

ORIGINAL

# Official Transcript of Proceedings

*Before the*

**UNITED STATES POSTAL RATE COMMISSION**

In the Matter of:

**POSTAL RATE AND FEE CHANGE**

Docket No.

**R2000-1**

**VOLUME 14**

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PLACE: Washington, D.C.

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**ANN RILEY & ASSOCIATES, LTD.**

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Washington, D.C. 20036

(202) 842-0834



BEFORE THE  
POSTAL RATE COMMISSION

-----X  
In the Matter of: :  
POSTAL RATE AND FEE CHANGE : Docket No. R2000-1  
-----X

Third Floor Hearing Room  
Postal Rate Commission  
1333 H Street, N.W.  
Washington, D.C. 20268

Volume XIV  
Friday, April 28, 2000

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:35 a.m.

BEFORE:

HON. EDWARD J. GEILMAN, CHAIRMAN  
HON. GEORGE A. OMAS, VICE CHAIRMAN  
HON. W.H. "TREY" LeBLANC, COMMISSIONER  
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER  
HON. RUTH GOLDWAY, COMMISSIONER



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1 C O N T E N T S

2	WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
3	SUSAN W. MAYO				
3	BY MR. RUBIN	5346		5719	
4	BY MR. HALL		5614		
4	BY MS. DREIFUSS		5673		
5	KIRK T. KANEER				
5	BY MR. RUBIN	5725			
6	SCOTT J. DAVIS				
6	BY MR. RUBIN	5752		5899	
7	BY MS. DREIFUSS		5891		
7	CHRIS F. CAMPBELL				
8	BY MR. TIDWELL	5900		6203	
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9	DOCUMENTS TRANSCRIBED INTO THE RECORD:	PAGE
10	Designated Written Cross Examination of Susan W. May, USPS-T-39	5350
11	OCA/Mayo-XE-1 and OCA/Mayo-XE-2	5697
12	Designated Written Cross-Examination of Kirk T. Kaneer, USPS-T-40	5728
13	Designated Written Cross-Examination of Scott J. Davis, USPS-T-30	5754
14	Designated Written Cross Examination of Chris F. Campbell, USPS-T-29	5903
15	Campbell-KE-XE-1	6118

16	E X H I B I T S		
16	EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
17	Direct Testimony of Susan W. Mayo, USPS-T-39	5347	5347
18	Library Reference LRI-168	5349	5349
19	Designated Written Cross Examination of Susan W. May, USPS-T-39	5350	5350
20	OCA/Mayo-XE-1 and OCA/Mayo-XE-2	5697	5697
21	Direct Testimony of Kirk T. Kaneer, USPS-T-40	5726	5726
22	Library Reference I-155 and portion of Library Reference 1-241	5727	5727
23	Designated Written Cross-Examination of Kirk T. Kaneer, USPS-T-40	5728	5728
24	Direct Testimony of Scott J. Davis, USPS-T-30	5753	5753
25	Library Reference I-108	5754	5754
26	Designated Written Cross-Examination of Scott J. Davis, USPS-T-30	5754	5754
27	Direct Testimony of Chris F. Campbell, USPS-T-29	5901	5901



1	E X H I B I T S [cont.]		
	EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
2	Library References Numbered I-110; I-260; and I-172	5902	5902
3	Designated Written Cross Examination of Chris F. Campbell, USPS-T-29	5903	5903
4	Campbell-KE-XE-1	6116	6118
5	Campbell-KE-XE-2	6183	

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## P R O C E E D I N G S

[9:35 a.m.]

CHAIRMAN GLEIMAN: Good morning. Today we continue our hearings to receive testimony of Postal Service witnesses in support of Docket R2000-1.

Four witnesses are scheduled to appear today, Witnesses Mayo, Campbell, Davis, and Kaneer.

Earlier this week, Mr. Hall, counsel for Keyspan, kindly offered to allow Witness Campbell to appear last today, because he believed that he had extensive cross examination for that witness, and felt that it would be a service to others if he could go last and not keep everyone else in the hearing room.

We contacted counsel representing the witnesses appearing today, and those who had filed written notices of intent to cross exam, and for awhile, actually, when we closed our hearing yesterday afternoon, it looked as though we were going to reschedule the witnesses today.

However, by late yesterday, it became apparent that it would be most convenient to schedule the appearance of witnesses in the manner in which we had originally indicated.

For those of you who undertook to adjust your personal schedules to accommodate potential changes, I thank you. I hope that the uncertainty had not caused anyone any



1 serious inconvenience.

2           Actually, I hope it hasn't caused anyone any  
3 non-serious inconvenience, either.

4           But we were just trying to accommodate people and  
5 arrange a schedule that would suit everyone's purposes.

6           Before I begin today, I do have one procedural  
7 matter. There's an outstanding motion of Keyspan Energy to  
8 compel USPS Witness Campbell to provide responsive answers  
9 to interrogatories.

10           I would treat this motion the same way as I dealt  
11 with a similar motion relating to the responses of Witness  
12 Fronk. Keyspan Energy counsel may pursue clarifying  
13 questions orally to Witness Campbell. Our procedures have  
14 been designed to obtain as much responsive information as is  
15 possible during written discovery.

16           In this instance, the need to complete this case  
17 within ten months requires that we proceed with oral cross,  
18 even though this dispute has not been resolved.

19           I will allow leeway during cross examination, and  
20 I'm committed -- and I'm sure my colleagues and all the  
21 staff are committed to staying here as long as it takes to  
22 complete cross examination today.

23           Does any participant have any matter that they  
24 would like to raise this morning?

25           [No response.]



1 CHAIRMAN GLEIMAN: If not, we'll proceed with our  
2 first witness. Mr. Rubin, if you would introduce your  
3 witness?

4 MR. RUBIN: The Postal Service calls Susan W. Mayo  
5 to the witness stand.  
6 Whereupon,

7 SUSAN W. MAYO,  
8 a witness, having been called for examination, and, having  
9 been first duly sworn, was examined and testified as  
10 follows:

11 DIRECT EXAMINATION

12 BY MR. RUBIN:

13 Q Ms. Mayo, do you have two copies of a document  
14 entitled Direct Testimony of Susan W. Mayo on behalf of  
15 United States Postal Service and designated as USPS-T-39?

16 A Yes.

17 Q And does this testimony include the corrections  
18 that were filed on January 28th, February 18th, March 10th,  
19 and April 27th?

20 A Yes.

21 Q Was this testimony prepared by you or under your  
22 supervision?

23 A Yes.

24 Q And if you were to testify orally here today,  
25 would this be your testimony?



1 A Yes.

2 MR. RUBIN: In that case, I will have the two  
3 copies of the Direct Testimony of Susan W. Mayo on Behalf of  
4 Unites States Postal Service provided to the Reporter, and I  
5 ask that this testimony be entered into evidence in this  
6 docket.

7 CHAIRMAN GLEIMAN: Is there any objection?

8 [No response.]

9 CHAIRMAN GLEIMAN: Hearing none, the testimony is  
10 received into evidence, and is our practice, will not be  
11 transcribed into the record.

12 [Direct Testimony of Susan W. Mayo,  
13 USPS-T-39 was received into  
14 evidence.]

15 CHAIRMAN GLEIMAN: Mr. Rubin, does Witness May  
16 sponsor any Category II Library References?

17 MR. RUBIN: Yes, she has one such Library  
18 Reference, Library Reference I-168.

19 BY MR. RUBIN:

20 Q Ms. Mayo, are you prepared to sponsor Library  
21 Reference I-168 into evidence in this proceeding?

22 A Yes.

23 MS. DREIFUSS: Mr. Chairman, I do have a question  
24 about Library Reference 168. There were errata filed  
25 yesterday on insurance costs and Post Office Box accounts,



1 it looks like.

2 I believe that some of these errata reflect errata  
3 of Witness Davis. Witness Davis, as I understand, had  
4 provided information to Witness Needham. And I'm wondering  
5 whether the same errata that are reflected in the revised  
6 testimony have also been reflected in Library Reference 168?

7 THE WITNESS: Yes.

8 MS. DREIFUSS: Did you file corrected pages of  
9 168, Mr. Rubin?

10 MR. RUBIN: Yes, the Postal Service filed  
11 corrected pages yesterday for I-168, and I have some extra  
12 copies of those.

13 MS. DREIFUSS: I wonder if I could get a copy from  
14 you. I haven't seen that yet.

15 MR. RUBIN: Sure.

16 MS. DREIFUSS: Thank you.

17 CHAIRMAN GLEIMAN: I take it you have no objection  
18 with the changes, given the fact that the Library Reference  
19 has been updated?

20 MS. DREIFUSS: Right. I was concerned that the  
21 Library Reference had not been updated, since I had not seen  
22 any corrected pages, and I do think it is, of course,  
23 preferable to include corrected pages in the Category II  
24 Library Reference.

25 CHAIRMAN GLEIMAN: If there is no further



1 discussion about the Library Reference, then we'll enter  
2 that Library Reference, LRI-168, as corrected, into the  
3 record as evidence, and it will not be transcribed into the  
4 record.

5 [Library Reference LRI-168 was  
6 received into evidence.]

7 CHAIRMAN GLEIMAN: Ms. Mayo, have you had an  
8 opportunity to examine the package of Designated Written  
9 Cross Examination that was made available earlier today?

10 THE WITNESS: Yes, I have.

11 CHAIRMAN GLEIMAN: If these questions were asked  
12 of you today, would your responses be the same as those you  
13 previously provided in writing?

14 THE WITNESS: Yes.?

15 CHAIRMAN GLEIMAN: There are no corrections or  
16 changes to this package?

17 MR. RUBIN: There was one issue I wanted to raise:  
18 For David Popkin's Interrogatories 131 -- DBP-131, 132, 133,  
19 and 134, Mr. Popkin attached a letter to the question. And  
20 those letters are included in the package that was produced,  
21 even though the Postal Service has objected to  
22 authenticating this letter and did not refer to the letter  
23 in its response.

24 The Postal Service could see the letter being  
25 transcribed at this point, but it objects to the letter



1 being made evidence in this proceeding at this time.

