acceptable basis for reconciliation. The other alternatives discussed in my response to PSA/USPS-T13-2 are not viable for the reasons I gave in that response as well as my responses to PSA/USPS-T13-6 and PSA/USPS-T13-7.

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PSA/USPS-T13-9**

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PSA/USPS-T13-9. Please refer to Attachment 14 of your testimony and your response to PSA/USPS-T13-1(c)-(e) where you state that the unit costs for First-Class Mail Presort parcels, Standard Mail ECR parcels, and Periodicals Outside County parcels appear "to be anomalous" and that you "do not know why [the units costs are] so large." Please also refer to the approximate CVs for mail processing provided by Witness Czigler in response to PSA/USPS-T13-1(b) and the attachment you provided in your response to PSA/USPS-T13-3.

(a) Please confirm that, given the CVs provided by witness Czigler, the anomalously large unit costs for parcels in the three subclasses identified in PSA/USPS-T13-1(c)-(e) are very unlikely to be entirely due to sampling error. If not confirmed, please explain fully.

(b) Please confirm that the anomalously large unit costs for parcels for the three subclasses identified in PSA/USPS-T13-1(c)-(e) are likely due to inconsistencies in the definition of a parcel in different Postal Service statistical systems. Please explain your response fully.

(c) Ignoring the Standard Regular Flat-Parcel cost adjustment, please confirm that the same method and statistical systems were used to develop all of the unit cost figures for parcels shown in Attachment 14 of your testimony. If not confirmed, please explain fully.

(d) Do you believe that the underlying cause of the anomalous results for First-Class Mail Presort parcels, Standard Mail ECR parcels, and Periodicals Outside County parcels may have also infected the other unit cost estimates for parcels in Attachment 14 of your testimony? If not, can you rule out this possibility? Please explain your response fully.

(e) Taking into account your response to subpart (d) of this interrogatory, do you believe that rate design witnesses should use the parcel unit costs from Attachment 14 of your testimony as rough approximations only? Please explain your response fully.

(f) Did anyone advise witnesses Taufique and Kiefer that they should use the parcel unit costs from Attachment 14 of your testimony as rough approximations only? Please explain your response fully.

(g) In your opinion, is it appropriate to use the anomalous First-Class Presort parcel unit cost at all in designing First-Class Mail rates? Please explain your response fully.

Response:

- a. Confirmed.
- b. I can not confirm, since I have not studied these cost anomalies.
- c. I can confirm that I use the same calculations and data sources for all the parcel unit costs. In particular all the volumes used to compute unit costs

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are from RPW by Shape Report data (LR-L-87). However, as discussed in LR-L-87, volumes by shape are developed somewhat differently for different subclasses, with differing degrees of reliance on the ODIS-RPW statistical sampling system and PostalOne! postage statement data.

- d. As indicated in my response in part b, I have not studied the cost anomalies for these three subclasses, so I can not say to what degree such anomalies would apply to other subclasses. The volume data provided in my response to PSA/USPS-T13-3 do, however, show that the large differences observed for First-Class presort, Periodicals and Standard ECR on the share of parcel volumes from RPW by Shape Report data (from USPS LR-L-87) versus ODIS-RPW sample based data, do not occur for the other subclasses. I can not conclude, therefore, that the cost estimates for these subclasses reflect the same influence that results in the anomalies noted in the other categories.
- e. I do not have an opinion concerning the use of these costs in rate design.
- f. I did not give witnesses Taufique and Kiefer advice that "they should use parcel unit costs from Attachment 14 of my testimony as rough approximations only." I can not say what advice they may have received from others.
- g. I do not have an opinion concerning the use of these costs in rate design.

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PSA/USPS-T13-10

PSA/USPS-T13-10. Please refer to your response to PSA/USPS-T13-6 where

you state, "A brief examination of Postnet barcodes as an indicator of automation flats rate preparation showed that Postnet 9- or 11-digit barcodes could be found on Standard Regular parcels (thicker than 1 1/4 inch)." Please also refer to the section of your response to the same interrogatory where you state, "It should be noted that the 35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS, contrasts with the apparently low share of Standard Regular parcels prepared as automation flats rates for that year."

(a) Please explain fully how the Postal Service determined that Postnet barcodes could be found on Standard Regular parcels thicker than 1 1/4 inch, including a full description of the data sources used to make this determination.
(b) In FY 2000, did IOCS collect data on the thickness of mailpieces that were recorded as Standard Mail parcels? If so, please explain fully.

(c) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were less than 1/2 inch thick? Please provide all of your underlying calculations.
(d) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were between 1/2 inch and 1 1/4 inch thick? Please provide all of your underlying calculations.

(e) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were greater than 1 1/4 inch thick? Please provide all of your underlying calculations.
(f) In FY 2005, what percentage of Standard Regular parcel mail processing costs were for pieces with Postnet barcodes?

RESPONSE:

a The determination that 9 and 11-digit Postnet barcodes show up on

parcel-rated Standard Regular pieces often enough to undermine the

approach of using Postnet barcodes as an indicator of automation flats

rates was based on observations at a BMC and calls to check on this at

other BMCs. Postal Service personnel observed operations at BMCs and

ascertained the presence or absence of Postnet barcodes on pieces that

are clearly "parcels", i.e., on pieces that exceed the 1 1/4 inch thickness or

are containerized at entry such that they are clearly "parcels" and paid the

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PSA/USPS-T13-10**

RSS. Numerous instances of Standard Regular parcel shaped pieces with Postnet barcodes were observed. Other BMCs were contacted to verify these observations for other sites. Based on this brief examination, Postnet barcodes show up on parcel-rated pieces often enough to obviate using Postnet barcodes as indicators of Flats Automation rate pieces.

- b. No, IOCS did not collect data on the thickness of mail pieces that were recorded as Standard Mail parcels in FY 2000.
- c. See the response to part b.
- d. See the response to part b.
- e. See the response to part b.
- f. An approximate estimate of the share of the Standard Regular mail processing parcel costs for pieces with Postnet barcodes for FY 2005 is 43 percent. This percentage estimate is based on using the cost weighted clerk and mailhandler tallies for Standard Regular parcels and IPPS. As indicated in part a. of this response, pieces with Postnet barcodes will include both parcel rated and flats automation rate pieces.

