

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 DAVID B. POPKIN,
REDIRECTED FROM THE POSTAL SERVICE
(DBP/USPS-46, 52(E-F), 63, 68, AND 79)

The United States Postal Service hereby provides the responses of witness Davis to the following interrogatories of David B. Popkin: DBP/USPS-46, 52(e-f), 63, 68, and 79, filed on March 20, 2000, and redirected from the Postal Service.

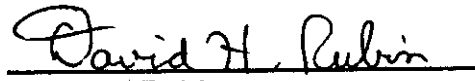
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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April 3, 2000

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DBP/USPS-46 [a] Confirm, or explain if you are unable to do so, that when delivering a Certified Mail article, that the delivery employee must obtain a single signature from the addressee on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest]. [b] Confirm, or explain if you are unable to do so, that when delivering a Certified Mail article which contains a Return Receipt, that the delivery employee must obtain two separate signatures from the addressee, one on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest] and the second on the Return Receipt card PS Form 3811. [c] Confirm, or explain if you are unable to do so, that when delivering a Return Receipt for Merchandise article, that the delivery employee must obtain two separate signatures from the addressee, one on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest] and the second on the Return Receipt card PS Form 3811. [d] Confirm, or explain if you are unable to do so, that the time and therefore costs for obtaining both signatures for Return Receipt for Merchandise service are charged to that service since there is a single fee. [e] With respect to a Certified Mail - Return Receipt Requested article, how are the time and costs allocated between the two separate services? [f] Explain the rationale for such an allocation. [g] Confirm, or explain if you are unable to do so, that the time that it takes to obtain the second signature will usually be less than the time that it takes to get the first signature, or in general, the time that it takes to obtain both signature will be less than twice the time to obtain only one signature.

RESPONSE:

- a. Confirmed, except that the signature may be obtained from either the addressee or the addressee's agent.
- b. Confirmed, except that the signatures may be obtained from either the addressee or the addressee's agent.
- c. Confirmed, except that the signatures may be obtained from either the addressee or the addressee's agent or the signature requirement may be waived by the customer.

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- d. Confirmed.
- e. Please refer to response of witness Needham to DBP/USPS-26(e and f) from Docket No. R97-1. For Docket No. R2000-1, the special study that develops return receipt costs is presented in USPS-LR-I-108, Section D, pp. 47-51 (electronic file name: "return receipt.xls").
- f. Please refer to response of witness Needham to DBP/USPS-26(e and f) from Docket No. R97-1.
- g. Please refer to response of witness Needham to DBP/USPS-26(g) from Docket No. R97-1.

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DBP/USPS-52. [e] Confirm, or explain if you are unable to do so, that, on average when there is more than one return receipt involved for a given addressee, the average cost for processing each single return receipt will be less than the cost that would be entailed if the addressee only received a single mail piece requesting return receipt service. In other words, if the cost for handling a single return receipt on average was fifty cents, then the total cost for handling 100 return receipts for a single addressee at one time would be less than fifty dollars [resulting in an average cost of less than fifty cents each]. [f] Do the cost figure for return receipt service take into account the potential savings in delivering multiple pieces at the same time?

RESPONSE:

- e. Since I have not specifically studied this, I cannot confirm. However, there may be some economies of scale for multiple return receipts delivered at the same time to the same addressee.
- f. Please refer to the response of witness Plunkett to DBP/USPS-32(f) from Docket No. R97-1.

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DBP/USPS-63 There is an attachment to response to DFC/USPS-T30-12[a] which provides the raw data for determining the cost of reviewing return receipts. [a] Provide a detailed explanation on how this data has been converted into a cost per return receipt for this portion of the total costs. [b] Provide similar raw data and detailed explanations of the determination of the cost for each of the other components of the total return receipt cost. [c] Provide similar raw data and detailed explanations of the determination of the cost for each of the components utilized in determining the total cost for Certified Mail. [d] Provide similar raw data and detailed explanations of the determination of the cost for each of the components utilized in determining the total cost for Return Receipt for Merchandise. [e] Provide similar raw data and detailed explanations of the determination of the cost for each of the components utilized in determining the total cost for Certificate of Mailing. [f] Provide similar raw data and detailed explanations of the determination of the cost for each of the components utilized in determining the total cost for Delivery Confirmation.