2 CHAIRMAN GLEIMAN: Do you I understand correctly  
3 that an objection was filed to questions related to the  
4 letter or to the authenticity of the letter?

5 MR. RUBIN: Yes, that's correct, and I believe  
6 there's a motion to compel that's outstanding on that.

7 CHAIRMAN GLEIMAN: All right. If that is the only  
8 issue, then what we will do, if I can get counsel to provide  
9 two copies of the package of Designated Written Cross  
10 Examination to the Court Reporter, we'll accept, subject to  
11 a comment that I will make in a moment, we'll accept the  
12 Designated Written Cross Examination into evidence, and it  
13 will be transcribed into the record, except with respect to  
14 the letter that is in question on Mr. Popkin's  
15 Interrogatories 131 through 134.

16 That material is transcribed into the record, but  
17 is not entered into evidence at this point in time.

18 Once the motion practice associated with the  
19 letter in question is completed, a determination can be made  
20 at that point as to how the material will be treated for  
21 evidentiary purposes.

22 [Designated Written Cross  
23 Examination of Susan W. May~~0~~ was  
24 received into evidence, except for  
25 Mr. Popkin's letter attached to



1 DBP-131, 132, 133, and 134, and  
2 transcribed into the record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

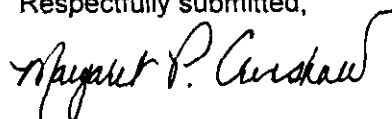
Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS SUSAN W. MAYO  
(USPS-T-39)

<u>Party</u>	<u>Interrogatories</u>
Association of Priority Mail Users, Inc.	APMU/USPS-T39-1a APMU/USPS-T34-27, 29 redirected to T39
Continuity Shippers Association	CSA/USPS-T39-1, 4, 8, 12-16, 18-20 OCA/USPS-T39-1-2
David B. Popkin	DBP/USPS-1-2, 12, 15, 17, 24d, 26a-b, f, 27a-o, s-u, 40, 44-45, 47-51, 52a-d, 53-54, 56, 69, 81-82, 85-88, 102, 105, 106a-b, f-i, 107e-n, r-t, w-x, aa-bb, ee-ii, 117a-i, l-m, 118a-g, j-k, 119k, 124, 125a, 131b-d, 132b-d, 133b-d, 134b-d, 137-140 redirected to T39
Douglas F. Carlson	DFC/USPS-T39-1, 3-14, 16-22, 23h, 24-25, 26a, c, 29-35, 36a, 37, 38a-d, f-g, 39-55, 57-68 DFC/USPS-30-37 redirected to T39 DFC/USPS-T30-10a-b, d-e, 11a-c redirected to T39
KeySpan Energy	KE/USPS-T39-1a-e, g-h, 2-3, 5-7, 8c, 9, 10a-h, 11a, 12
Office of the Consumer Advocate	CSA/USPS-T39-1-2, 4-5, 7-13, 17-19 DFC/USPS-T39-1, 3-4, 14, 31, 35, 64 OCA/USPS-T39-1-2, 4b-c, 5-8, 11-17, 18b-c, 19-24



Respectfully submitted,

A handwritten signature in black ink, appearing to read "Margaret P. Crenshaw". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Margaret P. Crenshaw  
Secretary



INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS SUSAN W. MAYO (T-39)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

APMU/USPS-T39-1a  
APMU/USPS-T34-27 redirected to T39  
APMU/USPS-T34-29 redirected to T39  
CSA/USPS-T39-1  
CSA/USPS-T39-2  
CSA/USPS-T39-4  
CSA/USPS-T39-5  
CSA/USPS-T39-7  
CSA/USPS-T39-8  
CSA/USPS-T39-9  
CSA/USPS-T39-10  
CSA/USPS-T39-11  
CSA/USPS-T39-12  
CSA/USPS-T39-13  
CSA/USPS-T39-14  
CSA/USPS-T39-15  
CSA/USPS-T39-16  
CSA/USPS-T39-17  
CSA/USPS-T39-18  
CSA/USPS-T39-19  
CSA/USPS-T39-20  
DBP/USPS-1 redirected to T39  
DBP/USPS-2 redirected to T39  
DBP/USPS-12 redirected to T39  
DBP/USPS-15 redirected to T39  
DBP/USPS-17 redirected to T39  
DBP/USPS-24d redirected to T39  
DBP/USPS-26a redirected to T39  
DBP/USPS-26b redirected to T39  
DBP/USPS-26f redirected to T39  
DBP/USPS-27a redirected to T39  
DBP/USPS-27b redirected to T39  
DBP/USPS-27c redirected to T39

**Designating Parties:**

[illegible]



DBP/USPS-27d redirected to T39	Popkin
DBP/USPS-27e redirected to T39	Popkin
DBP/USPS-27f redirected to T39	Popkin
DBP/USPS-27g redirected to T39	Popkin
DBP/USPS-27h redirected to T39	Popkin
DBP/USPS-27i redirected to T39	Popkin
DBP/USPS-27j redirected to T39	Popkin
DBP/USPS-27k redirected to T39	Popkin
DBP/USPS-27l redirected to T39	Popkin
DBP/USPS-27m redirected to T39	Popkin
DBP/USPS-27n redirected to T39	Popkin
DBP/USPS-27o redirected to T39	Popkin
DBP/USPS-27s redirected to T39	Popkin
DBP/USPS-27t redirected to T39	Popkin
DBP/USPS-27u redirected to T39	Popkin
DBP/USPS-40 redirected to T39	Popkin
DBP/USPS-44 redirected to T39	Popkin
DBP/USPS-45 redirected to T39	Popkin
DBP/USPS-47 redirected to T39	Popkin
DBP/USPS-48 redirected to T39	Popkin
DBP/USPS-49 redirected to T39	Popkin
DBP/USPS-50 redirected to T39	Popkin
DBP/USPS-51 redirected to T39	Popkin
DBP/USPS-52a redirected to T39	Popkin
DBP/USPS-52b redirected to T39	Popkin
DBP/USPS-52c redirected to T39	Popkin
DBP/USPS-52d redirected to T39	Popkin
DBP/USPS-53 redirected to T39	Popkin
DBP/USPS-54 redirected to T39	Popkin
DBP/USPS-56 redirected to T39	Popkin
DBP/USPS-69 redirected to T39	Popkin
DBP/USPS-81 redirected to T39	Popkin
DBP/USPS-82 redirected to T39	Popkin
DBP/USPS-85 redirected to T39	Popkin
DBP/USPS-86 redirected to T39	Popkin
DBP/USPS-87 redirected to T39	Popkin
DBP/USPS-88 redirected to T39	Popkin
DBP/USPS-102 redirected to T39	Popkin
DBP/USPS-105 redirected to T39	Popkin



DBP/USPS-106a redirected to T39	Popkin
DBP/USPS-106b redirected to T39	Popkin
DBP/USPS-106f redirected to T39	Popkin
DBP/USPS-106g redirected to T39	Popkin
DBP/USPS-106h redirected to T39	Popkin
DBP/USPS-106i redirected to T39	Popkin
DBP/USPS-107e redirected to T39	Popkin
DBP/USPS-107f redirected to T39	Popkin
DBP/USPS-107g redirected to T39	Popkin
DBP/USPS-107h redirected to T39	Popkin
DBP/USPS-107i redirected to T39	Popkin
DBP/USPS-107j redirected to T39	Popkin
DBP/USPS-107k redirected to T39	Popkin
DBP/USPS-107l redirected to T39	Popkin
DBP/USPS-107m redirected to T39	Popkin
DBP/USPS-107n redirected to T39	Popkin
DBP/USPS-107r redirected to T39	Popkin
DBP/USPS-107s redirected to T39	Popkin
DBP/USPS-107t redirected to T39	Popkin
DBP/USPS-107w redirected to T39	Popkin
DBP/USPS-107x redirected to T39	Popkin
DBP/USPS-107aa redirected to T39	Popkin
DBP/USPS-107bb redirected to T39	Popkin
DBP/USPS-107ee redirected to T39	Popkin
DBP/USPS-107ff redirected to T39	Popkin
DBP/USPS-107gg redirected to T39	Popkin
DBP/USPS-107hh redirected to T39	Popkin
DBP/USPS-107ii redirected to T39	Popkin
DBP/USPS-117a redirected to T39	Popkin
DBP/USPS-117b redirected to T39	Popkin
DBP/USPS-117c redirected to T39	Popkin
DBP/USPS-117d redirected to T39	Popkin
DBP/USPS-117e redirected to T39	Popkin
DBP/USPS-117f redirected to T39	Popkin
DBP/USPS-117g redirected to T39	Popkin
DBP/USPS-117h redirected to T39	Popkin
DBP/USPS-117i redirected to T39	Popkin
DBP/USPS-117l redirected to T39	Popkin
DBP/USPS-117m redirected to T39	Popkin



DBP/USPS-118a redirected to T39	Popkin
DBP/USPS-118b redirected to T39	Popkin
DBP/USPS-118c redirected to T39	Popkin
DBP/USPS-118d redirected to T39	Popkin
DBP/USPS-118e redirected to T39	Popkin
DBP/USPS-118f redirected to T39	Popkin
DBP/USPS-118g redirected to T39	Popkin
DBP/USPS-118j redirected to T39	Popkin
DBP/USPS-118k redirected to T39	Popkin
DBP/USPS-119k redirected to T39	Popkin
DBP/USPS-124 redirected to T39	Popkin
DBP/USPS-125a redirected to T39	Popkin
DBP/USPS-131b redirected to T39	Popkin
DBP/USPS-131c redirected to T39	Popkin
DBP/USPS-131d redirected to T39	Popkin
DBP/USPS-132b redirected to T39	Popkin
DBP/USPS-132c redirected to T39	Popkin
DBP/USPS-132d redirected to T39	Popkin
DBP/USPS-133b redirected to T39	Popkin
DBP/USPS-133c redirected to T39	Popkin
DBP/USPS-133d redirected to T39	Popkin
DBP/USPS-134b redirected to T39	Popkin
DBP/USPS-134c redirected to T39	Popkin
DBP/USPS-134d redirected to T39	Popkin
DBP/USPS-137 redirected to T39	Popkin
DBP/USPS-138 redirected to T39	Popkin
DBP/USPS-139 redirected to T39	Popkin
DBP/USPS-140 redirected to T39	Popkin
DFC/USPS-T39-1	Carlson, OCA
DFC/USPS-T39-3	Carlson, OCA
DFC/USPS-T39-4	Carlson, OCA
DFC/USPS-T39-5	Carlson
DFC/USPS-T39-6	Carlson
DFC/USPS-T39-7	Carlson
DFC/USPS-T39-8	Carlson
DFC/USPS-T39-9	Carlson
DFC/USPS-T39-10	Carlson
DFC/USPS-T39-11	Carlson
DFC/USPS-T39-12	Carlson