REVISED 8/22/2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
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PSA/USPS-T13-11**

PSA/USPS-T13-11. Please refer to the attachment to your response to PSA/USPS-T13-3. Please provide Standard Regular RPW volume by shape and Standard Regular ODIS destinating volume by shape controlled to RPW report totals for each fiscal year from FY 1997 to FY 2005.

RESPONSE:

See the attachment to this response, which contains the requested volume data.

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 PSA/USPS-T13-11

COMPARISON OF STANDARD REGULAR RPW AND ODIS VOLUMES BY SHAPE FOR FY1997 TO FY2005

RPW SHAPE REPORT VOLUME BY CLASS & SHAPE
 Volume In Thousands

Source: LR-L-87 Shape GFY 2005rV xls and predecessors.

ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING
 VOLUME BY CLASS & SHAPE

Volume In Thousands
 Controlled to RPW

Source: ODIS-RPW UDS file and predecessors.

FY	Letters/Cds.	Flats	Parcels/PPs	All Shapes	Letters/Cds.	Flats	Parcels/PPs	All Shapes
1997	27,987,649	13,865,284	852,716	42,705,649	29,015,635	12,859,065	830,949	42,705,649
1998	30,082,582	14,714,976	854,093	45,651,650	31,179,949	13,614,401	857,300	45,651,650
1999	33,724,748	15,421,273	799,839	49,945,860	34,345,319	14,688,773	911,769	49,945,860
2000	37,872,913	15,771,844	711,753	54,356,510	38,223,109	15,308,226	825,175	54,356,510
2001	40,421,962	14,996,482	676,623	56,095,067	40,344,656	14,968,069	782,342	56,095,067
2002	40,725,213	13,497,171	640,574	54,862,958	40,047,299	14,011,353	804,306	54,862,958
2003	43,928,876	13,625,157	610,021	58,164,054	43,298,128	14,048,555	817,371	58,164,054
2004	48,117,714	13,859,534	590,572	62,567,820	47,479,534	14,306,463	781,823	62,567,820
2005	51,289,509	14,028,861	600,304	65,918,674	50,560,811	14,573,851	784,012	65,918,674

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PSA/USPS-T13-12**

PSA/USPS-T13-12. Please refer to Attachment 13 to your testimony, which shows an unadjusted Test Year Standard Regular Parcel unit mail processing cost of 77.84 cents. Please provide unadjusted Standard Regular Parcel total mail processing costs for each fiscal year from FY 1997 to FY 2005.

RESPONSE:

This response contains the "unadjusted" base year Standard Regular mail processing parcel unit costs with piggyback costs in cents per piece for the fiscal years 1998-2000, 2004 and 2005, which are available from the Docket Nos. R2000-1, R2001-1, R2005-1 and R2006-1. These same costs were not available for the years 1997, and 2001 to 2003, since no base year calculations were made for these periods. The unadjusted costs for FY 2004 and FY 2005 were developed by multiplying the results on Parcels (3) by the Final Reconciliation factor for Standard Regular (from sheet Class, column M) using the source spreadsheets listed below. In addition, the unit costs reported for FY 1998 and FY 1999 are the weighted average of the separate unit costs for Commercial and Non-Profit categories reported in the source spreadsheets listed below.

Fiscal Year	Mail Processing Unit Costs	Docket No	Source USPS Library Reference	Spreadsheet:
FY 1998	48.17	R2000-1	LR-I-81	MPSHAPBN.xls
FY 1999	49.23	R2000-1	LR-I-464	SP99USPS.xls
FY 2000	60.00	R2001-1	LR-J-46	shp00usps.xls
FY 2004	79.32	R2005-1	LR-K-148	shp04usps.xls
FY 2005	75.23	R2006-1	LR-L-143	shp05usps.xls

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PSA/USPS-T13-13**

PSA/USPS-T13-13. Please refer to Attachment 14 to your testimony, which shows Test Year mail processing unit costs by shape and subclass. Please provide mail processing unit costs for parcels/IPPs by subclass for each fiscal year from FY 2001 to FY 2005.

RESPONSE:

The attachment to this response contains the base year mail processing parcel unit costs with piggyback costs which are available from the Docket Nos. R2000-1, R2001-1, R2005-1 and R2006-1. These same costs were not available for the years 2001 to 2003, since no base year calculations were made for those years. In addition, such parcel unit costs were not developed for Periodicals prior to Docket No. R2005-1. Likewise, parcel unit costs were not available for Package Services prior to this case. The parcel unit costs provided for Standard Regular for FY 2004 and FY 2005 are adjusted using the Flats-Parcel Cost Adjustment as described in my testimony at pages 34-35. The unadjusted costs are provided in my response to PSA/USPS-T13-12.

ATTACHMENT

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-13**

**Base Year Parcel Volume-Variable Mail Processing Unit Costs
for Dockets Nos. R2000-1, R2001-1, R2005-1 and R2006-1
(Cents per Piece)**

Row No	Subclass	Fiscal Year	FY 1998	FY 1999	FY 2000	FY 2004	FY 2005
1	First Class Letters Single Piece		69.54	72.52	82.35	88.82	99.94
2	First Class Letters Presort		170.82	135.18	249.92	279.14	294.28
3	IN COUNTY					356.31	309.92
4	OUT COUNTY					2,950.03	2,833.64
5	Periodicals Total					2,865.66	2,752.53
6	STANDARD ENH CARRIER ROUTE		33.51	142.01	185.08	880.97	2,410.15
7	STANDARD REGULAR		48.17	49.23	60.00	59.92	57.60
8		STD (A) REG/ENH	26.92	130.76			
9		STD (A) REG/OTHR	47.11	47.93			
10		STD (A) NPRF/ENH	199.11	418.07			
11		STD (A) NPRF/OTHR	68.40	79.02			
12	PARCEL POST						119.69
13	BOUND PRINTED MATTER						59.16
14	MEDIA MAIL						104.72
	Docket No		R2000-1	R2000-1	R2001-1	R2005-1	R2006-1
	Source USPS Library Reference		LR-I-81	LR-I-464	LR-J-46	LR-K-148	LR-L-143
	Spreadsheet		MPSHAPHN.xls	SP99USPS.xls	shp00usps.xls	shp04usps.xls	shp05usps.xls

Note: Costs are for the USPS Version and include piggyback costs. Standard parcel unit costs for FY 1998 and FY 1999, row 6 is a weighted average of rows 8 and 10. Likewise, Standard parcel unit costs for FY 1998 and FY 1999, row 7 is a weighted average of rows 9 and 11. For FY 2004 and FY 2005 Standard Regular parcel unit costs (row 7) is adjusted based on the Standard Regular Flats Parcel Cost Adjustment as discussed by witness Smith, USPS-T-13, at pages 34-35.

