

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0000

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96--3

UNITED STATES POSTAL SERVICE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO OFFICE OF THE CONSUMER ADVOCATE
WITNESS SHERMAN (USPS/OCA-T100-23-36)


Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of the Consumer Advocate witness Sherman: (USPS/OCA-T100-23-36).

Respectfully submitted,

UNITED STATES POSTAL SERVICE


By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Susan M. Duchek

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Susan M. Duchek

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October 23, 1996



USPS/OCA-T100-23. At page 17, lines 5 through 9 of your testimony, you compare the revenue per transaction for registry in Exhibits USPS-T-5G and J with revenue per transaction in USPS-T-1, WP-E, page 2.

- a. Is it your understanding that the revenue per transaction figures reported in Exhibits USPS-T-5G and J are comparable with those reported in USPS-T-1, WP-E, page 2? Please explain in detail.
- b. Please explain your understanding of what is included in the registry revenues reported in the Cost and Revenue Analysis Report?
- c. Please explain your understanding of what is included in the registry revenues reported in USPS-T-1, WP-E, page 2.

USPS/OCA-T100-24. At page 18, lines 7-10 of your testimony, you state your understanding "that the Postal Service historically has included return receipt revenue but not return receipt cost in the cost coverage calculation for certified mail, but that it is not doing so in this case." You then go on to state, "Perhaps Witness Patelunas used the historical practice."

- a. Please explain in detail your understanding of "the historical practice" referred to in the immediately preceding sentence.
- b. Is it your understanding that historically the Postal Service has included return receipt revenues in certified mail revenues? Please explain your understanding of what the Postal Service has historically included in certified mail revenues in detail.

- c. Is your understanding that historically the Postal Service has included return receipt costs in certified mail costs? Please explain your understanding of what the Postal Service has historically included in certified mail costs in detail.

USPS/OCA-T100-25. At page 18, lines 15-18 of your testimony, you state, "If there is a longstanding error in the way costs have been evaluated for pricing certified mail service, that should be demonstrated and new rates might be proposed based on correct costs."

- a. Please explain in detail what you mean by "correct costs."
- b. Please explain in detail which costs are, in your view, incorrect in this docket.

USPS/OCA-T100-26. At page 18, lines 18-20 of your testimony, you state, "At present the argument is not put explicitly and the reason for the increase -- cost increases or previously incorrect costs -- is not clear."

- a. What "argument is not put explicitly?" Please explain in detail.
- b. Please explain in detail the "cost increases" to which you are referring. Over what period of time have these "cost increases" occurred? Is it your testimony that certified mail unit costs have increased? If so, please cite the source for your conclusion.

- c. Please explain in detail the "previously incorrect costs" to which you are referring. Is it your testimony that certified mail costs have been incorrect previously? How have they been "incorrect?" For what previous periods of time have they been "incorrect?"

USPS/OCA-T100-27. At page 23, lines 18-22 of your testimony, you refer to the "remarkable difference in processing cost between postal cards and private cards" with postal cards being "at least \$0.08 per piece less" than private cards. You cite to Exhibit USPS-T-5C at 10 for this conclusion. Is it your testimony that Exhibit USPS-T-5C at 10 reflects only processing costs? Please explain in detail.

USPS/OCA-T100-28. At page 23, line 22 - page 24, line 2, you discuss what you term "plausible sources" of the cost difference between postal cards and private cards mentioned in Witness Patelunas's response to interrogatory OCA/USPS-T5-11, Tr.2/252-53. You cite to "greater compatibility of postal cards with mechanization and automation due in part to their uniform size and shape." You also mention cleaner addresses.

- a. Please confirm that in his response to interrogatory OCA/USPS-T5-11, Tr. 2/252-53, Witness Patelunas also states that it is possible "that postal cards are misidentified as private cards during data collection." If you do not confirm, please explain in detail.

- b. Do you have any basis to dispute witness Patelunas's statement that it is possible "that postal cards are misidentified as private cards during data collection." If so, please explain in detail.

USPS/OCA-T100-29. At page 24, lines 3-5 of your testimony, you state, "It is unfortunate that costs are not provided, to show the effects of these possible influences."

- a. By "possible influences" do you mean the uniform size and shape of postal cards as compared to private cards?
- b. By "possible influences" do you mean the cleaner addresses of postal cards as compared to private cards?
- c. By "possible influences" do you mean the possibility of data collection misidentification?
- d. To what other "possible influences" are you referring?
- e. How would costs be "provided to show the effects of these possible influences?" Please explain in detail.
- f. Would showing "the effects of these possible influences" also include an assessment of possible data collection misidentification? If not, please explain in detail why not.

USPS/OCA-T100-30. At page 24, lines 8-9 of your testimony, you state, "And these effects may be stronger than is currently being assumed."

