

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS
TO INTERROGATORIES OF DOUGLAS F. CARLSON
(DFC/USPS-T30-1-4)

The United States Postal Service hereby provides the responses of witness Davis to the following interrogatories of Douglas F. Carlson: DFC/USPS-T30-1 to 4, filed on January 24, 2000.

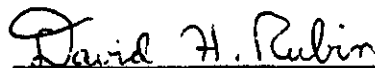
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

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February 7, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS
TO INTERROGATORIES OF DOUGLAS F. CARLSON**

DFC/USPS-T30-1. Please refer to your testimony at page 12 and explain all differences between the cost study for return receipt and return receipt for merchandise conducted for Docket No. R2000-1 and the cost study conducted for Docket No. R97-1.

RESPONSE:

The differences between the cost study for return receipt and return receipt for merchandise conducted for Docket No. R2000-1 and the cost study conducted for Docket No. R97-1 include updated cost inputs and, in the case of return receipt for merchandise, a new costing methodology.

As stated in my testimony (USPS-T-30, p. 12), the Docket No. R2000-1 cost study features updated inputs. These inputs include updated wage rates, piggyback factors, labor times for clerk and carrier review functions, weighting factors, and retrieval time for return receipts after mailing. The new cost study (see USPS-LR-I-108, pp. 47-55) reflects increased wage rates for carriers and clerks. Additionally, the new cost study replaces the "clerk & mailhandler" wage rate used in Docket No. R97-1 with the "window service clerk" wage rate, which is a more appropriate application for window acceptance activities. Piggyback factors, which reflect indirect attributable cost, have increased since Docket No. R97-1. The unit cost of returning the return receipt has increased due to changes in mail processing, transportation, and delivery costs per piece. A new field study was conducted to update clearing clerks' labor times for checking each return receipt and making sure that the cards are properly signed and

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dated. Also, a new weighting factor is used to develop a weighted average unit cost of combined service including return receipts that indicate to whom and date delivered and return receipts that indicate to whom, addressee's address, and date delivered. For return receipts after mailing, the new cost study estimates a *significant decrease in search and review labor time due to the planned implementation of electronic signature capture, which will transform the search and review activity into a more efficient electronic process.* The new cost study eliminates the cost of "Preparation and Review of Form 1572 – Inquiry About Receipt of Mail", since this function is no longer performed for return receipt after mailing.

The new cost study employs a change in methodology for return receipt for merchandise costs. As explained in my testimony (USPS-T-30, p. 12), the new methodology bases the costs of return receipt for merchandise on the costs of certified mail, since the operations are similar. Under the new methodology, the unit cost of certified mail is presented. The costs of obtaining the return receipt signature, printing the return receipt, and returning the return receipt through the mailstream are added to the unit cost for certified mail. Finally, an adjustment is made to reflect the unit cost savings from the electronic signature capture process.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS
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DFC/USPS-T30-2. Please provide an analysis of why the costs for return receipt have increased substantially since Docket No. R97-1.

RESPONSE:

The costs for return receipt requested at time of mailing have increased by 29.9 percent since Docket No. R97-1 because of the combined increases of various cost inputs. Please refer to my response to DFC/USPS-T30-1 above for a discussion of the cost inputs which have increased since Docket No. R97-1.

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DFC/USPS-T30-3. At page 12 of your testimony, you indicate that the costs for return receipt for merchandise are based on the costs of certified mail. Please explain how costs were estimated for return receipt for merchandise in the past.

RESPONSE:

In the past, costs for return receipt for merchandise were estimated in essentially the same way that costs for return receipt were estimated. For return receipt for merchandise, an additional cost factor was added to the costs developed for return receipt. This additional cost factor was assumed to be one-half of the "Carrier/Driver Delivery & Call Window/Box Second Delivery" cost component of return receipt.

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DFC/USPS-T30-4. Why does the new methodology for return receipt for merchandise necessarily provide a better estimate of costs than the old methodology?

RESPONSE:

The new methodology for return receipt for merchandise provides a better estimate of costs than does the old methodology because return receipt for merchandise is processed like certified mail. Both services require the delivery employee to locate the addressee or addressee's agent and obtain a signature, while regular return receipt service primarily requires the employee to obtain a second signature once the recipient has been located. Since return receipt for merchandise service is operationally more similar to certified mail service than to regular return receipt service, the new costing methodology determines the additional cost over certified service as opposed to the additional cost over regular return receipt service. Please see my response to DFC/USPS-T30-1.

DECLARATION

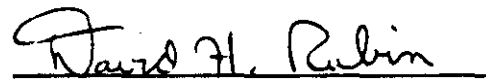
I, Scott J. Davis, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Scott J. Davis

Dated: 2/7/2000

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.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

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