DFC/USPS-T39-13	Carlson
DFC/USPS-T39-14	Carlson, OCA
DFC/USPS-T39-16	Carlson
DFC/USPS-T39-17	Carlson
DFC/USPS-T39-18	Carlson
DFC/USPS-T39-19	Carlson
DFC/USPS-T39-20	Carlson
DFC/USPS-T39-21	Carlson
DFC/USPS-T39-22	Carlson
DFC/USPS-T39-23h	Carlson
DFC/USPS-T39-24	Carlson
DFC/USPS-T39-25	Carlson
DFC/USPS-T39-26a	Carlson
DFC/USPS-T39-26c	Carlson
DFC/USPS-T39-29	Carlson
DFC/USPS-T39-30	Carlson
DFC/USPS-T39-31	Carlson, OCA
DFC/USPS-T39-32	Carlson
DFC/USPS-T39-33	Carlson
DFC/USPS-T39-34	Carlson
DFC/USPS-T39-35	Carlson, OCA
DFC/USPS-T39-36a	Carlson
DFC/USPS-T39-37	Carlson
DFC/USPS-T39-38a	Carlson
DFC/USPS-T39-38b	Carlson
DFC/USPS-T39-38c	Carlson
DFC/USPS-T39-38d	Carlson
DFC/USPS-T39-38f	Carlson
DFC/USPS-T39-38g	Carlson
DFC/USPS-T39-39	Carlson
DFC/USPS-T39-40	Carlson
DFC/USPS-T39-41	Carlson
DFC/USPS-T39-42	Carlson
DFC/USPS-T39-43	Carlson
DFC/USPS-T39-44	Carlson
DFC/USPS-T39-45	Carlson
DFC/USPS-T39-46	Carlson
DFC/USPS-T39-47	Carlson
DFC/USPS-T39-48	Carlson



DFC/USPS-T39-49	Carlson
DFC/USPS-T39-50	Carlson
DFC/USPS-T39-51	Carlson
DFC/USPS-T39-52	Carlson
DFC/USPS-T39-53	Carlson
DFC/USPS-T39-54	Carlson
DFC/USPS-T39-55	Carlson
DFC/USPS-T39-57	Carlson
DFC/USPS-T39-58	Carlson
DFC/USPS-T39-59	Carlson
DFC/USPS-T39-60	Carlson
DFC/USPS-T39-61	Carlson
DFC/USPS-T39-62	Carlson
DFC/USPS-T39-63	Carlson
DFC/USPS-T39-64	Carlson, OCA
DFC/USPS-T39-65	Carlson
DFC/USPS-T39-66	Carlson
DFC/USPS-T39-67	Carlson
DFC/USPS-T39-68	Carlson
DFC/USPS-30 redirected to T39	Carlson
DFC/USPS-31 redirected to T39	Carlson
DFC/USPS-32 redirected to T39	Carlson
DFC/USPS-33 redirected to T39	Carlson
DFC/USPS-34 redirected to T39	Carlson
DFC/USPS-35 redirected to T39	Carlson
DFC/USPS-36 redirected to T39	Carlson
DFC/USPS-37 redirected to T39	Carlson
DFC/USPS-T30-10a redirected to T39	Carlson
DFC/USPS-T30-10b redirected to T39	Carlson
DFC/USPS-T30-10d redirected to T39	Carlson
DFC/USPS-T30-10e redirected to T39	Carlson
DFC/USPS-T30-11a redirected to T39	Carlson
DFC/USPS-T30-11b redirected to T39	Carlson
DFC/USPS-T30-11c redirected to T39	Carlson
KE/USPS-T39-1a	KeySpan
KE/USPS-T39-1b	KeySpan
KE/USPS-T39-1c	KeySpan
KE/USPS-T39-1d	KeySpan
KE/USPS-T39-1e	KeySpan



KE/USPS-T39-1g	KeySpan
KE/USPS-T39-1h	KeySpan
KE/USPS-T39-2	KeySpan
KE/USPS-T39-3	KeySpan
KE/USPS-T39-5	KeySpan
KE/USPS-T39-6	KeySpan
KE/USPS-T39-7	KeySpan
KE/USPS-T39-8c	KeySpan
KE/USPS-T39-9	KeySpan
KE/USPS-T39-10a	KeySpan
KE/USPS-T39-10b	KeySpan
KE/USPS-T39-10c	KeySpan
KE/USPS-T39-10d	KeySpan
KE/USPS-T39-10e	KeySpan
KE/USPS-T39-10f	KeySpan
KE/USPS-T39-10g	KeySpan
KE/USPS-T39-10h	KeySpan
KE/USPS-T39-11a	KeySpan
KE/USPS-T39-12	KeySpan
OCA/USPS-T39-1	CSA, OCA
OCA/USPS-T39-2	CSA, OCA
OCA/USPS-T39-4b	OCA
OCA/USPS-T39-4c	OCA
OCA/USPS-T39-5	OCA
OCA/USPS-T39-6	OCA
OCA/USPS-T39-7	OCA
OCA/USPS-T39-8	OCA
OCA/USPS-T39-11	OCA
OCA/USPS-T39-12	OCA
OCA/USPS-T39-13	OCA
OCA/USPS-T39-14	OCA
OCA/USPS-T39-15	OCA
OCA/USPS-T39-16	OCA
OCA/USPS-T39-17	OCA
OCA/USPS-T39-18b	OCA
OCA/USPS-T39-18c	OCA
OCA/USPS-T39-19	OCA
OCA/USPS-T39-20	OCA
OCA/USPS-T39-21	OCA



OCA/USPS-T39-22  
OCA/USPS-T39-23  
OCA/USPS-T39-24

OCA  
OCA  
OCA



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS, INC.  
(APMU/USPS-T39-1)**

**APMU/USPS-T39-1.** Please refer to your testimony at page 57, ll. 4-6, where you state that delivery confirmation data "provide an additional management diagnostic tool in assessing parcel delivery and areas for improvement."

- a. Please describe how management uses delivery confirmation data as a diagnostic tool.
- b. What corrective action, if any, has management taken in response to delivery confirmation data?
- c. Does management use PETE or Priority Mail ODIS data as a diagnostic tool? If so, what corrective action, if any, has management taken in response to these data?
- d. Do delivery confirmation data ever conflict with PETE or Priority Mail ODIS data? If so, what weight is placed on the respective data?
- e. Are delivery confirmation data used to monitor Emery's performance under the PMPC contract?

**RESPONSE:**

- a. Management uses a variety of diagnostic tools for assessing parcel delivery and opportunities for improvement. These include those mentioned in part (c) along with customer complaints. The latest of these tools is Delivery Confirmation, but there is no formalized use of Delivery Confirmation data to measure the quality of parcel delivery service. Please see the Postal Service's response to parts b-c of this interrogatory.
- b. Redirected to the United States Postal Service.
- c. Redirected to the United States Postal Service.
- d. Redirected to the United States Postal Service.
- e. Redirected to the United States Postal Service.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF ASSOCIATION OF PRIORITY MAIL USERS, INC.  
REDIRECTED FROM WITNESS ROBINSON  
(APMU/USPS-T34-27)**

**APMU/USPS-T34-27.** Please refer to pages 19 and 20 of your testimony. You state that you project delivery confirmation volumes associated with Priority Mail based (in part) on the adoption curve proposed by USPS witness Sharkey in Docket No. R97-1. Does your projection of TYAR manual delivery confirmation usage with Priority Mail reflect the proposed 14 percent increase in those rates? If so, what are the before and after rates usages which you use?

**RESPONSE:**

No. Please see USPS-T-39, WP-10 in Library Reference I-168. I assume there is no volume change from Test Year Before Rates to Test Year After Rates.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF ASSOCIATION OF PRIORITY MAIL USERS, INC.  
REDIRECTED FROM WITNESS ROBINSON  
(APMU/USPS-T34-29)**

**APMU/USPS-T34-29.** At Attachment J to your testimony, you provide forecasts of delivery confirmation transactions associated with Priority Mail for FY 2001. Witness Mayo proposes that signature confirmation "include delivery confirmation." How many of your forecasted delivery confirmation transactions for FY 2001 reflect signature confirmation transactions?

**RESPONSE:**

The Priority Mail Delivery Confirmation transactions projected for FY 2001 in witness Robinson's USPS-T-34, Attachment J, include 21,659,000 Signature Confirmation transactions. See USPS-T-39, WP-25 in Library Reference I-168.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-1.** Please state the basis for your understanding (page 17 of your testimony) that a cost coverage close to the systemwide average was the intention at the inception of the Bulk Parcel Return Service.

**RESPONSE:**

See Docket No. MC97-4, USPS-T-2, at page 16.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-2.** Please compare the activities covered by the proposed accounting fee for BPRS, and the activities covered by the accounting fee for Business Reply Mail.