- a. By "these effects" do you mean the uniform size and shape of postal cards as compared to private cards?
- b. By "these effects" do you mean the cleaner addresses of postal cards as compared to private cards?
- c. By "these effects" do you mean the possibility of data collection misidentification?
- d. To what other "effects" are you referring?
- e. Upon what evidence do you base your statement that the effects "may be stronger than is currently being assumed?" Please explain in detail.
- f. What is your understanding of what is being "assumed?" Please explain in detail.
- g. Is it your testimony that "these effects" are currently reflected in the unit cost difference between postal cards and private cards? If not, please explain in detail. If so, how could the effects "be stronger than is currently being assumed?" Would not any "stronger" influence also be reflected in the unit cost difference between postal cards and private cards?

USPS/OCA-T100-31. At page 24, lines 17-19, you state "the possibility that more of the postal card volume will move to the very close -- and now lower priced -- substitute, private cards."

- a. What do you mean by "lower priced?" Please quantify.
- b. In making the above statement, did you take into account the cost of a purchasing a private card? Please explain in detail.
- c. What is the current average purchase price of a private card?
- d. Assume that the average purchase price of a private card is 5 cents. With postage, the total cost of purchasing and mailing a private card is 25 cents, correct?

USPS/OCA-T100-32. At page 27, lines 1-4 of your testimony, you indicate that the Postal Service's post office box pricing proposal did not "explicitly" consider "that there may be a cost savings in delivery to a post office box rather than to a business or residence."

- a. Is it your testimony that the Postal Service's post office box pricing proposal implicitly considered a possible cost savings in delivery to a post office box rather than to a business or residence? If so, please explain in detail.
- b. In making the statement contained in the preamble to this question, did you review and/or consider Appendix B to USPS-T-5? If so, what is your understanding of the results of Appendix B? If not, why not?
- c. Please explain in detail your understanding of the types of costs included under post office box attributable costs in the Cost and Revenue Analysis Report.

- d. In making the statement contained in the preamble to this question, did you review Exhibit USPS-T-5A? If so, what is your understanding of the types of costs included under post office box attributable costs in the Cost Segments and Components Report? If not, why not?
- e. In making the statement contained in the preamble to this question, did you review pages 34-35 of USPS-T-4? If so, what is your understanding of the types of costs included in Witness Lion's allocation of post office box attributable costs? If not, why not?
- f. In making the statement contained in the preamble to this question, did you review and/or consider the Commission's Distribution of PO Box Cost Adjustment contained in PRC-LR-2? If so, what is your understanding of the results of the Commission's Distribution of PO Box Cost Adjustment? If not, why not?
- g. If you did not review and/or consider the Commission's cost methodology as set forth in PRC-LR-1 and 2, why did you need an extension of time from September 25, 1996 to September 30, 1996 to prepare and file your testimony?

USPS/OCA-T100-33. Please refer to page 32, lines 3-4 of your testimony, where you assert "there is little doubt that alternative box services are more costly" [than post office boxes].

- a. Please explain the basis for this assertion.

- b. Assuming the existence of "economies of scope" is the reason for your assertion, please define this term and explain how it should be measured in this case.
- c. In your opinion, is there a significant difference in labor costs between CMRA employees and Postal Service employees? Please explain, in quantitative terms if possible.
- d. If labor costs at CMRAs are significantly lower, would that affect your conclusion? Please explain.

USPS/OCA-T100-34. At page 33, lines 7-9 of your testimony, you state that "the idea that delivery into a post office box costs less than delivery to a remote location is not explicitly considered."

- a. How should the Commission consider this under the criteria of the Postal Reorganization Act? Please explain in detail.
- b. How should cost of delivery to a post office box versus cost of delivery to "a remote location" be accounted for under 39 U.S.C. § 3622(b)(3)? Please explain in detail.
- c. Is it your testimony that the cost of delivery to a post office box versus the cost of delivery to "a remote location" should be accounted for under one of the non-cost criteria of the Postal Reorganization Act? If so, please specify which criterion or criteria and explain your rationale in detail.

USPS/OCA-T100-35. In your response to USPS/OCA-T100-11(d), you indicate that private card mailers do not "support the manufacturing costs of postal cards." Please confirm that the manufacturing costs of postal cards are covered by the 20-cent postage paid by users of the cards subclass as a whole. If you do not confirm, please explain in detail.

USPS/OCA-T100-36. In your response to USPS/OCA-T100-13, you state, "I do not claim delivery cost savings attend the provision of post office box service; I suggest that there may be a savings and if so they would be worth identifying." Is it your testimony that Appendix B to USPS-T-5 does not identify delivery cost savings due to use of post office boxes? Please explain in detail.