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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

Special Services Fees and Classifications

Docket No. MC96-3

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
WITNESS: SHERYDA C. COLLINS (USPS/OCA-T400-25-28)
(NOVEMBER 6, 1996)

The Office of the Consumer Advocate hereby submits the answers of Sheryda C. Collins to interrogatories USPS/OCA-T400-25-28, dated October 23, 1996. Interrogatory USPS/OCA-T400-29 was redirected to Witness Sherman. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

Shelley S. Dreifuss

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Attorney
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ANSWERS OF OCA WITNESS SHERYDA C. COLLINS
TO INTERROGATORIES USPS/OCA-T400-25-28

USPS/OCA-T400-25. At page 6, lines 9-11 of your testimony, you state that "no fee increase for certified mail should be approved until all of the evidence regarding the costing of this service is fully explained on the record."

- a. What is your understanding of what is included in the certified mail costs total attributable cost contained in USPS-T-5C, page 16. Please explain in detail.
- b. If only certified mail costs are contained in the certified mail total attributable cost contained in USPS-T-5C, page 16, then what further information is necessary to fully explain on the record the costing of certified mail? Please explain in detail.

A. a.-b. I am not sure exactly what is included in the certified mail costs in USPS-T-5C. For a brief period after witness Needham was cross-examined, I thought that some of the confusion which surrounded the costing and pricing of certified mail had been cleared up. However, upon reading transcripts and interrogatory responses in preparation for writing testimony, I became convinced that the record still was muddy. See my testimony at pages 5-11.

Witness Lyons stated that there had been "a major structural chang[e] in the costing" of certified mail. Tr. 2/154. Witness Needham stated that this was not so; there was a change in the cost coverage methodology. What she presented as a pure certified mail cost coverage in her testimony she claimed did not include ancillary service revenues. However, the cost coverage table in USPS-T-22, page 40, in Docket No. R90-1 did not include

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CONTINUATION OF ANSWER TO USPS/OCA-T400-25:

ancillary service revenues. Id., n.1. Witness Needham then stated that in that docket (and in previous dockets) there were errors in the attributable costs for certified mail. Tr. 4/1200.

To further complicate this matter, witness Patelunas' response to interrogatory OCA/USPS-13 (Tr. 2/271-72) indicated that the components of volume for certified mail in the FY 1995 CRA (USPS-T-5C, page 16), which are used to calculate the unit attributable costs, were changed from FY 1994. This was due to a Revenue, Pieces and Weight (RPW) reporting change. He states, "The RPW reporting change was for transaction revenues, and hence volumes, associated with return receipts for merchandise. Beginning in FY 1995, the volumes for return receipts for merchandise were included in with Certified Mail." Tr. 2/271-72. (266,431 certified volume plus 22,395 return receipt volume = 288,827 CRA volume.) The result of this is a decline in the unit attributable costs for certified mail from FY 1994.¹ His phraseology in answering this interrogatory seems to indicate a permanent RPW change. The FY 1995 transactions (266,431) shown

¹ This would explain only a portion of the large decline in unit attributable costs for certified mail. See my response to USPS/OCA-T400-27.

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CONTINUATION OF ANSWER TO USPS/OCA-T400-25:

in USPS-T-1, WP D, page 1, (Lyons workpapers) have merchandise return receipts removed. However, the transactions for both before (289,613) and after rates (277,803) in WP D, which are used to calculate the revenues, are straight from the CRA with no adjustment. See USPS-T-5G and 5J, both at 23. Are merchandise return receipts included? And how would one know? Why should merchandise return receipts be included with certified? If they are included, there is a significant effect on the revenues calculated.

I remain confused. Certified mail fees should not be changed due to the confused state of the record; and this matter should be revisited during the next omnibus rate case.

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USPS/OCA-T400-26. At page 10, lines 17-19 of your testimony, you state that there has been "no clear and complete explanation of the methodology for developing certified mail costs."

- a. Please explain in detail to what "methodology" you are referring?
- b. Is it your testimony that the certified mail total attributable cost presented in USPS-T-5C, page 16, include [sic] costs other than for certified mail? If so, what other costs do you believe are included? If not, then please explain in detail why you believe there has been "no clear and complete explanation" of certified mail costs in this docket.

A. a.-b. See my answer to USPS/OCA-T400-25.

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USPS/OCA-400-27. At page 10, line 26-page 11, line 2 of your testimony, you state, "Witness Patelunas also confirmed that the unit costs for certified mail have declined 17.6 percent from FY 1994 to FY 1995."

- a. In making this statement did you review and/or consider witness Patelunas's response to OCA/USPS-13 (Tr. 2/271-77). If not, why not?
- b. Please confirm that witness Patelunas stated that approximately 39.4 percent of the decline in certified mail unit costs between FY 1994 and FY 1995 is due to an RPW reporting change concerning return receipt for merchandise volumes. If you do not confirm, please explain in detail.
- c. Assuming as a fact that approximately 39.4 percent of the decline in certified mail unit costs between FY 1994 and FY 1995 is due to the RPW reporting change concerning return receipt for merchandise volumes cited by witness Patelunas, does this portion of the decline in unit attributable costs represent the "declining attributable costs" you refer to on page 11, lines 4-5 of your testimony?
- d. Is it your testimony that total attributable costs for certified mail decreased between FY 1994 and FY 1995? If so, please explain in detail.

A. a. Yes.

b. Confirmed.

c. Even assuming the RPW reporting change as a fact, the unit cost of certified mail has declined. Witness Patelunas' response to the above-cited interrogatory, OCA/USPS-13(d), shows the following:

(3.1) Mail Processing Direct Labor	-10.6% of total
(3.2) Window Service	-12.3% of total
(7.3) Elemental Load	-21.0% of total
(10.1) Evaluated Routes	-11.6% of total

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CONTINUATION OF ANSWER TO USPS/OCA-T400-27:

These are not the result of account and component changes
instituted for the FY 1995 CRA.

d. No.

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USPS/OCA-T400-28. At page 22, lines 15-17 of your testimony, you state that "the manufacturing costs are already attributed to postal cards and are covered by the 20-cents postage paid by users of postal cards." Please confirm that the manufacturing costs of postal cards are covered by the 20-cent postage paid by users of the postal and post cards subclass as a whole. If you do not confirm, please explain in detail.

A. Not confirmed. See my response to USPS/OCA-T400-13. The total revenues of postal cards more than cover the attributable costs of postal cards (including manufacturing costs). There is thus no basis for saying that any other category (or collection of categories) also covers those costs. One might as well say that every category of mail is covering the costs attributed to postal cards.

DECLARATION

I, Sheryda C. Collins, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T400-25-28 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed November 6, 1996

Sheryda C. Collins

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 3.B(3) of the special rules of practice.

Shelley S. Dreifuss
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