**RESPONSE:**

I used witness Campbell's advance deposit account fee cost for BRM as a proxy when preparing the accounting fee proposals for BPRS, Merchandise Return service, and Shipper Paid Forwarding service since there was no reason to believe that the advance deposit account activities for these services are different. See USPS-T-29, page 11.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-4.** Please confirm that the Postal Service's determination of when to deliver BPRS returns and when the mailer can pick up BPRS returns signifies a lower value of service. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. It is my understanding that the terms for mailers with large volumes of returns are agreed upon mutually in writing between the mailer and the Postal Service, and there is a good deal of flexibility in the terms that can be set. It is also my understanding that these agreements provide for the use of bulk postage due rating procedures and may include daily delivery of returns directly from the BMC, rather than from the destination facility, which results in relatively expeditious BPRS parcel returns. With respect to mailers with small volumes of returns, the pickup or delivery is dictated by the volume of parcels, the availability of transportation, and the undesirability on the part of the postal facility to store parcels. In neither case do I agree that the value of service for BPRS is particularly low, and in the case of the large volume mailers at least, I would contend that the value of service is relatively high.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-5.** Please confirm that the existence of higher priced non-Postal Service alternatives do not indicate the value of a particular Postal service, i.e. higher priced alternatives explain demand or usage of a Postal service. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. The fact that the only alternatives available are priced much higher than the available postal service makes that postal service of a higher value to the customer than it might otherwise be if alternatives were priced at or near the price of the postal service.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-7.** Please confirm that since half of the BPRS mailers pick up their BPRS returns, BPRS has a lower value of service. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. Please see my response to 4 above and note that while half the mailers may pick up their own BPRS parcels, that does not mean that half of the BPRS parcels are picked up, particularly when considering the large volume mailers generally have their BPRS parcels delivered by the Postal Service.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-8.** Please confirm that BPRS does not have a service standard. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. BPRS parcels are given the same priority in transportation, processing, and delivery (except to the extent these parcels are picked up by the mailer) as any other Standard Mail parcels. Please note that Standard Mail parcels are generally given a higher priority than Standard Mail letters and flats.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-9.** Please confirm that the lack of a service standard reduces the value of service. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. Special services typically do not have a service standard, yet most special services provide a high value of service.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-10.** Please confirm that BPRS parcels receive low priority in terms of transportation and processing; only ground transportation is used; and the Postal Service determines the frequency of the mailer's pickup of BPRS parcels or its delivery of BPRS parcels. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. Please see my responses to 4 and 8 above.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-11.** Please confirm that the following indicate a lower value of service: BPRS parcels receive low priority in terms of transportation and processing; only ground transportation is used; and the Postal Service determines the frequency of the mailer's pickup of BPRS parcels or its delivery of BPRS parcels. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. Please see my response to 10 above.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-12.** Please confirm that only parcels mailed out Standard A can be returned under BPRS. If you do not confirm, please explain.

**RESPONSE:**

Confirmed.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-13.** Please confirm that the Postal Service's regulations for the BPRS labels states that the "class of mail" designation on the label is "Standard Mail (A)." If you do not confirm, please explain.

**RESPONSE:**

Confirmed.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-14.** On average, how many opened BPRS parcels were sent to a Mail Recovery Center each month since BPRS was modified in MC99-4?

**RESPONSE:**

I have been informed that we do not track this type of information.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-15.** On average, how many opened BPRS were sent to a Mail Recovery Center each month between the creation of BPRS and the modification to BPRS in MC99-4?

**RESPONSE:**

Please see my response to CSA/USPS-T39-14.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-16.** In general, what percentage of BPRS returns contain correspondence and/or a check for payment?

**RESPONSE:**

The Postal Service would have no way of knowing this percentage. I would assume that only BPRS shippers themselves would know.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-17.** Please confirm that the nine factors of the Act could support the same cost coverage as Standard Mail A regular. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. The factors are applied differently. Please see my rebuttal testimony in Docket No. C99-4.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-18.** Please confirm that the attributable cost figure, plus contingency, you are using is \$1.13 per BPRS piece?

**RESPONSE:**

Confirmed.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-19.** Please confirm that if BPRS were priced at \$1.50, each BPRS piece would cover their attributable cost and contribute \$0.37 cents to institutional costs. If you do not confirm, please explain.

**RESPONSE:**

Confirmed that  $\$1.50 - \$1.13 = \$0.37$ .



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE CONTINUITY SHIPPERS ASSOCIATION  
(CSA/USPS-T39-1-20)**

**CSA/USPS-T39-20.** What percentage of BPRS returns are from customers who have paid for the merchandise before receiving versus those customer who only have to pay for the merchandise if they decide to keep it?

**RESPONSE:**

Please see my response to CSA/USPS-T39-16.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-1)**

**DBP/USPS-1.** With respect to the July 1999 version PS Form 3800, Certified Mail Receipt, [a] Confirm that the article number has changed from one letter and nine digits in previous forms to twenty digits in the present form. [b] Confirm that either the customer is expected to show this number on the Return Receipt form when that service is utilized or the number must be entered by the acceptance employee. [c] Confirm that it will take a longer time to enter a 20-digit number than [sic] a 10-character number. [d] Do you feel that the doubling of the article number's size will add, subtract, or be neutral with respect to the value of this service to the customer and explain your answer? [e] Confirm that the numbers on a group of the previous forms ran in numerical order while the new forms do not since they appear to change by 3 in the next to the last digit and the final digit appears to be a check digit. [f] Confirm that some mailers previously have been able to utilize some manual/automated system for entering the article number, such as a numbering machine or rubber stamp, and the new numbering system will not allow for this convenience. [g] Do you feel that the change to non-consecutive numbers will add, subtract, or be neutral with respect to the value of this service to the customer and explain your answer? [h] What percentage of Certified Mail articles also utilize Return Receipt service? [i] Confirm that the USPS window clerk will take a longer time to enter a 20-digit number than a 10-character number both on the Return Receipt, if necessary, and also on the manually generated delivery receipt, if necessary. [j] Why was it necessary to double the size of the article number? [k] Was any thought given to having a small peel off label on the receipt that could be removed and placed on the Return Receipt card to indicate the article number? [l] Was that suggestion made to the Postal Service in comments that were filed in the Postal Service's request for comments with respect to the introduction of these new forms? [m] If so, why was it not adopted? [n] Confirm that transcribing a 20-digit number to a Return Receipt and/or manual delivery receipt will be likely to double the chance for an error as compared to a 10-character number. [o] Explain and discuss any subparts you are not able to confirm.

**RESPONSE:**

- a. Confirmed. See my response to DFC/USPS-T39-38(a&b).
- b. See my response to DFC/USPS-T39-38(c).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-1)**

**DBP/USPS-1 (CONTINUED)**

- c. See my response to DFC/USPS-T39-38(d).
- d. Increased article number size will add value of service in many ways. First, the twenty-digit number enables the electronic data capture of delivery information and recipient signatures. Second, retrieval of delivery information will be faster and more reliable. Also, grouping numbers by fours may reduce the risk of transcription errors. Additionally, large volume customers printing their own labels no longer have to be assigned number ranges. They create their own article numbers following their Dun & Bradstreet's Data Universal Numbering System (DUNS) number. Finally, labels that cannot be scanned for delivery will be detected and corrected by knowing the printer/producer of the faulty labels.
- e. The numbers on the new twenty-digit postal barcoded labels run in numeric sequence, but the last digit is a barcode check digit and is not part of the article number sequence. Some early labels printed in December were out of sequence, but that has since been corrected in current printing. Customers and vendors have already begun reprogramming their automated counting systems to allow for the check digit.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-1)**

**DBP/USPS-1 (CONTINUED)**

- f. Not confirmed. I have no knowledge of mailers using a numbering machine or rubber stamp for certified mail numbers and furthermore have no knowledge of how the efficiency of these systems would be affected. If certified mail users were using these types of systems, they could always design their own forms and put in numbers issued in blocks.
- g. The Postal Service has not changed to non-sequenced numbers. See my response to (e) above.
- h. See page 41 of my testimony.
- i. See my response to DFC/USPS-T39-38(d) which applies to those circumstances in which a return receipt is requested and when a delivery notice is used.
- j. The longer number is required to standardize the Product Tracking System (PTS) database for all special services, so that all special service items can be uniquely identified. Customer-produced labels and forms must have two digits for a service code, nine digits for the DUNS number, eight digits for the serial number and one check digit. Postal-and customer-produced numbers must all be the same number of digits in the PTS. Also, see my response to part (d) above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-1)**

**DBP/USPS-1 (CONTINUED)**

- k. See my response to DFC/USPS-T39-38(f-g).
- l. Yes.
- m. See my response to DFC/USPS-T39-38(f-g).
- n. Not confirmed. I do not know the odds for error in transcribing numbers, but grouping number by fours on the new labels may make transcription errors less likely.
- o. See responses above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-2)**

**DBP/USPS-2.** In addition to the new barcoded Certified Mail receipt, please provide the following information for any of the other accountable mail services that have/are introduced/ing a new form: [1] Name of Service [2] Number of characters utilized on the old form for the article number [3] Number of characters utilized on the new form for the article number [4] Whether the article numbers will run in consecutive order in a group of forms [5] A listing of all instances where this number has to be transcribed to another form – list the form(s) and whether the transcription is made by the customer, USPS employee, or could be made by either [6] The percentage of return receipts utilized for that service [7] Whether the receipt and article number label are a single form, such as with Certified mail, or whether they are separate forms, such as with the present Registered Mail forms.

**RESPONSE:**

**[1] – [4]:**

<u>USPS Labels</u>	<u>Digits Old Form</u>	<u>Digits New Form</u>	<u>Consecutive #</u>
Certified Mail	1alpha, 9 num.	20 num.	yes
Insured Mail	1alpha, 9 num.	20 num.	yes
Registered Mail	1alpha, 9 num.	4 alpha, 9 num	yes
Return Receipt for Merchandise	1alpha, 9 num.	20 num.	yes

<u>Customer Printed</u>	<u>Digits Old Form</u>	<u>Digits New Form</u>	<u>Consecutive #</u>
Certified Mail	1alpha, 9 numeric	20 numeric	yes
Insured Mail	1alpha, 9 numeric	20 numeric	yes
Registered Mail	1alpha, 9 numeric	20 numeric	yes
Return Receipt for Merchandise	1alpha, 9 numeric	20 numeric	yes



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-2)**

**DBP/USPS-2 CONTINUED**

[5]:

<u>Service</u>	<u>Transcribed to 3849</u>
Certified Mail	by carrier if redelivery needed
Insured Mail	by carrier if redelivery needed
Registered Mail	by carrier if redelivery needed
Return Receipt for Merchandise	by carrier if redelivery needed

<u>Service</u>	<u>Transcribed to 3811</u>
Certified Mail	by customer or clerk if return receipt requested
Insured Mail	by customer or clerk if return receipt requested
Registered Mail	by customer or clerk if return receipt requested

[6] The percentage of return receipts for certified mail, insured mail, registered mail, and return receipt for merchandise can be calculated using the volumes in WP-24 in LR-I-168.