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PSA/USPS- T13-14. Please refer to your response to PSA/USPS- T13-10(a) which states,

"The determination that 9 and 11-digit Postnet barcodes show up on parcel-rated Standard Regular pieces often enough to undermine the approach of using Postnet barcodes as an indicator of automation flats rates was based on observations at a BMC and calls to check on this at other BMCs. Postal Service personnel observed operations at BMCs and ascertained the presence or absence of Postnet barcodes on pieces that are clearly "parcels", i.e., on pieces that exceed the 1 1/4 inch thickness or are containerized at entry such that they are clearly "parcels" and paid the RSS. Numerous instances of Standard Regular parcel shaped pieces with Postnet barcodes were observed. Other BMCs were contacted to verify these observations for other sites. Based on this brief examination, Postnet barcodes show up on parcel-rated pieces often enough to obviate using Postnet barcodes as indicators of Flats Automation rate pieces."

Please refer further to your response to PSA/USPS-T13-10(f) which states,

"An approximate estimate of the share of the Standard Regular mail processing parcel costs for pieces with Postnet barcodes for FY 2005 is 43 percent. This percentage estimate is based on using the cost weighted clerk and mail handler tallies for Standard Regular parcels and IPPS. As indicated in part a of this response, pieces with Postnet barcodes will include both parcel rated and flats automation rate pieces."

Finally, please refer to Attachment 13 of your testimony where you adjust Standard Mail Regular parcel unit costs downward by 23.4% (1-.766) using the RPW/RPW-ODIS volume ratio

(a) How often did "Postnet barcodes show up on parcel-rated pieces"? In particular, based upon the "brief examination" described in PSA/USPS-T13-10(a), what percentage of Standard Mail parcel-rated pieces had Postnet barcodes on them? Please explain fully.

(b) Do you believe that the difference between the 43 percent specified in PSA/USPS-T13-10(f) and the 23.4 percent adjustment made to Standard Regular parcel costs on Attachment 13 is entirely because there are Postnet barcodes on some pieces that exceed 1 W in thickness? If so, please provide all data that support this conclusion. If not, please explain all other factors that may contribute to the discrepancy

RESPONSE:

a I don't have any estimates of the percentage of Standard Regular parcel-rated pieces with Postnet barcodes from the observations at BMC or the

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other information gathered via phone calls to other BMCs. As I stated previously, such pieces were observed often enough to cast doubt on using Postnet barcodes as an indication of flats automation rate for Standard Regular parcel shaped pieces.

- b. I do not know what you mean by "exceed 1 W in thickness." If your question is meant to read "exceed 1 and 1/4th inch thickness," then I would answer as follows.

The difference between the 23.4 percent and the 43 percent reflects processing costs for Standard Regular parcel-rated pieces that have a Postnet barcode. The 23.4 percent derived in my Attachment 13 represents the FY 2005 automation flats-rated share of ODIS-RPW sample-based Standard Regular parcel volumes. Since the IOCS defines piece shapes the same way as the ODIS-RPW sample-based system, 23.4 percent of the pieces which IOCS data collectors would regard as Standard Regular parcel shaped pieces should be automation flats-rated. This does not indicate the share of processing costs for the automation flats-rated pieces, but it provides important information in estimating the processing cost share.

As indicated in my response to PSA/USPS-T13-7, IOCS does not provide a cost estimate for flats-rated pieces in Standard Regular parcel mail. Therefore, we are unable to compute the share of costs for Standard Regular parcel shaped pieces which are flats-rated as compared to all Standard Regular parcel shaped pieces using IOCS. We use an

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alternative approach: if the cost per piece for parcel shaped flats-rated pieces is less (greater) than the cost per piece for parcel-rated pieces, then the cost share would be less (greater) than the 23.4 percent volume share. For this adjustment, it is a reasonable assumption that the processing cost per piece is identical for flats-rated and parcel-rated pieces. The resulting volume share of 23.4 percent is our best estimate of the processing cost share for automation flats-rated pieces, hence its use in the *Standard Regular flats-parcel cost adjustment in Attachment 13*.

As indicated in my response to part (a) of this interrogatory and in my responses to PSA/USPS-T13- 6 and 10, Standard Regular parcel-rated pieces often have Postnet barcodes. From that, I conclude that the difference between 23.4 and 43 percent would indeed reflect Standard Regular parcel shaped pieces, which are parcel-rated and also have a Postnet barcode

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REDIRECTED FROM WITNESS HARAHUSH**

PSA/USPS-T4-1. Please refer to your response to POIR No.5, Question 16 which states, "There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems. For example, if a large but less than 3/4 inch flat is rolled prior to its receipt by the carrier so the carrier can handle the mailpiece more easily and efficiently, the flat would be counted as a parcel in the carrier systems because it is thicker than 3/4 inch. Furthermore, if a Periodical flat is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle as a Periodical parcel, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail. In the CCCS, if a large Periodical flat is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system."

(a) Please discuss all instances where Standard Mail pieces that are less than 3/4 inch thick "may show as flats on mailing statements and parcels in the data systems "

(b) Does the Postal Service's method of transferring Standard Regular costs from parcels to flats account for the fact that some Standard Mail pieces that are less than 3/4 inch thick "may show as flats on mailing statements and parcels in the data systems." If so, please explain fully.

(c) Please discuss all instances where First-Class Mail pieces could be counted as flats by RPW and as parcels in the data systems.

RESPONSE:

- a Answered by witness Harahush.
- b The Postal Service's method for transferring Standard Regular costs from parcels to flats is for the purpose of addressing inconsistent parcel shape definitions between RPW by shape (USPS LR-L-87) and the cost systems in the development of processing and delivery unit costs. This method relies on the ratio of RPW by shape volumes (USPS LR-L-87) to ODIS-RPW sample based system volumes for Standard Regular parcels. The argument that I have made for using this method is that ODIS-RPW sample based system and the cost systems have the same definition of shape and therefore diverge from RPW by shape data in the same way.

