

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

RESPONSES OF UNITED STATES POSTAL SERVICE  
WITNESS MILLER TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T24-7 AND 8)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-7 and 8 (filed on April 11, 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



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April 26, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T24-7** Please refer to your answer to DFC/USPS-T24-1. There you state, "I have not personally studied the costs related to stamped cards and postcards."

- a. Please confirm that "stamped cards" were formerly referred to as "postal cards." If you cannot confirm, please explain.
- b. Has anyone else at the Postal Service studied the costs related to stamped cards and postcards? Please explain.
- c. Have witnesses in past dockets testified about the costs related to stamped cards and postcards? Please explain.
- d. Please confirm that in past dockets the IOCS did provide cost data separately for "postal cards" and postcards. If you cannot confirm, please explain.
- e. Please confirm that in past dockets the Cost Segments and Components Report and the CRA did provide cost data separately for "postal cards" and postcards.
- f. Please confirm that the Postal Service stopped tracking/reporting these costs after Docket No. MC96-3. If you cannot confirm, please explain.

**RESPONSE:**

- a. Confirmed.
- b. To the best of my knowledge, no one has endeavored to study the mail processing costs specific to stamped cards and postcards. Witness Campbell (USPS-T-29), however, has studied the costs associated with the stamped card fee.
- c. According to OCA/USPS-T24-8d, some parties have presented cost data related to stamped cards in past dockets.
- d. Confirmed.
- e. Confirmed.
- f. I can confirm that in the FY 1996 CRA the costs for stamped cards (formerly "postal cards") were isolated and in the FY 1997 CRA they were not.

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**OCA/USPS-T24-8** Please refer to your answers to DFC/USPS-T24-2 and 3.

a. Please confirm that prior to Docket No. MC96-3, the unit costs reported for "postal cards" were consistently lower than those reported for postcards. If you cannot confirm, please explain.

b. Please confirm that prior to Docket No. MC96-3, the unit revenues for postal cards exceeded costs by approximately 200 percent. If you cannot confirm, please explain.

c. Please refer to the Commission's decision in Docket No. R97-1 at page 594 para. 6004. The Commission states that it "agrees with witness Carlson that the evidence suggests that mail processing costs are lower for stamped cards than private cards because of physical differences between the types of cards." Would this suggest to you that, indeed, the unit cost difference between stamped cards and postcards has been studied and reported on? Please explain.

d. Would knowledge of the evidence presented in Dockets Nos. R97-1 and MC96-3 (specifically by OCA witness Collins and witness Carlson) cause you to modify your answers referred to above? Please explain.

**RESPONSE:**

a. It can be confirmed that the FY 1996 CRA reported that the total unit cost for stamped cards (formerly "postal cards") was lower than the total unit cost for postcards.

b. It can be confirmed that the FY 1996 CRA reported a per-piece revenue of 20.1 cents and a per-piece attributable cost of 7.6 cents for stamped cards (formerly "postal cards").

$(20.1 \text{ cents} / 7.6 \text{ cents}) * 100\% = 264\%$

c. First of all, a portion of the citation is missing. The passage actually reads,

"The Commission agrees with witness Carlson that the evidence suggests that mail processing costs are lower for stamped cards than private cards because of physical differences between the types of cards. Nonetheless, the Commission declines to adopt witness Carlson's proposal for a separate rate as there is considerable uncertainty as to the extent of the difference in processing costs."

I agree that the unit cost difference has been reported on (using CRA data). However, I do not agree that it has been studied.

Mr. Carlson's initial question (DFC/USPS-T24-1) asked me about stamped cards in a worksharing context. In addition, Mr. Carlson asked me questions in Docket No. R97-1 (e.g., DFC/USPS-T23-8) that sought to compare mail processing costs between

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**RESPONSE to OCA/USPS-T24-8 (Continued)**

stamped cards and postcards on an operation ("exact piece comparison") basis. My responses to DFC/USPS-T24-2 and DFC/USPS-T24-3 in this docket were therefore made in that context.

d. No, given my response to c. In addition, my responses to interrogatories DFC/USPS-T24-2 and DFC/USPS-T24-3 were made in the present tense. The only data that I've seen any witnesses present were from the FY 1995 (Docket No. MC96-3, USPS-T-400) and FY 1996 (Docket No. R97-1, DFC-T-1) CRA. The last day in FY 1995 was September 15, 1995 - nearly 5 years ago. The last day in FY 1996 was September 13, 1996 - nearly 4 years ago.

My understanding is that postal card costs were removed from the CRA due to problems associated with the volume estimates. This does not surprise me given the confusing terminology that was formerly used (postal cards versus postcards).

Since FY 1996, the methods that are used to construct the CRA have changed. In addition, the letter/card automation equipment have been fully deployed. Further enhancements continue to be made to that equipment.

Given these facts, I would expect that the costs required to process both stamped cards and postal cards would have changed. In addition, I have not performed any studies that have sought to compare the mail processing costs for various card categories on an "exact piece comparison" basis. I therefore stand by my answers to DFC/USPS-T24-2 and DFC/USPS-T24-3.

## DECLARATION

I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.




Michael W. Miller

Dated: 4/25/2000

**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, appearing to read "Michael T. Tidwell", is written above a horizontal line.

**Michael T. Tidwell**

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