[7]:

<u>Service</u>	<u>Separate</u>
Certified Mail	no
Insured Mail	no
Registered Mail	yes
Return Receipt for Merchandise	no



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-12)**

**DBP/USPS-12.** [a] Confirm, or explain if you are unable to do so, that there are two main reasons why customers utilize the Registered Mail service, namely, first by providing a more secure protection of their mail to ensure that it will not be lost in transit and second, to obtain indemnity in the event of loss. [b] Provide any other reasons why a customer would utilize Registered Mail {as opposed to Certified Mail or Insured Mail}.

**RESPONSE:**

- a. Not confirmed. I feel the main reason customers use registered mail is for the security in acceptance, processing and delivery procedures. I feel that obtaining indemnity in the event of loss or damage is a secondary reason, and actually would not be applicable to those customers with articles valued above \$25,000 (for the portion over \$25,000) or articles of no monetary value.
- b. When compared to insurance, customers may currently choose to use registered mail for items valued over \$700 up to \$5,000 as the registered mail fee is lower than the insurance fee.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
(DBP/USPS-15)**

**DBP/USPS-15.** [a] Confirm that Insured Mail does not receive any special security from the time that the mail is accepted until it arrives at the delivery office, namely, it is transported in a similar manner to the same type of mail without insurance. [b] Confirm that mail insured for \$50 or less does not receive any special security at the delivery office. [c] Confirm that it will not be possible to determine, with absolute certainty, the amount of insurance that has been purchased [any value from \$50.01 to \$5000] by examination of the article [d] Explain and discuss any subparts you are not able to confirm.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. If examination of the article includes weighing the mailpiece the postage can be subtracted from the total amount paid to arrive at the fee paid.  
  
Knowledge of the fee paid for insurance would give you the value level for which the package was insured.
- d. See response to part (c) above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-17** With respect to Delivery Confirmation service, [a] Confirm that both the date and the time of delivery is provided to the mailer. [b] Confirm that some mailers will be interested in both the date and time of delivery. [c] Confirm that some mailers will be interested in just know that the article was delivered. [d] Confirm that the Postal Service updates the database only one time per day. [e] What time[s] is the update made? [f] Is updating made on all delivery days? [g] Confirm that other delivery services update their delivery records more often and perhaps even continuously? [h] Confirm that, in general, mailers would find a greater value in having records updated more often than once a day. [i] Is a scan made of the article at the time of mailing under all circumstances, including but not limited to, mailing over a retail counter, mailing at a post office platform, depositing in a collection box, and through a city delivery/rural/HCR carrier? If not, explain when articles are scanned on mailing. [j] Confirm, that the service is primarily for the benefit of the sender of the article as opposed to the recipient. [k] For an article that is delivered by a city delivery carrier along his route, advise at what point in the process will the article be scanned. [l] If it will be scanned at the time of actual delivery, advise the percentage of city delivery carriers who carry scanning devices with them. [m] Same as [k] except for a rural or HCR delivery carrier. [n] Same as [l] except for a rural or HCR delivery carrier. [o] Confirm that there are instances where a carrier will take a Delivery Confirmation article with all intentions of delivering it but for whatever reason will not make delivery. [p] Confirm that the value to mailer may be less if the article is scanned prior to actual delivery both in not knowing that the article was really delivered and not knowing the time of delivery. [q] With respect to articles delivered to Post Office Boxes, advise at what point in the delivery process the article will be scanned. [r] Is it required before scanning to either place the article or the mail arrival notice in the Post Office Box? If not, explain why not [neglect the short time of a minute or so that it may take to scan the article and then physically place it in the box]. [s] If the article is placed into the box, must the box section be accessible to the boxholder at the time of scanning? If not, explain why not. [t] If the mail arrival notice is placed into the box, either because of size or requirement of interacting with the recipient for signature, postage due, etc., must the retail window be accessible to the boxholder at the time of scanning? If not, explain why not. [u] Confirm that Delivery Confirmation really should be called "Placed in the condition that the article is available for the addressee to obtain the mail" Service while Signature Confirmation and Return Receipt Services indicate actual delivery to and receipt by the addressee. In other words, the mailer will have no idea that the mail has been received only that it has been placed into the addressee's post office box or mail box. [v] Explain and discuss any items that you are unable to confirm.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-17 (CONTINUED)**

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Not confirmed. I am informed the database is updated each time a scanner is returned to the transmission cradle and the communication window is open.
- e. Updates to the database are made continuously throughout the day as information is uploaded from the hand-held scanner to the database.
- f. Yes.
- g. Confirmed.
- h. In general, mailers would probably find a greater value in having records updated more frequently than once a day.
- i. No. When the Delivery Confirmation mailpiece is received over a retail counter, a scan is made at the time of mailing. See response to DFC/USPS-T30-11(d).
- j. Not confirmed. Delivery Confirmation service provides a value to both the sender and the recipient. The service could benefit the recipient by calling his or her attention to an important piece of mail, or helping him or her verify date and time of delivery.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-17 (CONTINUED)**

**RESPONSE:**

- k. A city delivery carrier scans the Delivery Confirmation mailpiece at the time of delivery or attempted delivery.
- l. All city delivery carriers carry scanning devices with them.
- m. A rural or HCR delivery carrier scans the Delivery Confirmation mailpiece at the time of delivery or attempted delivery.
- n. Virtually all rural or HCR delivery carriers carry scanning devices with them.
- o. Confirmed. For example, if the mailpiece does not fit in the mail receptacle and no one is available to receive it, the item will be scanned as an attempted delivery.
- p. Not confirmed. If the sender is interested only in whether or not the package was delivered, the knowledge of delivery alone provides the value. The database will contain information relating to the delivery status and the time that the item was scanned as delivered.
- q-r. The Delivery Confirmation mailpiece will be scanned immediately before delivery to the post office box. However, if the mailpiece will not fit in the post office box, it will be scanned as an attempted delivery. When the customer picks up the mailpiece at the window it will be scanned as delivered. See my response to DFC/USPS-T39-14(a&b).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-17 (CONTINUED)**

**RESPONSE:**

- s. The post office box section does not have to be accessible to the customer when a Delivery Confirmation mailpiece is delivered to a post office box. In those situations where customers do not have 24-hour a day access to a box section, delivery of a Delivery Confirmation mailpiece could occur before the post office box section is open.
- t. The retail window does not have to be accessible to the customer when a mail arrival notice is placed in a post office box and an attempted delivery scan is made.
- u. Not confirmed. The name of the service reflects the function of the service. Delivery commonly means made available to the addressee, rather than placed in the addressee's hands.
- v. See responses above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-24** With respect to Shipping on Line, [a] Please confirm that customers whose credit card is billed to a Post Office Box address may not utilize the service. Please explain the reason for this requirement. [b] Please confirm the following notice appears in the shipping process, "Note: Insurance is provided by a non-USPS carrier". [c] Please confirm that the name of the insurance carrier is U-Pic. [d] Please advise the rates charged for this insurance and variations that exist between this service and that which is provided by the Postal Service. [e] Explain and discuss any items that you are unable to confirm.

**RESPONSE:**

a-c, e. Objection filed.

d. I do not know specifically about the insurance services associated with Shipping on Line. Insurance services offered by companies other than the Postal Service generally are priced much lower than the Postal Service's insurance. See PRC Op., MC96-3, at 116. Additionally, other insurance services are available over the Internet, unlike Postal Service insurance.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-26** With respect to the rates that are being proposed for printed stamped envelopes, [a] Confirm that customers are required to purchase their envelopes by shipment from a central location. [b] Confirm that the price shown in this Docket is for the cost of the envelopes only. [c] What is the shipping charge for purchasing various quantities of printed stamped envelopes? [d] Confirm that a purchaser of printed stamped envelopes must pay for shipping and handling of the order and that the actual price paid for the envelopes is greater than that which has been proposed [by the amount of the shipping and handling charge]. [e] Why isn't the shipping and handling charge included in the price so that it will be an approved total price and will be known to the customer? [f] Explain and discuss any items that you are unable to confirm.

**RESPONSE:**

- a. Confirmed.
- b. The stamped envelope fees listed in my testimony on page 154, both current and proposed, are for the envelopes only, and do not include shipping to the customer or the postage shown on the envelope.
- c. Objection filed.
- d. Objection filed.
- e. Objection filed.
- f. See responses above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-27** With respect to Signature Confirmation service, [a] Confirm that when a recipient of accountable mail now signs for mail, it is possible to compare the number on the delivery receipt with the number on the article and once assured that they are the same can sign the delivery receipt knowing that the signature cannot be "transferred" to indicate that another article was received. [b] Explain the "security" features that will be in place to ensure that the signature that is captured electronically will be associated with the proper piece of mail. [c] Will the recipient be able to observe this procedure in order to ensure that they have signed for the proper piece of mail. [d] If the recipient receives two or more pieces of accountable mail at the same time, will it be necessary for them to sign for each individual article or can one signature be transferred electronically to cover multiple articles? [e] Same as [b] and [c] above if one signature may be transferred to two or more articles. [f] Is Signature Confirmation service available as a stand alone service or must it be purchased in conjunction with another service [if so, specify the services to which it will be available]? [g] Will the recipient be able to sign for both the Postal Service's delivery receipt [assuming another service such as Insured mail is utilized] and the Signature Confirmation service with only a single signature? [h] Will recipients who presently utilize a rubber stamp or other automated methods of completing return receipts be able to do so with this service or will it be restricted to manual hand signatures only? [i] Why was this service restricted to Priority Mail and Package Services only? [j] Are there any other classes of single piece mail, other than First-Class Mail, that will not be able to utilize this service? [k] Why was the service not proposed for use with First-Class Mail? [l] If that was an operational decision, please explain why the service would not work with First-Class Mail and yet work with Priority Mail or Package Services. [m] If it was cost related, provide details on the loss of revenue that would have resulted by the availability of this service with First-Class Mail. [n] Does the Postal Service believe that mailers of First-Class Mail may find this service to be of value to them? [o] Has any survey been completed to indicate the desire for this service? If not, why not? If so, please provide a copy. [s] Will Signature Confirmation provide all of the features of Delivery Confirmation? If not, please explain. [t] How will the time of actual delivery be recorded for access by the mailer? [u] Explain and discuss any items that you are unable to confirm.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-27 (CONTINUED)**