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So to answer this question, we must examine if this argument holds for Standard mail pieces less than $\frac{3}{4}$ inch thick which "may show as flats on mailing statements and parcels in the data systems" for each of the cost systems. We can then consider the implications of this examination for using the Postal Service's method on processing unit costs and delivery unit costs.

IOCS is consistent with ODIS-RPW, since both systems use the same piece dimension rules for determining shape. If a piece is longer than 15 inches, but less than $15\frac{3}{4}$ inches long, both systems treat such a piece as a parcel. When pieces are part of a direct bundle, rigid or included in a parcel hamper, both systems define such pieces as flats, based on piece dimensions. So there is no inconsistency between IOCS, ODIS-RPW and RPW by shape on such pieces.

In his response to part (a), witness Harahush identifies two instances where Standard Regular flats rated pieces that are less than $\frac{3}{4}$ th inch thick could be regarded as parcels under CCCS and as flats under RPW by shape. The first is a flat-rated piece less than $\frac{3}{4}$ inch thick and more than 15 and less than or equal to $15\frac{3}{4}$ inches in length, CCCS would classify such a piece as a parcel. The second is a flat-rated piece less than $\frac{3}{4}$ inch thick, but found in the parcel hamper of a carrier using a two case system, which CCCS would again classify as a parcel. The first of these would also be treated as a parcel by ODIS-RPW, and would

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REDIRECTED FROM WITNESS HARAUSH**

accordingly be handled by the Postal Service adjustment. The latter, however, would not.

In the case of RCCS, as indicated in witness Harahush's response to part (a), Standard Regular flats rated pieces that are less than $\frac{3}{4}$ inch thick could be identified as parcels under RCCS and as flats under RPW by shape for pieces that are the top piece of a direct bundle, and for pieces that are sufficiently rigid so as not to fit into the carrier case. In both cases there is a divergence between RCCS and ODIS-RPW. As a result, we can say that the Postal Service method of transferring costs from parcels to flats would not account for these pieces.

Given the above we can say that the Postal Service method does account for such pieces in mail processing costs and city carrier in-office costs, because these costs are based on IOCS.

So in the case of city carrier street and rural carrier costs, the Postal Service's method of transferring costs from parcels to flats, does not account for Standard Regular flats rated pieces that are less than $\frac{3}{4}$ th inch thick that are:

- put into parcel hampers for delivery by city carriers using a two case system,
- are the top piece of a direct bundle for delivery by rural carriers or
- are sufficiently rigid so as not to fit into the carrier case given delivery by rural carriers.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
REDIRECTED FROM WITNESS HARAHUSH**

However, the frequency of these circumstances is not known, but is thought to be low, and therefore should not have a significant impact on the veracity of the Postal Service's method of transferring costs from parcels to flats.

- c. Answered by witness Harahush.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS ASSOCIATION**

VP/USPS-T13-1.

Please refer to the attachment to this interrogatory. Column 1 contains Base Year volume variable costs, as shown in USPS-LR-L-3. Columns 2 and 3 distinguish those volume variable costs that are considered to be indirect from those that are considered to be direct. The separation between direct and indirect costs was obtained from USPS-LR-L-93, PRCBY05.xls, pages 4-6. Column 4 shows the USPS piggyback factors applied to direct costs, and Column 5 shows the total piggybacked costs.

- a. Please review the costs in columns 2 and 3 and either (i) confirm that they are correct and in the correct columns, as shown, or (ii) for each cost segment, provide the correct distribution of volume variable costs as between direct and indirect costs.
- b. The piggyback factors shown in column 4 are from USPS-T-13, Attachment 8, row 41, and are for TY2008BR – USPS Version. Please confirm that these are the correct piggyback factors to apply to the Base Year volume variable direct costs, or supply the correct piggyback factor for each Base Year volume variable direct cost shown in the attachment.
- c. Please confirm that the total piggybacked costs, \$10,002,532,000, shown at the bottom of column 5 on page 2 of the attachment is correct, or supply the correct figure for the total indirect costs that are piggybacked onto the volume variable direct costs in column 3 (*i.e.*, \$27,597,332,000 in the attachment).
- d. Please explain why the procedures that you use to develop piggyback factors result in total piggybacked indirect costs (*i.e.*, \$10,002,532,000) that fail to account for a portion (*i.e.*, 19.3 percent) of total indirect volume variable costs (*i.e.*, \$12,393,563,000).
- e. Please explain whether the piggyback factors used to compute cost differentials between rate categories should be increased by an amount sufficient to account for all, or nearly all, of the Postal Service's indirect volume variable costs.

	(1) Volume Variable Costs	(2) Indirect	(3) Direct	(4) USPS Piggy- back	(5) USPS Piggy'd Costs
1 Postmasters	379,979	379,979	0	1.223	0
2 Supervisors and Technicians	2,122,210	2,122,210	0	1.000	0
2.1.1 Mail processing	813,076	813,076	0		
2.1.2 Central mail markup	37,508	37,508	0		
2.2 Window service	99,795	99,795	0		
2.3 Admin & support	40,031	40,031	0		
2.4.1 City delivery	556,482	556,482	0		
2.4.2 Rural delivery	44,358	44,358	0		
2.4.3 Vehicle svc drivers	23,239	23,239	0		
2.5.2 Higher level	68,492	68,492	0		
2.5.5 Training	24,071	24,071	0		
2.5.6 Qual control/Rev prot	40,344	40,344	0		
2.5.7 Joint supervision	374,813	374,813	0		
3 Clerks and mailhandlers, CAG A-J Offices	14,424,203	663,556	13,760,648		7,655,464
3.1 Mail processing	12,703,875	0	12,703,875	1.570	7,241,208
3.2 Window service	1,056,773	0	1,056,773	1.392	414,255
3.3.1 Administrative clerks	629,633	629,633	0		
3.3.2 Time and attendance	33,922	33,922	0		
4 Clerks, CAG K Offices	3,335	0	3,335	1.000	0
City Delivery Carriers, Office Activity	4,201,813	1,003,740	3,198,073	1.264	844,291
6.1 In office direct	3,198,073	0	3,198,073		
6.2.2 In office support overhead	734,063	734,063	0		
6.2.3 In office support other	269,676	269,676	0		
7 City Delivery Carriers, Street Activity	3,909,622	455,695	3,453,927	1.264	911,837
7.2 Delivery activities	3,453,927	0	3,453,927		
7.3 Delivery support	455,695	455,695	0		
8 Vehicle Service Drivers	367,029	0	367,029	1.482	176,908
10 Rural Carriers	2,214,077	0	2,214,077	1.187	414,032
Evaluated routes	2,035,578	0	2,035,578		
Other routes	178,499	0	178,499		
11 Custodial & Maint. Services	2,027,950	2,027,950	0	1.000	0
11.1.1 Custodial personnel	654,669	654,669	0		
11.1.2 Contract cleaners	54,515	54,515	0		
11.2 Op. equipment maintenance	1,005,109	1,005,109	0		
11.3 Custodial & maint. Services	313,657	313,657	0		
12 Motor Vehicle Service	268,037	268,037	0	1.000	0
12.1 Personnel	104,190	104,190	0		
12.2 Supplies & materials	157,245	157,245	0		
12.3 Vehicle hire	6,602	6,602	0		