RESPONSE:

- a. I calculated a mean of total sampled volume over total sampled labor time across all sampled facilities; thus, there is implicit weighting by volume inherent in the calculation. For further discussion of how these data have been converted into a cost per return receipt for this portion of the total costs, please see my responses to DFC/USPS-T30-44 and DFC/USPS-T30-45.
- b. The times of other activities specified in the return receipt cost study are based on data collected previously. As explained in my response to DFC/USPS-T30-12(a), because these data were collected in 1976, the raw data are no longer available.

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- c. For certified mail, 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).
- d. Since the costs for return receipt for merchandise are based on the costs for certified mail and specific cost elements for return receipt service, please refer to my responses to part (b) and part (c) above.
- e. While the cost components for certificate of mailing are updated in USPS-LR-I-108 at p. 42 (electronic file name: "certificate of mailing.xls"), no raw data are available for the costs for this service.
- f. Please refer to USPS-LR-I-108, Sections A and B, pp. 1-23 (electronic file names: "del con special studies.xls" and "del con input cost data.xls"), which present my special studies and input cost data for Delivery Confirmation. Please refer to my testimony, USPS-T-30 at pp. 3-8, which explains the determination of the costs for Delivery Confirmation.

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DBP/USPS-68 Refer to the Attachment to response to DFC/USPS-T30-12[a], [a] What is the total number of delivery facilities in the country [all independent post offices plus certain branches and stations plus any other category that provides delivery service to the public]? [b] Confirm that this study utilizes only 24 facilities to predict the clearing clerk's time for return receipt review nationwide. [c] What level of confidence in the data does using a sample of 24 facilities out of the total number in the country provide [show all calculations]? [d] What is the total count for all return receipts in a recent year? [e] Confirm that this study utilizes only 8918 receipts to predict the clearing clerk's time for return receipt review nationwide. [f] What level of confidence in the data does using a sample of 8918 return receipts out of the total number in the country provide [show all calculations]? [g] Refer to facility #25 and advise whether this data is for a single clearing clerk or for more than one clerk [provide the number]. [h] Confirm that the month of July would be expected to be a high vacation period as compared to non-summer months. [i] Confirm that if the normal clearing clerk was on vacation that a substitute would fill in to do the review. [j] Confirm that in general it would take more time for a substitute clerk to perform a process than it would take for the person who normally does the function. [k] Was the clearing clerk who conducted each of the surveys at the 24 office the regular clerk or a substitute clerk? [l] Explain and discuss any items that you are unable to confirm.

RESPONSE:

- a. Please refer to the Postal Service's response to DFC/USPS-58.
- b. Confirmed.
- c. I am confident that the data from this national study serve as a reasonable and sufficient basis for determining the costs associated with clearing clerk activity for return receipt service. The raw data and summary cost calculations are presented in USPS-LR-I-108, Section G, pp. 74-74B.
- d. In FY 1998, the total count for return receipts was 236,375,306.
- e. Confirmed.

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- f. I am confident that the data from this national study serve as a reasonable and sufficient basis for determining the costs associated with clearing clerk activity for return receipt service. The raw data and summary cost calculations are presented in USPS-LR-I-108, Section G, pp. 74-74B.
- g. I do not have specific knowledge of whether the data from facility #25 are for a single clearing clerk or for more than one clerk.
- h. Confirmed.
- i. Confirmed.
- j. Having no direct evidence to support this conclusion, I cannot confirm. However, I would expect that a substitute clerk may take more time to perform a specific process than would the clerk that regularly performs that process.
- k. I do not have specific knowledge as to whether the clearing clerks who completed each of the surveys at the 24 offices were the regular clerks or substitute clerks. However, given that clerks receive limited annual leave, I would expect that the most clerks participating in the survey were the clerks who regularly performed the clearing activity.
- l. My explanation is provided in part (j) above.