**RESPONSE:**

- a. Confirmed that when a recipient of accountable mail signs for an item, the recipient can be assured that the signature cannot be transferred to indicate that another article was received.
- b. When delivering a Signature Confirmation mailpiece, the delivering employee will scan the mailpiece barcode identification and then scan the signed delivery receipt barcode identification. Through optical scanning, the delivery receipt will be linked with the associated signature. Therefore, in the database the signature will be linked to the correct mailpiece.
- c. Yes.
- d. One signature can be transferred electronically to cover multiple articles.
- e. See my responses to (b) and (c) above. The delivery employee will scan the article number of all of the mailpieces requiring a signature, then scan the signed delivery receipt barcode identification. The database will link each mailpiece barcode with the delivery receipt barcode. Through optical scanning, each delivery receipt will be linked with the associated signature. Therefore, in the database the signature will be linked to each correct mailpiece.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-27 (CONTINUED)**

**RESPONSE:**

- f. See page 145 of my testimony where I discuss the current prerequisite for Signature Confirmation and a proposal to eliminate this prerequisite.
- g. Yes.
- h. It is my understanding that rubber stamps and other automated signature methods will be eligible for use with Signature Confirmation service.
- i. This service is not available for First-Class Mail (other than Priority Mail) for the same reason as Delivery Confirmation. See my response to DFC/USPS-T39-35 (a). For both Delivery Confirmation and Signature Confirmation the Postal Service wishes to limit the number and shape of articles so that it can ensure a high quality of service. Also, see PRC Op., R97-1, at 583-587, and witness Plunkett's Docket No. R97-1 response to DFC/USPS-T40-22 (c-f) attached.
- j. No.
- k. See my response to (i) above.
- l. See my response to (i) above.
- m. See witness Plunkett's response to DFC/USPS-T40-22(c-f), attached to part (i) which suggests that Delivery Confirmation for First-Class Mail letters might be more costly.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-27 (CONTINUED)**

**RESPONSE:**

- n. I assume you are referring to First-Class Mail other than Priority Mail. The Postal Service designed both Delivery Confirmation and Signature Confirmation as a valuable service for Priority Mail and Standard Mail (B) customers. I have no information on whether or not First-Class Mail customers would view Signature Confirmation as a valuable service.
- o. No. See my response to (i) above.
- s. See my response to DFC/USPS-T39-29 (b).
- t. The time of actual delivery will be recorded in the scanner when the mailpiece barcode is scanned, and then transferred to a centralized database.
- u. See responses above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-40** [a] Are there plans to replace Return Receipt service by Signature Confirmation service or some other form of electronic scanning method or are plans to retain its current format of manual completion and processing? [b] Will it be possible for a customer utilizing Signature Confirmation service to request that they be furnished with the delivery data at the time of mailing the article or must they wait until it has actually been delivered?

**RESPONSE:**

- a. There are no current plans to replace return receipt (green card) service with Signature Confirmation service or any form of electronic scanning. The option of obtaining a traditional return receipt will continue into the foreseeable future. The new signature capture and electronic record management system provides an opportunity to improve existing services and create new options for customers to get signatures and delivery information. For example, the new system will be used to improve the value of existing return receipt after mailing service (PS Form 3811A) by reducing the cost and increasing the speed and reliability of providing delivery information to customers. These improvements are reflected in the lower fee proposed for return receipts after mailing.
- b. The customer will have to wait until the mailpiece has actually been delivered.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-44.** With respect to the new forms for Certified Mail and Insured Mail receipts, there is box on the top of the form marked "Article Sent To" and at the bottom is a separate three-line box for Name, Street, City. If I send an article addressed to John Q. Public, 100 Main Street, Englewood NJ 07631-1234, what information gets entered into the top box and what information gets entered into the three boxes at the bottom of the form? If any of this information is repeated, please explain the reason for duplication.

**RESPONSE:**

The window clerk writes the city, state, and ZIP Code of the recipient in the top box. The mailer normally would write the recipient's name, street address, and city, state, and ZIP Code in the three bottom boxes, respectively unless the window clerk does this for the mailer. The top box has been designed for future use with the POS-1 system. POS-1 will automatically print the information the clerk currently writes in the top box.

Incidentally, the forms you are referring to with the "Article Sent To" box at the top are dated July 1999 and have been replaced with new forms dated February 2000 (attached). The new forms no longer have the words "Article Sent To" so as to alleviate any confusion it may have caused the mailer.



Page 1 of 2



7000 0520 0017 2917 7620  
7000 0520 0017 2917 7620

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
[Redacted]	
Postage	\$ /
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$
Postmark Here	
Recipient's Name (Please Print Clearly) (To be completed by mailer)	
Street, Apt. No., or PO Box No.	
City, State, ZIP+4	
PS Form 3800, February 2000	
See Reverse for Instructions	

**Certified Mail Provides:**

- A mailing receipt
- A unique identifier for your mailpiece
- A signature upon delivery
- A record of delivery kept by the Postal Service for two years

**Important Reminders:**

- Certified Mail may ONLY be combined with First-Class Mail or Priority Mail.
- Certified Mail is not available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a Return Receipt may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "Restricted Delivery".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

**IMPORTANT: Save this receipt and present it when making an inquiry.**




Page 2 of 2

United States Postal Service

**INSURED MAIL**

DOMESTIC - INTERNATIONAL



VV 600 435 508 US

VV 600 435 508 US

**U.S. Postal Service**

**INSURED MAIL RECEIPT**

---

Postage	\$		<input type="checkbox"/> Fragile <input type="checkbox"/> Liquid	
Insurance Fee	\$		<input type="checkbox"/> Perishable	
Restricted Delivery Fee (Domestic only; endorsement required)			Insurance Coverage:	
Special Handling Fee				
Return Receipt Fee (Except for Canada; endorsement required)				
Total Postage & Fees	\$			

Postmark  
Here

*Receipts Name (Please Print Clearly - To be completed by maker)*

Street, Apt. No., or PO Box No.

City, State, ZIP+4, Country

**COVERAGE:** Insurance is provided only in accordance with postal regulations in the Domestic Mail Manual (DMM), and for international shipments, the International Mail Manual (IMM). The DMM and IMM set forth the specific types of losses that are covered, the limitations on coverage, terms of insurance, and conditions of payment. Copies of the DMM and IMM are available for inspection at any post office. Merchandise is insured against loss, damage, or riling. Coverage may not exceed the limit fixed for the insurance fee paid. Limitations prescribed in the DMM and IMM provide, in part, that:

■ Domestic insurance covers the actual (depreciated) value of the contents, or the cost of repairs. The limitations on coverage include, but are not limited to, the following: No coverage is provided for consequential losses, delay, concealed damage, spoilage of perishable items, articles improperly packaged, or articles too fragile to withstand normal handling in the mails.

■ International insurance coverage is subject to both U.S. Postal Service regulations and the domestic regulations of the destination country. Insurance coverage varies by country and is not available to some countries. The addressee must report damage of an insured article's contents to the delivering post office immediately. No coverage is provided for delay, prohibited articles, concealed damage, or consequential losses.

**FILED CLAIMS:** All indemnity claims for loss must be filed within one year from the date the article was mailed. All claims for damage or riling must be filed immediately. The original mailing receipt must be presented when filing a claim. The article, container, and packaging must be presented to file a claim for damage or loss of contents. Evidence of value or damage such as a sales receipt or repair estimate must be submitted in support of all claims.

**IMPORTANT:** Save this receipt and present it when making an inquiry.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-45.** With respect to the proper completion of PS Form 3811, Return Receipt, as observed on a mailing of twelve [the ones that had a manual signature] Certified Mail letters that I mailed last month, [a] Confirm that the name of the person signing the receipt should be printed in Part A. [b] Please explain why 11 of the 12 receipts that I received did not have the printed name? [c] Confirm that the date of delivery should be entered in Part B. [d] *Confirm that the date of the month alone is not a satisfactory entry for the Date of Delivery.* [e] Confirm that the month and the date of the month alone is not a satisfactory entry for the Date of Delivery. [f] Confirm that the Date of Delivery must include a month, date, and year to be correct. [g] Please explain why one return receipt did not have any date of delivery and three did not show the year of delivery. [h] Please confirm that one of the two boxes in Part C, namely Agent or Addressee, must be checked in all instances. [i] Please explain why only one return receipt had a check mark. [j] Please confirm that one of the two boxes in Part D, namely Yes or No, must be checked in all instances. [k] *Please explain why none of the twelve return receipts had a box checked.* [l] Confirm that a mailer, such as myself, would be required to pay \$1.25 to obtain the additional return receipt service on each of the twelve letters that were mailed. [m] Confirm that the printed name box may add to the value of the return receipt service depending on the needs and requirements of the mailer. [n] Confirm that the Date of Delivery information may add to the value of the return receipt service depending on the needs and requirements of the mailer. [o] What is the period of time that the Postal Service will maintain delivery records for accountable mail? [p] Confirm that once the period of time provided in response to Subpart [o] has passed, it will not be possible for the Postal Service to advise whether a return receipt card with the Date of Delivery shown as 2-11 was February 11, 1997, 1998, or for that matter any given year [other than the dates that fall within the times shown in response to Subpart [o] - assuming that the delivery receipts and the appropriate search have been properly completed]. [q] Confirm that having an accurate date of delivery shown on the return receipt may add to the value of the return receipt service depending on the needs and requirements of the mailer. [r] Please explain why 6 of the 9 tax returns that I filed last year by Certified Mail - Return Receipt had incorrect dates of delivery shown on them. [s] Confirm that the status of the signer, Agent or Addressee, information may add to the value of the return receipt service depending on the needs and requirements of the mailer. [t] Confirm that the checking of the Yes or No box in Part D may add to the value of the return receipt service depending on the needs and requirements of the mailer. [u] Confirm that the Yes or No box in Part D was established so that a mailer would have a positive notation that the delivery address was or was not the same as the address the article was addressed to, namely, without the Yes/No box, no new address shown could either mean that the article was delivered as addressed or the new address was not shown as required. [v] Confirm that a mailer utilizing return receipt service would normally have to assume, unless there was contradictory evidence such as the card showing a date of delivery before the date of mailing or showing a date of delivery after