Direct and Indirect
Volume Variable Costs
(\$ in thousands)

	(1) Volume Variable Costs	(2) Indirect	(3) Direct	(4) USPS Piggy- back	(5) USPS Piggy'd Costs
13 Miscellaneous Local Operations	4,148	4,148	0	1.000	0
13 1 Carfare	1,694	1,694	0		
13 2 Driveout -- city carriers	2,455	2,455	0		
14 Transportation	4,564,206	0	4,564,206	1.000	0
14 1 1 Domestic air	1,598,314	0	1,598,314		
14 1 1 Domestic air -- Alaska	8,005	0	8,005		
14 1 2 Highway	2,122,924	0	2,122,924		
14 1 3 Railroad	118,014	0	118,014		
14 1 4 Domestic water	25,038	0	25,038		
14 2 International	691,911	0	691,911		
15 Building Occupancy	1,217,936	1,217,936	0	1.000	0
15 1 Rents	863,364	863,364	0		
15 2 Fuel & utilities	354,572	354,572	0		
16 Supplies and Services	1,278,496	1,272,629	5,867	1.000	0
16 1 1 Stamps	87,098	87,098	0		
16 1 2 Money orders	5,867	0	5,867		
16 1 3 Stamped cards & envelopes	7,306	7,306	0		
16 3 1 Custodial & building	101,250	101,250	0		
16 3 2 Equipment	309,630	309,630	0		
16 3 3 Track & trace	423	423	0		
16 3 4 Other miscellaneous	766,923	766,923	0		
17 Research & Development	0	0	0	1.000	0
18 Administration & Area Operations	1,441,253	1,441,172	81	1.000	0
18 1 Postal Inspection Service	43,325	43,325	0		
18 2 7 Commissions, non-U.S. Mos	81	0	81		
18 3 1 Replaced annual leave	49,056	49,056	0		
18 3 2 Holiday leave	533	533	0		
18 3 4 Workers compensation	454,940	454,940	0		
18 3 5 Unemployment compensation	23,930	23,930	0		
18 3 6 Annuitant health insurance	863,186	863,186	0		
18 3 7 Annuitant life insurance	6,202	6,202	0		
19 General Management Systems	0	0	0	1.000	0
20 Other Accrued Expenses	1,566,601	1,536,512	30,090	1.000	0
20 1 Equipment depreciation	738,572	738,572			
20 2 Vehicle depreciation	35,989	35,989			
20 3 Bldg & leasehold depreciation	760,767	760,767			
20 4 Indemnities	30,090		30,090		
20 5 Interest expense	1,183	1,183			
TOTAL	39,990,895	12,393,563	27,597,332	10,002,532	

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
AND VALPAK DEALERS ASSOCIATION**

RESPONSE:

- a. As indicated by witness Milanovic, USPS-T-9, in his response to VP/USPS-T9-1, the Postal Service does not separate base year costs into "direct" and "indirect" categories.¹ I have no opinion on the division of costs into "direct" and "indirect" as contained in USPS-LR-L-93, PRCBY05.xls, pages 4-6. The line between "direct" and "indirect" can be a matter of judgment and would depend on the purpose for making the distinction.
- b. Not confirmed. To address the questions you raise I have developed an attachment to this response that splits volume variable costs into: labor costs upon which costs are piggybacked, piggybacked costs, and other non-personnel costs. Base Year piggyback factors are provided in this attachment. These piggyback factors are from LR-L-52, spreadsheet BYPBack.USPS.xls. In addition, three additional sets of piggyback factors for Training, Supervisors Training, and Data Collection & Other Administrative are provided in LR-L-146, in spreadsheet BYPBack.All.USPS.xls.
- c. Not confirmed. See the Attachment to this response.

¹ In my testimony I reference costs that appear in the numerator of the piggyback factors, but not in the denominator, as "indirect costs." These piggybacked costs are indirect or support costs for the purposes of the construction of the piggyback factors.

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
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- d. As shown in the attachment of this response, the full amount (except for rounding) of volume variable costs are accounted for by labor costs upon which piggyback factors are based, piggybacked costs and other non-personnel costs. The spreadsheet in LR-L-146 shows (in the sheets marked Summary of Outputs and Summary of Inputs) that the total costs for the cost segments which are included in piggybacked costs are accounted for in the development of the piggyback factors.
- e. As shown in the attachment of this response, the full amount (except for rounding) of volume variable costs are accounted for by labor costs upon which piggyback factors are based, piggybacked costs and other non-personnel costs.