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DBP/USPS-79 With respect to return receipt service, [a] What percentage of the total volume of return receipts utilize a privately printed form? [b] Confirm that there is no cost to the Postal Service for the form when a mailer utilizes a privately printed form. [c] How is this savings calculated in your rate evaluation? [d] What percentage of the total volume of return receipts are mailed directly by the mailer without the need for window service? This should include both those instances where the mailer does not utilize any window service and those instances where the window service is related to one or more other services other than the return receipt. [e] Confirm that there is no cost to the Postal Service for window service when a mailer directly mails his article. [f] How is this savings calculated in your rate evaluation? [g] If I mail a letter Certified Mail - Return Receipt how is the window time allocated between the mailing of the article itself, the activities related to the Certified Mail service, and the activities specifically related to the return receipt? Provide copies of any studies and raw data utilized to respond to this question. [h] What percentage of the letters that are mailed with a return receipt are returned to the sender as either undeliverable or unclaimed? [i] Confirm that there is no cost to the Postal Service for delivery or processing return receipt costs in this case. [j] How is this savings calculated in your rate evaluation? [k] What percentage of the total number of return receipts are not processed at the time of delivery but are completed by the addressee after delivery has been made, therefore requiring no intervention by the Postal Service at the delivery end other than to transport the mailed return receipt card back to the sender? [l] Confirm that, in the instance noted in subpart k, there is no cost to the Postal Service at the delivery end other than for the cost of a post card back to the sender. [m] How is this savings calculated in your rate evaluation? [n] Is it permissible for a non-USPS recipient of articles containing return receipts to enter into an agreement with the delivering post office for the post office to complete all portions of the return receipt prior to or coincident with delivery or must the addressee complete the signature part at a minimum? In other words, the return receipt cards are removed by the post office and, in most cases, a rubber stamp or other automated means is utilized to "sign" the card without any intervention by the recipient. [o] If yes, what conditions and provisions apply and what section of the DMM/POM authorizes this method? [p] If yes, what percentage of the total return receipt volume are processed in this manner? [q] Confirm that the method described in subpart n will incur additional costs. [r] How is this added cost calculated in your rate evaluation?

RESPONSE:

- a. No such percentage has been quantified.

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- b. Confirmed insofar as printing costs are concerned.
- c. The cost study for return receipts does not reflect the use of privately printed forms. However, the only cost avoided by a privately printed form is the printing cost, which is approximately \$0.006 per unit. Since many *return receipts are not privately printed forms, and since there may be costs for reviewing privately printed forms to ensure conformance with standards, I believe that reflecting any cost avoided by privately printed forms would not have a material effect on the unit costs or proposed fees for return receipt service.*
- d. To the best of my knowledge, no such percentage has been quantified for return receipt service.
- e. Confirmed that the Postal Service incurs no window cost when a mailer directly mails an article and in so doing bypasses any window service transaction.
- f. The cost study for return receipts does not reflect this savings, since I do not have any quantification of the percentage of return receipt transactions that actually bypass window service.
- g. The cost study for return receipt service allocates the time related to the return receipt portion of the transaction to the return receipt service. See USPS-LR-I-108, pp. 47-51 for the cost calculation (the raw data are not

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- available for this cost component). It is my understanding that cost data systems estimate the window times specifically related to the article itself and to the certified mail service and allocate these times to the mail class of the article itself and to certified mail service, respectively. Please see witness Meehan's testimony (USPS-T-11).
- h. To the best of my knowledge, no such percentage has been quantified for return receipt service.
 - i. Confirmed.
 - j. The cost study for return receipts does not reflect this savings.
 - k. To the best of my knowledge, no such percentage has been quantified for return receipt service.
 - l. Not confirmed. Typically in such instances the Postal Service prepares a manifest using an automated recording system for all return receipt pieces being delivered. In preparing this manifest, a Postal Service employee must scan the article number for every piece of return receipt mail. Also, the delivery employee must obtain the recipient's signature on that manifest acknowledging that all the listed pieces are actually being delivered. See Docket No. R97-1, USPS-RT-20, p.6.
 - m. The cost study for return receipts does not reflect any savings or additional costs from this practice.

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- n. I do not know to what extent this may be permissible.
- o. N/A.
- p. N/A.
- q.,r. Not confirmed. I have not specifically studied what additional costs or cost savings might result from your scenario described in part [n].

DECLARATION

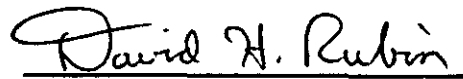
I, Scott J. Davis, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Scott J Davis

Dated: April 3, 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.


David H. Rubin
David H. Rubin

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April 3, 2000