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-45. CONTINUED**

the card was received back, that the date of delivery as shown on the return receipt card was correct. [w] Is a mailer who receives an improperly completed card entitled to a refund of the return receipt fee? If not, why not? [x] What action should a mailer take if the return receipt is returned without being properly completed? [y] Confirm that a mailer may obtain a Duplicate Return Receipt when a return receipt is either not received or is received without being properly completed. [z] Please explain the procedure, in detail, that a mailer must follow to obtain a duplicate. [aa] Confirm that a mailer has the option of either mailing a Certified Mail letter at a post office for postmarking the receipt or just mailing the letter without obtaining a mailing receipt. [bb] Confirm that once the latter has been mailed, either with or without getting the receipt postmarked, the letter is processed and delivered the same way. [cc] Confirm that a mailer who requests a Duplicate Return Receipt will be able to obtain it without payment if he is able to present a postmarked receipt that shows that a return receipt was paid for at the time of mailing. [dd] Confirm that a mailer who requests a Duplicate Return Receipt will be able to obtain it by making a payment if he is unable to present a postmarked receipt that shows that a return receipt was paid for at the time of mailing. [ee] Confirm that many mailers may not realize the importance of having the mailing receipt postmarked to save the potential cost of a duplicate return receipt. [ff] Why doesn't the mailing receipt indicate this requirement in the last bullet item? [gg] Confirm that the necessity of obtaining a duplicate return receipt will reduce the value of service to most mailers. [hh] Are return receipts checked by a postal employee before they are returned to the mailer? [ii] If so, please advise the items which are checked? [iii] Would proper checking of return receipts eliminate the problems with return receipts? If not, why not? [kk] What percentage of all return receipts receive this post delivery checking? [ll] Please explain and discuss any subparts you are not able to confirm.

**RESPONSE:**

- a. Not confirmed. The person signing for the article may not necessarily be the person initially receiving the article.
- b. I have no information with which to answer the question. I would need quite a bit of information before I could begin to speculate.



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**DBP/USPS-45. CONTINUED**

- c. Confirmed.
- d. Confirmed.
- e-f. Not confirmed. The year of delivery would not have to be printed for the date to be correct.
- g. See my response to (b).
- h. Not confirmed. If the return receipt was signed by someone other than the person to whom the article was addressed, the "agent" box should be checked. If it is obvious from the signature and printed name of the person receiving the article that they are the person the article was addressed to checking the "addressee" box would not be necessary.
- i. See my responses to (b) and (h).
- j. Not confirmed. If the delivery address is different from the address in section 1, the delivery address will be entered in section D. Therefore, checking the yes or no box would not be necessary.
- k. See my responses to (b) and (j).
- l. Confirmed.
- m. Confirmed.
- n. Confirmed.
- o. The Postal Service will maintain delivery records for accountable mail for two years.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-45. CONTINUED**

- p. Confirmed.
- q. Confirmed.
- r. See my response to (b).
- s. Confirmed.
- t. Confirmed if there is no delivery address written in part D. See my response to (j).
- u. See my response to DFC/USPS-T39-5(a).
- v. Confirmed that that would be a reasonable assumption.
- w. Not if the return receipt service was provided. I would need more information as to what "improperly completed" means. See response of witness Plunkett to your Docket No. R97-1 interrogatory, DBP/USPS-34.
- x. A mailer could consult either his/her local postmaster or the postmaster at the office where the accountable mailpiece was delivered if the mailer receives a return receipt he/she believes was not properly completed, and he/she needs additional information.
- y. See response of witness Plunkett to your Docket No. R97-1 interrogatory, DBP/USPS-34.
- z. See DMM S915.4 for the procedure for obtaining a duplicate return receipt.
- aa. Confirmed.
- bb. Confirmed.
- cc. Confirmed.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-45. CONTINUED**

dd. Confirmed.

ee. Not confirmed. It is clearly stated on the back of the Form 3800 that to receive a fee waiver for a duplicate return receipt, a Postal Service postmark is required on the Form 3800.

ff. The bullet item on the back of the Form 3800 that discusses Form 3811 provides information on receiving a fee waiver for a duplicate return receipt.

gg. Not confirmed. The knowledge that the mailpiece was delivered and signed for would provide the value of service, regardless of whether or not it is on an original or a duplicate return receipt.

hh-ii. The delivery employee for the accountable mailpiece would check the return receipt as part of the form completion process. See witness Plunkett's responses to your Docket No. R97-1 interrogatories, USPS/DBP-28 and USPS/DBP-29.

jj. I do not know.

kk. If you are referring to the form completion process done by the delivery employee then all return receipts would receive post delivery checking. See response to hh-ii.

ll. See responses above.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
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**DBP/USPS-47.** [a] Confirm, or explain if you are unable to do so, that effective June 8, 1997, the service for return receipts changed requiring the delivery employee to indicate the address of delivery if different from the address on the mailpiece. [b] Confirm, or explain if you are unable to do so, that the service available on June 8th represents a difference in the service that was provided at the basic fee on June 7th. [c] Other than the mention on Page 9 of the May 22, 1997 Postal Bulletin, provide references and copies of all directives issued by Headquarters notifying the field of this change. [d] Has the Postal Service conducted any tests to determine the level to which the field is complying with the requirements to provide an updated address when appropriate? [e] If so, provide details and results of the tests. [f] If not, explain why not including reasons why one would consider Return Receipt service to be a quality service, particularly with respect to providing customers with updated addresses.

**RESPONSE:**

- a-b. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-27.
- c. See response to DFC/USPS-T39-5(c) and witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-27.
- d. No such tests have been conducted.
- e. Not applicable.
- f. I would assume most return receipt customers would be more concerned about the delivery of the accountable mailpiece and not very concerned about the address if different, just so long as the piece was delivered and signed for. Prior to Docket No. MC96-3 when the whom and when delivered was combined with whom, when, and where delivered for return receipt service, an overwhelming majority of customers did not choose the address if different option. See my testimony at pages 135-136 where I discuss the value of service from return receipts.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-48.** [a] Confirm, or explain if you are unable to do so, that Section 822.111 of the Postal Operations Manual [POM] requires that the delivering carrier or window clerk will obtain the signature or authorized signature stamp of the recipient of an article utilizing the Return Receipt Service. [b] Confirm, or explain if you are unable to do so, that POM Section 822.111 also requires the delivery employee must complete the date of delivery if the addressee has not already done so. [c] Would it be reasonable to expect the delivery employee to check to ensure that the Return Receipt has been properly signed? [d] Would it be reasonable to expect the delivery employee to check to ensure that the Return Receipt has the name of the addressee printed in addition to the signature? [e] Would it be reasonable to expect the delivery employee to check to ensure that the Return Receipt has the correct date of delivery entered on it? [f] Would it be reasonable to expect the delivery employee to check to ensure that the Return Receipt has been properly completed? [g] Would it be reasonable to expect the delivery employee to make any necessary corrections to the information provided on the return receipt? [h] Explain any negative answers to subparts c through g. [i] Will the delivery employee referenced in POM Section 822.111 always be an employee of the United States Postal Service? [j] If your response to subpart h is not an unqualified yes, list all examples and instances in which the delivery employee will not be a USPS employee. [k] Do the requirements of POM Section 822.111 apply to the necessity of having the delivery employee ensure that the Return Receipt is completed at the time of delivery [the time at which the custody of the mail is transferred from the control of the United States Postal Service to the control of the addressee]? [l] If not, explain any instances in which it is not required. [m] Do the requirements of POM Section 822.111 apply to the necessity of having the delivery employee ensure that the Return Receipt is completed at the time of delivery with respect to all agencies, departments, or organizations of the federal government? [n] Same as subpart [m] except with respect to those of any state or local government. [o] Same as subpart [m] except with respect to delivery to any non-government addressee. [p] Do the requirements of POM Section 822.111 apply to the necessity of having the delivery employee ensure that the Return Receipt is completed at the time of delivery regardless of the number of return receipts that are involved in the delivery? [q] Explain and list any instances with respect to any negative answers to subparts [m] through [o]. [r] Confirm, or explain if you are unable to do so, that the delivering employee will be required in all instances to determine if the delivery address differs from the original address shown on the article and if so to provide the new address on the Return Receipt card. [s] Confirm, or explain if you are unable to do so, that the delivering employee will be required in all instances to determine if the delivery address differs from the original address shown on the article and if not to check the box on the return receipt card to indicate that the article was delivered to the same address as originally addressed. [t] Confirm, or explain if you are unable to do so, that the requirements specified in subparts r and s will apply to all types of addressees including, but not limited to, those types mentioned in subparts m



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-48. CONTINUED**

through o. [u] Confirm, or explain if you are unable to do so, that the delivering employee will be required in all instances to give all return receipts to the clearing clerk daily. [v] Confirm, or explain if you are unable to do so, that subpart u means that for all return receipts which are being requested for mail which is delivered on a given day will be turned over to the clearing clerk that same day. [w] Confirm, or explain if you are unable to do so, that the requirements specified in subpart u will apply to all types of addressees including, but not limited to, those types mentioned in subparts m through o.

**RESPONSE:**

- a-b. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-28(a-b), filed November 10, 1997.
- c-w. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-28(c-v).