RESPONSE OF POSTAL SERV. WITNESS MARC A. SMITH TO
 INTERROGATORY OF VALPAK DIRECT MARKETING SYSTEMS, INC.
 AND VALPAK DEALERS ASSOCIATION

Division of FY 2005 Volume Variable Costs Into Labor, Piggyback and Other Non-Personnel Cost

Comp	Component Title	C/S	Labor Costs	Piggyback Factor	Piggyback Costs	Other Costs	Total Costs
0035	Mail Processing	3 1	12,703,875	1.510	6,475,352		19,179,226
0042	Clerks CAG/K Offices	4 1	3,335	1.510	1,700		5,035
0040	Window Services	3 2	1,056,773	1.410	432,824		1,489,597
0256	C/S 6 City Delivery Carriers - Office Activity	6 0	4,201,813	1.251	1,054,458		5,256,271
0257	C/S 7 City Delivery Carriers - Street Activity	7 0	3,909,622	1.251	981,132		4,890,754
0057	Vehicle Service Drivers	8 1	367,029	1.454	166,809		533,838
0260	C/S 10 Rural Carriers	10 0	2,214,077	1.179	396,449		2,610,527
0251	C/S 1 Postmasters	1 0	379,979	1.223	84,556		464,535
0066	Claims & Inquiry	3 3 1 1	3,060	1.349	1,067		4,127
	Supervisors Training		24,071	1.082	1,965		26,037
421 & 41	Data Collection & Other Admin	3 3 1 2 3 3 3 1 3	120,288	1.261	31,447		151,735
0470	Training	3 3 1 5	94,065	1.121	11,342		105,407
	Post Office Box Space- Related					487,622	487,622
0264	C/S 14 Transportation	14 0				4,564,206	4,564,206
0180	Stamps & Dispensers	16 1 1				87,098	87,098
181 & 244	Money Orders	16 1 2				5,948	5,948
0248	Stamped Cards & Embossed Stamped Envelopes	16 1 3				7,306	7,306
0196	Comprehensive Tracking & Tracing	16 3 3				423	423
0187	Misc Attrib PMPC / Intl / DC Supplies & Services	16 3 4 5				91,108	91,108
0397	Indemnities	20 4				30,090	30,090
	Total Volume Variable Costs		25,077,987		9,639,101	5,273,800	39,990,888

Source: See USPS LR-L-146.

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Smith?

3 (The documents referred to
4 were marked for
5 identification as Exhibit
6 Nos. USPS-LR-L-22 and USPS-
7 LR-L-52 through USPS-LR-L-
8 54.)

9 MR. HESELTON: Mr. Chairman, I'd like to
10 indicate that Witness Smith has four library
11 references associated with his testimony that are also
12 Category II library references and therefore should be
13 admitted to the record.

14 BY MR. HESELTON:

15 Q So I'd like to ask Mr. Smith, are you
16 familiar with library references USPS-LR-L-22, and 52,
17 and 53 and 54?

18 A Yes, I am.

19 Q Were these library references prepared by
20 you or under your direction?

21 A Yes. Yes, they were.

22 Q Do you sponsor these library references?

23 A I do.

24 MR. HESELTON: Mr. Chairman, I ask that the
25 library references USPS-LR-L-22, 52, 53 and 54 be

1 received in evidence at this time.

2 CHAIRMAN OMAS: Without objection. So
3 ordered.

4 (The documents referred to,
5 previously identified as
6 Exhibit Nos. USPS-LR-L-22 and
7 USPS-LR-L-52 through USPS-LR-
8 L-54, were received in
9 evidence.)

10 CHAIRMAN OMAS: This brings us to oral
11 cross-examination. One participant has requested oral
12 cross-examination, the Parcel Shippers Association.

13 Mr. May, would you like to begin, please?

14 MR. MAY: Yes.

15 CROSS-EXAMINATION

16 BY MR. MAY:

17 Q I'm Tim May, counsel for Parcel Shippers.
18 Good morning, Mr. Smith.

19 A Good morning, Mr. May.

20 Q If you would look initially at your
21 Attachment 14 to your testimony?

22 A I have it.

23 Q Is it correct that in that attachment you
24 show a cost for standard enhanced carrier route
25 parcels of \$24.50? Is that correct?

1 A Yes. That's correct.

2 Q Okay. Now, if you will now refer to your
3 response to the Presiding Officer Information Request
4 No. 10, your response to Question 2?

5 A Okay. I have it.

6 Q I believe in that response to Question 2(a)
7 you agreed that the \$24 figure in your Attachment 14
8 is anomalous. Is that correct?

9 A That's right.

10 Q Also, in response to that same POIR in
11 Question 2(e) you state that you don't know the,
12 "actual cause of that anomaly". Is that correct?

13 A That's correct.

14 Q And that the results of any analysis of the,
15 "actual cause" would likely not be available for this
16 rate case?

17 A I was asked to provide a time in which I
18 could address that and I wasn't aware of what data I
19 would be able to address, so as far as I know I'm not
20 sure when we'd be able to address that.

21 Q Okay. Now, that isn't the only anomalous
22 unit mail processing cost estimate for parcels is it?
23 For example you estimated that the unit mail
24 processing cost of first-class presort parcels was \$3.
25 If you'll refer to your response to PSA-13-1(c)?

1 A I have it.

2 Q You do show a mail processing cost for
3 first-class parcels there of \$3. Is that correct?

4 A First-class presort parcels.

5 Q You also estimated that the unit mail
6 processing cost of periodicals outside the county
7 parcels was \$26 a piece. Is that correct that table
8 shows that?

9 A That's correct.

10 Q Just so we're clear isn't the case that you
11 used the same data sources to estimate the unit costs
12 for parcels in all subclasses that you did for these
13 anomalous categories? The same data sources?

14 A Well, as I answered in I believe it was your
15 question --

16 Q I think it's (c) isn't it? Answer to PSA-
17 13-9(c)?

18 A Okay.

19 Q Which you say, "I can confirm that I used
20 the same calculations and data sources for all the
21 parcel unit costs"?

22 A Right, but I do also point out there that
23 all the volume data is from the library reference LR-
24 L-87. However, the underlying sources of the data
25 that go into that system are not identical subclass to

1 subclass. There's much more reliance on mailing
2 statements, postage statements, for bulk mail.

3 Q Yes. I believe you have confirmed that.
4 The three categories I've pointed out you've agreed
5 that those are anomalous and that you really don't
6 know the reasons why. Isn't that correct?

7 A That's right. Well, my understanding in
8 general for the most part I had thought these costs
9 were anomalous that you've referred to and it wasn't
10 my view that they were required for rate design or
11 that the anomalies were of concern to any of the users
12 of this data.

13 Q Yes. Well, your answer to this question was
14 the first-class presort parcels unit costs appear to
15 be anomalous and I do not know why it is so large, and
16 you say the periodicals outside county parcels unit
17 costs appear to be anomalous and I do not know why it
18 is so large. Those are the answers you gave to
19 Question PSA-13-1 are they not?

20 A That's right.

21 Q Now, can you rule out the possibility that
22 the cause of the anomalies that you've pointed out in
23 these three subclasses whatever that cause is is also
24 infecting the unit cost figures for your other
25 subclasses? Can you rule out that possibility?

