

Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED  
MAR 10 4 43 PM '00  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

---

Postal Rate and Fee Changes, 2000

---

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS BARON TO CARLSON INTERROGATORY  
(DFC/USPS-T12-1)

The United States Postal Service hereby provides the response of witness Baron to the following interrogatory of Douglas F. Carlson: UPS/USPS-T12-1, filed on February 22, 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

  
Richard T. Cooper

475 L'Enfant Plaza West, S.W.  
(202) 268-2993; Fax: -5402  
Washington, D.C. 20260-1137  
March 10, 2000

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

DFC/USPS-T12-1. Please refer to witness Meehan's response to DFC/USPS-T30-6 and -7. In responding to the following questions, please provide answers that a person who understands mail processing but who may not be familiar with jargon and other terms related to cost measurement and cost systems should be able to understand. Also, for these questions, if the mail-processing cost of mailing a return receipt back to the customer is identical to the mail-processing cost of a post card, you do not need to discuss the cost issues related to the mail-processing cost of post cards.

- a. To the extent that your knowledge or testimony covers this issue, please explain why costs for certified mail, return receipt, and return receipt for merchandise have increased substantially since Docket No. R97-1. In answering this question, please break the total cost for each service into each processing step or other factor (e.g., window-clerk time, carrier delivery time, etc.) that contributes to the total cost of this service and explain the amount by which, and why, that cost has increased since Docket No. R97-1.
- b. To the extent that your knowledge or testimony covers this issue, for every processing step or other factor (e.g., window-clerk time, carrier delivery time, etc.) that contributes to the cost of certified mail, return receipt, and return receipt for merchandise, please explain exactly how the cost of that step or factor is measured and calculated.
- c. Please explain any assumptions implicit in methodologies that you use or advocate for measuring costs associated with certified mail, return receipt, and return receipt for merchandise or attributing costs to those services.
- d. Please discuss any assumptions, changes in methodology, or other factors that may cause you to have any doubt about the accuracy of the costs for certified mail, return receipt, and return receipt for merchandise that are the basis for the Postal Service's proposed fees in this docket.
- e. Has the Postal Service adjusted certified-mail costs to account for the electronic signature-capture process? Please explain and provide details.

RESPONSE:

- a. Please note first that this answer and all subsequent answers to DFC/USPS-T12-1, parts (b) through (e) apply solely to city-carrier letter-route street-time costs for certified mail only. These costs, as reported in the Postal Service's segment 7 worksheets,

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

include the costs of return receipts and return receipts for merchandise. The latter costs are not reported separately.

*Volume-variable city-carrier load-time costs for certified mail increased from \$52,660,000 in BY 1996 to \$93,882,000 in BY 1998. The corresponding street-support costs increased from \$12,521,000 in BY 1996 to \$21,424,000 in BY 1998. These cost increases occurred primarily because total accrued letter-route costs for load-time at SDR, MDR, and BAM stops increased from \$1,619,800,000 to \$2,595,932,000 over the same period. A secondary factor contributing to the growth in volume-variable certified mail cost is the increase from 4.80% to 5.41% in certified mail's share of total volume-variable load-time costs for accountables delivered at these stops.*

b. *Volume-variable city-carrier street-time costs for certified mail are exclusively the costs of load time at SDR, MDR, and BAM stops, and for the street support time associated with the load-time activity. (The SDR, MDR, and BAM categories are referred to as "stop types"). To calculate these costs, the segment 7 workbook Cs06&7.xls (see Docket No. R2000-1, USPS LR-I-80) first multiplies accrued load-time cost by stop type by the appropriate volume variability of load time with respect to total accountables pieces in order to derive total volume-variable accountables cost by stop type. The percentage of each volume-variable accountables cost considered to be certified mail cost is then obtained through application of the distribution key defined for accountables pieces. This key consists of the estimated percentage distribution of CCS accountables pieces across mail subclasses and special services. Multiplication of certified mail's distribution key percentage for each stop type by the total volume-*

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

variable accountables load-time cost for that stop type produces the corresponding volume-variable certified mail cost.

c. I am unaware of any procedures or parameters applied to the derivation of volume-variable city-carrier certified mail costs that are based on anything other than analysis of data.

d. As observed in my response to part (a), the primary cause of the increase in volume-variable certified mail costs between BY 1996 and BY 1998 is the increase in accrued SDR, MDR, and BAM load-time costs. The reason the segment 7 worksheets estimate such a large cost increase is that the BY 1998 worksheets substituted the new, higher estimates of street-time percentages for load-time that were derived from a recent field study in place of the old estimates that had been derived from a 1986 field study.

These old estimates were still being used in the BY 1996 worksheets.

My Docket No. R2000-1 Testimony, USPS-T-12, at pages 31-37 presents a more detailed analysis of these changes. This section of my Testimony also explains why I believe the new street-time percentages are more accurate than the old percentages.

e. The segment 7 worksheets adjust volume-variable certified mail costs to account for changes in accrued load-time costs, volume-variable load-time costs for accountables, and the distribution key used to determine the portion of these accountables costs that are caused by certified mail. The impact of the electronic signature-capture process on segment 7 certified mail costs would be whatever effects this process has had on these accrued and volume-variable load-time costs and on the accountables distribution key.

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

**I have not studied the electronic signature-capture process sufficiently to have  
quantified these effects.**

## DECLARATION

I, Donald M. Baron, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Donald M. Baron

Date: 3-10-00

## 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.

  
Richard T. Cooper

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
March 10, 2000