

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

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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-T30-8-9, 10(C, F), 11(D-E))

The United States Postal Service hereby provides the responses of witness Davis to the following interrogatories of Douglas F. Carlson: DFC/USPS-T30-8, 9, 10(c, f), and 11(d-e), filed on February 11, 2000. Interrogatories DFC/USPS-T30-10(a-b, d-e) and 11(a-c) have been redirected to witness Mayo.

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 25, 2000

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**DFC/USPS-T30-8.** Please refer to your response to DFC/USPS-T30-1. For certified mail, return receipt, and return receipt for merchandise, for every item or component (e.g., wage rates) that affects the cost of the service, please provide the cost that that item or component contributes to the cost of the service, in dollars and cents, for both Docket No. R2000-1 and Docket No. R97-1.

**RESPONSE:**

For certified mail in Docket No. R2000-1, witness Meehan's testimony contains the cost that each component contributes to the cost of the service. Please see USPS-T-11, Exhibit A (Cost Segments and Components, BY 1998). These cost figures are for the base year 1998; for test year 2001 cost figures please see USPS-T-14, Exhibit H (Cost Segments and Components, TY 2001).

For certified mail in Docket No. R97-1, please see USPS-T-5, Exhibit A (Cost Segments and Components, BY 1996) which contains the cost that each component contributed to the cost of the service. Please see also USPS-T-15, Exhibit E (Cost Segments and Components, TY 1998 at Current Rates).

For return receipt and return receipt for merchandise, the specific cost components are explicitly identified and quantified in the cost studies. Please see USPS-LR-I-108, pp. 48-54 for Docket No. R2000-1 costs and see USPS-LR-H-107, pp. 38-43 for Docket No. R97-1 costs. Factors such as wage rates affect the cost of these services, but are included in the other cost components.

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**DFC/USPS-T30-9.** Please discuss the extent to which the costs for certified mail and return receipt consider circumstances such as those revealed in the Inspection Service audit provided in response to DFC/USPS-T39-3 whereby postal employees skip steps or otherwise do not follow proper procedures in processing certified mail or return receipts. Or are the costs based only on studies where postal employees follow proper procedures, and complete all steps, in processing certified mail and return receipts?

**RESPONSE:**

The costs for certified mail are determined by data systems. These data systems tally those activities that are actually performed by postal employees, reflecting whatever procedures are actually followed. The costs for regular return receipt are determined by a cost study. This cost study develops costs for those activities that are required by standard operating procedure, even if there may be instances in which employees do not follow each step of the procedure.

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**DFC/USPS-T30-10.**

- a. Please confirm that customers using certified mail do not need to present their mailing receipt to a window clerk if they do not need proof of mailing.
- b. Please confirm that customers using return receipt for merchandise must present their mailing at a post office or leave it in their rural mailbox.
- c. Are the window costs for a return-receipt-for-merchandise transaction greater than the window costs for the typical certified-mail transaction? Please explain why or why not.
- d. Except for the option to purchase restricted delivery for an additional fee, please explain precisely the service elements (e.g., proof of mailing, proof of delivery, etc.) that a customer of certified mail receives that a customer of return receipt for merchandise does not receive.
- e. Except for the option to purchase restricted delivery for an additional fee, please confirm that a customer of return receipt for merchandise receives every service element that a customer who purchases certified mail plus return receipt receives. If you do not confirm, please explain.
- f. Please explain why and how — logically — the costs for certified mail plus return receipt can be higher than the cost for return receipt for merchandise.

**RESPONSE:**

- a. Redirected to witness Mayo.
- b. Redirected to witness Mayo.
- c. No. The costs that I have presented for return receipt for merchandise are based on the costs for certified mail and no additional window costs are assumed for a return receipt for merchandise transaction.