1 A Well, I don't believe they would apply to
2 the other categories. In my response to PSA No. 3 the
3 attachment there shows the relative volumes of these
4 categories and basically the relative volumes of the
5 categories that we're talking about, RPW volumes, are
6 relatively small, and I don't think those are the
7 factors that -- like I say, I haven't studied them,
8 but as far as I know the issues that are causing
9 anomalies there to the best of my knowledge I wouldn't
10 think would apply to the categories where we have
11 major volumes.

12 Q Well, since you have testified that you do
13 not know what is causing the anomalies how can you say
14 that it is not possible that whatever that cause is
15 since you don't know what it is is also infecting all
16 of the parcel categories? How can you be sure?

17 A Well, I can't be sure, but I can certainly
18 say that the anomalies that you cite are not
19 reflective of the costs in the categories say for
20 first-class single piece or for standard regular and
21 the package services categories, so those are the
22 categories that have substantial volume and I think it
23 would be incorrect to infer that anomaly is related to
24 small volume categories when applied to other
25 categories.

1 Q Yes. I simply asked you whether you could
2 rule out the possibility that the same cause infected
3 all the other categories given the fact that you don't
4 know what the cause was?

5 A Well, I can't say that it's impossible, but
6 I don't think it's very likely.

7 Q Now, I'd like you to focus on the standard
8 regular parcel costs. If you will refer to page 34 of
9 your testimony? You there discuss an inconsistency
10 between the RCW and the cost systems. Is that
11 correct?

12 A That's right.

13 Q So automation flats that are between three-
14 quarters of an inch and one and one-quarter of an inch
15 thick are recorded as flats by the RPW system and as
16 parcels by IOCS? Wasn't that the problem that you
17 discussed there?

18 A That's right.

19 Q So to correct for that you make an
20 adjustment to correct for that inconsistency, correct?

21 A Yes.

22 Q More specifically what you do is you adjust
23 the unit cost for standard regular parcels downward by
24 23.4 percent? I think that's shown in Attachment 13
25 to your testimony. Is that what you did there?

1 A Yes.

2 Q Now, just a couple of questions about the
3 adjustment. If you'll refer to your answer to PSA's
4 Question 14? You agreed there that in FY2005 -- do
5 you have that?

6 A Not yet.

7 Q That in 2005 approximately 43 percent of
8 mail processing costs for standard regular parcels
9 were for pieces that had post net barcodes on them.
10 Is that correct?

11 A Okay.

12 Q You'll see in the question it says referring
13 to you to your answer to 10-S where it quotes you as
14 saying, "an approximate estimate of the share of the
15 standard regular mail processing parcel costs for
16 pieces with post net barcodes for FY2005 is 43
17 percent". See that?

18 A Yes, I do.

19 Q Okay.

20 A I'm sorry. Your question?

21 Q So the post net barcode is the barcode that
22 must be placed on flats to qualify for automation
23 rates. Is that correct?

24 A That's correct.

25 Q So we now have post net barcodes on 43

1 percent of the parcels you say?

2 A That's right. In my interrogatory
3 responses, I believe No. 7, I pointed out that post
4 net barcodes were found on parcel rated pieces as
5 well. So the post net barcodes, although they
6 wouldn't be of any use in sorting parcels since the
7 barcodes are different for parcels post net barcodes
8 were found on parcel pieces, perhaps the same methods
9 for flats that's the same methods for applying the
10 addresses might have contained the post net barcodes.

11 In any event the parcel rated pieces were
12 found with post net barcodes.

13 Q If you assumed that all of those 43 percent
14 with the post net barcode were actually flats that
15 would have compelled you to make an adjustment
16 adjusting the mail processing costs down by 43 percent
17 rather than 23 percent? If you made that assumption.

18 A That's right. That was proposed as I
19 indicated in my interrogatory responses. That was
20 considered by us and then we decided that the IOCS
21 information on pieces with post net barcodes was not
22 valid as far as telling us about pieces that were
23 flats rated since so many parcel pieces had post net
24 barcodes.

25 Q That's because you were informed that some

1 of these pieces had post net barcodes, but you say you
2 did not know how many of them. For example your
3 response to 13(a) was I don't have any estimates of
4 the percentage of standard regular parcel rated pieces
5 with post net barcodes from the observations at BMC or
6 the other information gathered via phone calls to the
7 other BMCs.

8 So you don't really know the frequency with
9 which these post net barcodes appeared on parcels do
10 you?

11 A No. We didn't conduct a study on this, but
12 staff was at BMCs observing operations and they were
13 asked to take note if parcels would contain or have
14 post net barcodes and they indeed found them, parcels
15 on the parcel splitter with the post net barcodes.

16 Q Yes. So you know that it wouldn't be
17 correct to reduce the cost by 43 percent because you
18 did know that some of that 43 percent were parcels
19 with a post net barcode, but you didn't know how many.
20 Isn't that correct? You knew that some had it, but
21 you said you didn't know how many.

22 A Well, the information from IOCS was telling
23 us the costs associated with pieces, I guess parcel
24 shaped pieces, that had post net barcodes. It's
25 impossible to tell from IOCS whether those are flats

1 rated parcels or parcel rated. The only thing that we
2 obtained from our observations at BMCs is that it was
3 not uncommon to find post net barcodes on parcel rated
4 pieces.

5 Q Well, then so the only thing you know isn't
6 it the case that a reduction of 43 percent in costs on
7 the assumption they were all flats would be incorrect,
8 but because you don't know how many were parcels you
9 don't know how incorrect a 43 percent reduction would
10 be?

11 A I don't know how incorrect it would be, but
12 I felt based on the observations of the mail at the
13 BMCs that it would be unreliable to use the 43 percent
14 and to allow it in any way.

15 Q I know, but you also said that the
16 observations and based on your phone calls that they
17 didn't know the number either.

18 A The observations of the BMCs were just
19 confirmed the idea that post net barcodes are often
20 applied to parcel rated pieces. We didn't determine
21 the percentage of parcel shaped pieces that had post
22 net barcodes which were flats rated versus parcel
23 rated, but what we did determine that it was common
24 that parcel rated pieces would have post net barcodes.