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- d. Redirected to witness Mayo.
- e. Redirected to witness Mayo.
- f. The costs for certified mail plus return receipt can be higher than the cost for return receipt for merchandise because of differences at window acceptance and at delivery. Window acceptance transactions for certified mail plus return receipt can be lengthier since they involve two separate services. In many instances, customers of certified mail may ask questions about return receipt service before purchasing return receipt as an additional service. Furthermore, return receipt for merchandise mail may be entered in bulk more than certified plus return receipt mail, resulting in a lower unit volume variable window acceptance cost.

Differences at delivery also explain why costs for certified mail plus return receipt can be higher than the cost for return receipt for merchandise.

First, return receipt for merchandise may involve a higher proportion of large-shaped mail items. The delivery cost for return receipt for merchandise may be lower because it is the size of the host mailpiece, not the requirement of a signature, which drives some carriers to approach the door of a residence. Second, restricted delivery service is not available with return receipt for merchandise service, but is available

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with regular return receipt service. Because restricted delivery is not available with return receipt for merchandise, carriers may exhibit a higher rate of successful delivery upon the first visit. Therefore, call window/ box second delivery costs may be less for return receipt for merchandise than for regular return receipt. Third, return receipt for merchandise customers (unlike customers of certified mail plus return receipt) may waive the signature requirement. In such cases, the delivery employee may deliver the article on the first delivery attempt without waiting for the addressee or addressee's agent, thereby reducing the cost of delivery. The waiver of signature eliminates any call window/ box second delivery costs that might otherwise result if the addressee or addressee's agent were not available to sign.

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**DFC/USPS-T30-11.**

- a. Please provide the percentage of manual Delivery Confirmation transactions for which the customer actually obtains proof or evidence of mailing.
- b. Please confirm that certificate of mailing provides evidence of mailing.
- c. Please confirm that Delivery Confirmation provides evidence of mailing. If you do not confirm, please explain.
- d. Please explain why and how — logically — certificate of mailing can have a *higher* cost than Delivery Confirmation.
- e. Please explain why and how — logically — manual Delivery Confirmation for Priority Mail can have a lower cost than manual Delivery Confirmation for Standard Mail (B).

**RESPONSE:**

- a. Redirected to witness Mayo.
- b. Redirected to witness Mayo.
- c. Redirected to witness Mayo.
- d. The unit volume variable costs are higher for certificate of mailing than for Delivery Confirmation because of operational distinctions between the two services. First, window acceptance is a more costly function for certificate of mailing because all certificate of mailing transactions (excluding bulk pieces) incur a window acceptance transaction and thus acceptance costs.

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Retail Delivery Confirmation, on the other hand, does not incur a window acceptance transaction in all cases. The cost study for Delivery Confirmation recognizes that 22.6 percent of retail Delivery Confirmation volume bypasses window acceptance. See USPS-T-30, pp. 5-6.

Second, because retail Delivery Confirmation is expected to be a more commonly used service than is certificate of mailing, window clerks may be more familiar with and thus more efficient at providing retail Delivery Confirmation service.

Third, Delivery Confirmation is a new, technology-driven service that exhibits more cost efficiencies than certificate of mailing service, which is completely manual. Even those retail Delivery Confirmation items that incur a window acceptance exhibit greater cost efficiencies than do certificate of mailing items because of how information is recorded. For example, a retail Delivery Confirmation item accepted at the window is scanned electronically; information is contained in the Delivery Confirmation label's barcode and is recorded electronically during the scan. For a certificate of mailing, on the other hand, information must be recorded by hand, which is a more time consuming process.



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- e. Retail Delivery Confirmation for Priority Mail has a lower net cost than does retail Delivery Confirmation for Standard Mail (B) because a portion of the Priority Mail Delivery Confirmation cost is included in the costs for the Priority Mail subclass. The costs for Standard Mail (B) retail Delivery Confirmation, on the other hand, remain entirely in the costs for the Delivery Confirmation special service. This cost difference is described and presented in USPS-T-30, pp. 6-7.

**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: February 25, 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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