25 Q That it was common?

1 A It was readily observed and pieces that were
2 on the parcel sorting machine at the BMCs were seen
3 with post net barcodes.

4 Q Well, I think what your testimony was that
5 they were observed often enough to cast doubt on using
6 post net barcodes as an indication of flats automation
7 rate for standard regular parcel shaped pieces often
8 enough. That's your testimony I believe.

9 A Right.

10 Q Well, that's your answer to Question PSA-13-
11 10(a).

12 A That's right. Well, the one example that I
13 was told about involving the parcel sorting machine
14 and parcel with the post net barcode, that and other
15 observations were the reason we thought it was
16 occurring often enough, but we wouldn't want to rely
17 on IOCS data regarding pieces with post net barcodes
18 as an indicator of flats rating.

19 Q Okay. Now, I'd like to turn your attention
20 to this piece of mail I have in my hand. I was going
21 to bring it over and let you feel it and look at it.

22 A I've got my ruler here.

23 Q Now, just looking at it without measuring it
24 -- you've already measured it. Just looking at it it
25 looks like a parcel doesn't it?

1 A No. I guess I'm not sure I'd say it looked
2 like a parcel.

3 Q It's in a box. Does it look like a flat?

4 A Well, I guess my perspective here is after
5 coming at it from reading the DMM, and IOCS and ODIS
6 RPW manuals I want to get out my ruler and things like
7 that before answering the question on whether it's a
8 parcel or a flat.

9 Q You did measure it didn't you?

10 A I haven't done it yet.

11 Q Go right ahead then.

12 A Okay. Thank you. Okay, here. Let's see
13 here. Okay. I've measured it.

14 Q It's less than three-quarters inch thick
15 isn't it?

16 A Let's see. I thought it might be more. I
17 think it's about seven-eighths of an inch thick unless
18 I'm using the wrong side of this ruler, but I think
19 it's seven-eighths of an inch.

20 Q If someone in the post office is handling
21 this are they getting their ruler out every time they
22 handle it?

23 A I don't know.

24 Q Do you have any data how frequently IOCS
25 data collectors might record a piece like that that's

1 a flat, but record it as a parcel?

2 A Okay. Let's see here. Well, since it
3 exceeds three-fourths of an inch thick I believe IOCS
4 data collectors would record this as parcel shaped.

5 Q If it were less than three-quarters of an
6 inch thick and they recorded it as a parcel would that
7 be incorrect?

8 A Let me see here. I believe that would be
9 incorrect to record it as a parcel if it was less than
10 three-quarters of an inch thick.

11 Q If that were to happen that would simply be
12 a case of human error would it not?

13 A Yeah.

14 Q I mean, someone sees that and says it looks
15 like a parcel, marks down a parcel because they didn't
16 measure it, and so they commit human error. You don't
17 know to what extent human error may be occurring in
18 that case. I don't believe you have any data on it do
19 you?

20 A No, I don't.

21 Q Your other correction does not take account
22 of human error. It's to correct a known inconsistency
23 rather than to correct for human error. Is it not the
24 case?

25 A Well, in the case of the adjustment I've

1 done using ODIS RPW, ODIS RPW has the same basis for
2 determining mail piece shape, so the same process is
3 used by the ODIS RPW data collectors versus the IOCS
4 data collectors. I guess what I'm saying is that
5 there's going to be a consistent treatment in general
6 of mail pieces between ODIS RPW and IOCS because of
7 that.

8 Given that the adjustment that I've done
9 would reflect, essentially adjust for this difference
10 in the shape definition between the RPW by shape
11 versus IOCS.

12 Q I know, but that's not due to human error is
13 it? They're simply following the definitions of the
14 two different systems and they're not mismarking the
15 material because of human error are they?

16 A Right. I guess what I'm saying is the same
17 degree of error, it would be present in both.

18 Q Well, yes, but I'm asking you specifically
19 whether a piece that is less than three-quarters of an
20 inch thick but looks like a parcel, that isn't
21 adjusted for in your inconsistency is it? In your 23
22 percent reduction?

23 A I think it's fair to say that in the ODIS
24 RPW data that's been reconciled with RPW finds in
25 Attachment 13 we have approximately, well, 784 million

1 parcel shaped pieces for standard regular and I would
2 expect that the process involved in identifying that
3 volume is also the same process involved in
4 identifying parcel shaped pieces and parcel costs in
5 office cost systems.

6 So I'm saying there's a consistency in the
7 way the costs and the ODIS RPW volumes are developed.

8 Q I know, but this is a function of the
9 different definitions rather than human error is it
10 not?

11 A Well, the definitions are the same between
12 ODIS RPW and in office cost system. As far as shape I
13 certainly can't testify to a degree of human error or
14 whether --

15 MR. MAY: That's all. Mr. Chairman, that's
16 all I have.

17 CHAIRMAN OMAS: Thank you, Mr. May.

18 Is there any additional follow-up cross-
19 examination?

20 (No response.)

21 CHAIRMAN OMAS: Mr. Heselton, would you like
22 some time with your witness?

23 MR. HESELTON: Yes, Mr. Chairman, I would.
24 About five to 10 minutes.

25 CHAIRMAN OMAS: Why don't we try 10 minutes

1 and we'll be back. Thank you.

2 (Whereupon, a short recess was taken.)

3 CHAIRMAN OMAS: Mr. Heselton?

4 MR. HESELTON: Mr. Chairman, the Postal
5 Service has no redirect.

6 CHAIRMAN OMAS: Thank you.

7 Mr. Smith, that completes your testimony
8 here today. We thank you for your appearance, and
9 your contribution to our record once again and you are
10 excused. Thank you very much.

11 THE WITNESS: Thank you, sir.

12 (Witness excused.)

13 CHAIRMAN OMAS: This concludes today's
14 hearing. We will reconvene Monday morning at 9:30
15 a.m., when we will receive testimony from Postal
16 Service Witnesses Kaneer, Berkeley, Page and Taufique.
17 Thank you very much. Have a good weekend, and we'll
18 see you next week.

19 (Whereupon, at 12:09 p.m., the hearing in
20 the above-entitled matter was adjourned, to reconvene
21 on Monday, August 28, 2006, at 9:30 a.m.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2006-1
CASE TITLE: Postal Rate and Fee Changes
HEARING DATE: 8/24/06
LOCATION: Washington DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission

Date: 8/24/06

Bernette J. Huber

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