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-49.** [a] Confirm, or explain if you are unable to do so, that Section 822.112 of the Postal Operations Manual requires that the clearing clerk must evaluate all return receipts that have been turned in to ensure that they are properly completed. [b] Would it be reasonable to expect the clearing clerk to check to ensure that the Return Receipt has been properly signed? [c] Would it be reasonable to expect the clearing clerk to check to ensure that the Return Receipt has the name of the addressee printed in addition to the signature? [d] Would it be reasonable to expect the clearing clerk to check to ensure that the Return Receipt has the correct date of delivery entered on it? [e] If there are any instances where the return receipt is not given to the clearing clerk on the date of delivery, explain how the clearing clerk would be aware of the date of delivery? [f] Would it be reasonable to expect the clearing clerk to check to ensure that any requirements for restricted delivery have been complied with? [g] Would it be reasonable to expect the clearing clerk to check to ensure that any requirements for notifying the sender of a new address have been complied with? [h] Would it be reasonable to expect the clearing clerk to check to ensure that any requirements for notifying the sender that there is no new address [namely, the box has been checked to show this] have been complied with? [i] What corrective action should the clearing clerk take if in evaluating a return receipt it is noticed that 1. the card is not properly signed, 2. the name of the person signing has not been properly printed, 3. the correct date of delivery has not been shown, 4. the restricted delivery requirements have not been complied with, 5. a new address has not been provided when there is one, or 6. the box has not been checked when there is no new address. [j] Confirm, or explain if you are unable to do so, that all return receipts must be mailed [namely, placed into the mail stream for processing and transporting and delivery to the sender] no later than the first workday after delivery. [k] Explain why POM Section 822.112 does not require that the clearing clerk mail the return receipt card on the date of delivery rather than allowing it to be held until the next workday. [l] Confirm, or explain if you are unable to do so, that the requirements specified in subparts b through j will apply in all instances regardless of the type of addressee or the number of return receipts involved. [m] Confirm, or explain if you are unable to do so, that the clearing clerk referenced in POM Section 822.112 is an employee of the United States Postal Service.

**RESPONSE:**

a-m. See witness Plunkett's revised response to your Docket No. R97-1 interrogatory

**DBP/USPS-29.**



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**DBP/USPS-50.** With respect to the utilization of other than a signature by hand on the return receipt card, confirm or explain if you are unable to do so, that POM Section 822.2 requires that, [a] In those cases where the article is addressed to a federal or state official or agency, a rubber stamp showing the name of the agency or organization may be utilized. [b] This rubber stamp must show the name of the agency or organization and not just the name of an individual. [c] The ability to utilize a printed rubber stamp or other automated means [as opposed to one which has a facsimile of a written signature of an individual] may only be used by a federal or state agency. [d] A federal agency is one in which the employees of the agency are employees of the United States Government. [e] A state agency is one in which the employees of the agency are employees of one of the 50 states of the United States of America. [f] This provision does not apply to other governmental agencies such as, multi-state agencies, counties, municipalities, school districts. [g] This provision does not apply to companies or other non-governmental agencies. [h] For all addressees other than federal and state agencies, the rubber stamp or other automated means must include a facsimile, hand-written signature of the individual who is authorized to accept accountable mail. [i] The type of addressee noted in subpart h may not utilize a rubber stamp or other automated means which contains printed information only [such as the name of the agency]. [j] Explain any non-confirmations.

**RESPONSE:**

a-b. Confirmed that Section 822.21 says "A return receipt on mail addressed to a federal or state official may be signed for with a stamp showing the name and location of the accepting organization..."

c-j. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-30.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-51.** [a] Confirm that on August 1, 1996, Sandra D. Curran, Acting Manager, Delivery, sent a letter to all District Managers - Subject: Failure to Obtain Signature on PS Form 3811 Domestic Return Receipt. [b] Confirm, or explain if you are unable to do so, that this letter indicates that all District Managers are to take a proactive approach with all of their delivery offices to ensure that return receipts are not being signed for at a "later", more convenient time and therefore this would require that the return receipt be signed for at the time of delivery. [c] Confirm, or explain if you are unable to do so, that this letter indicates that any long standing, unofficial arrangements that promote or provide for exceptions to the state procedures for "convenience" should be voided if they exist. [d] Confirm, or explain if you are unable to do so, that this letter indicates that a lack of realization by some employees that the customer has paid for this service and any arrangement that makes it easier for the addressee at the expense of that service should not be tolerated. [e] Is this letter still in force? [f] If not, provide a copy of the letter which superseded or modified it. [g] Provide copies and references of any directives that have been issued since August 2, 1996 which relate to the provision of return receipt service.

**RESPONSE:**

a-d. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-31.

e. This letter is still in force.

f. Not applicable.

g. I am not aware of any directives issued since August 2, 1996.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-52.** [a] Bottom line, is it a requirement of the United States Postal Service that all accountable mail, including any return receipts that are associated with the mail piece, be signed [this includes the use of a signature stamp under the provisions of POM Section 822.2] for by the addressee at the time of delivery [namely, when the control of the mail piece transfers from the United States Postal Service to that of the addressee] and that the requirements for the completion of the return receipt also be completed at the time of delivery in accordance with the provisions of POM Section 822 and that this applies to any and all addressees throughout the United States who might receive accountable mail and also applies regardless of the quantity of mail involved. [b] If your response to subpart a is not an unqualified yes, provide a complete listing of all exceptions to the requirement and the authority authorizing that exception. [c] Confirm, or explain if you are unable to do so, that the cost for a return receipt is presently \$1.25 and that this charge will apply for each separate accountable mail piece for which return receipt service is desired. [d] Confirm, or explain if you are unable to do so, that should there be 10,000 accountable mail pieces requesting return receipt service being delivered to a single addressee on a given day that each of the senders paid a fee of \$1.25 for the return receipt and that the total revenue received by the Postal Service for processing all ten thousand return receipts will be \$12,500.

**RESPONSE:**

- a-b. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-32.
- c. Confirmed only that the price for a return receipt is presently \$1.25 for non-merchandise, non-after-mailing service, and this fee would apply for each separate accountable mailpiece for which this return receipt service is requested.
- d. Your multiplication appears to be correct.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-53.** In order to determine that the Return Receipt service provides a value to the mailer, [a] Enumerate and provide details of all studies and tests that have been performed or conducted by the Postal Service in the past ten years [since Docket R90-1] to determine the mailing public's needs and desires for return receipt service. [b] Same as subpart a except to determine the quality of service being received by return receipt users. [c] Same as subpart a except to determine the extent to which the return receipt service is being provided as mandated in the regulations. [d] Explain why the responses to subparts a through c indicate that the Postal Service is making a concerted effort to provide a quality service. [e] Confirm, or explain if you are unable to do so, that one of the purposes of the return receipt is to provide evidence of delivery to the sender and that this evidence is being provided by an independent third party, namely the Postal Service. [f] Confirm, or explain if you are unable to do so, that the Postal Service used to apply the red validating stamp to return receipts and that this procedure was terminated. [g] When and why was the use of this procedure terminated and provide copies of the directive doing so? [h] Wouldn't the date on the red validating stamp be more likely to be correct than a date that was handwritten? [i] Wouldn't the presence of the red validating stamp on the return receipt provide a greater level of authenticity of the return receipt than one without it? [j] Explain any negative responses to subparts h and i particularly in light of the desire to provide a quality product. [k] Confirm, or explain if you are unable to do so, that the application of a red validation stamp impression on a return receipt by other than an authorized Postal Service employee would be a violation of the law. [l] Are there any plans to resume the use of the red validating stamp? [m] Confirm, or explain if you are unable to do so, that there are times when the actual date of delivery is significant to the mailer utilizing return receipt service. [n] Confirm, or explain if you are unable to do so, that there are times when name of the recipient is significant to the mailer utilizing return receipt service. [o] Confirm, or explain if you are unable to do so, that there are times when prompt notification of delivery is significant to the mailer utilizing return receipt service. [p] Confirm, or explain if you are unable to do so, that provision of the return receipt as proof of delivery and proof of delivery date having been furnished by an independent, disinterested third party, such as the Postal Service, is significant to the mailer at times. [q] Confirm or explain if you are unable to do so, that failure of the Postal Service to process return receipts in the manner specified in the regulations may increase the likelihood of a decrease in value to the mailer who is expecting one of the services noted in subparts m through p.



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**DBP/USPS-53 CONTINUED**

**RESPONSE:**

- a. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-33.
- b-c. See my response to DFC/USPS-T39-3.
- d-e. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-33.
- f-l. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-33,  
filed November 10, 1997.
- m-q. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-  
33.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-54.** DMM Section S915.1.6 states, Return receipt fees are refunded only if the USPS fails to furnish a return receipt. May a refund be claimed for the following: [a] The return receipt which is received back is not signed. [b] The return receipt which is received back does not have the printed name of the recipient. [c] The return receipt which is received back does not show a date of delivery. [d] The return receipt which is received back shows an incorrect date of delivery. [e] The return receipt which is received back does not show a new address where delivered when there is one. [f] The return receipt which is received back does not have the box checked to show that there was no change of delivery address. [g] The return receipt which is received back was mailed by the delivery office later than the next business day following delivery. [h] The return receipt which was received back utilizes a rubber stamp or other automated signature which does not meet the requirements of POM Section 822.2. [i] There is evidence that the accountable mail was delivered to the addressee to complete the return receipt at a later, more convenient time and therefore the return receipt was not obtained by the Postal Service at the time of delivery. [j] The return receipt is not received. [k] A duplicate return receipt indicates that the article was not delivered. [l] The article is returned by the Postal Service without delivery. [m] Confirm, and explain if you are unable to do so, that the referenced DMM section also implies that the return receipt which is furnished meets the requirements of the Postal Service. [n] Explain any of the items for which a refund of the return receipt fee would not be authorized. [o] Confirm, or explain if you are unable to do so, that the necessity of a sender to request a duplicate return receipt just to fix a problem caused by the improper completion of the original return receipt will reduce the value of the service to the mailer.

**RESPONSE:**

a-o. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-34



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
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**DBP/USPS-69.** Please advise whether the Internal Revenue Service will accept as proof of mailing and/or delivery letters that are sent to them with each of the following services: [a] Certificate of Mailing [b] Certified Mail [c] Certified Mail / Return Receipt [d] Delivery Confirmation [e] Signature Confirmation [f] Express Mail. [g] Please provide any instructions or posters, in the past three years, which relate to the use of special services with respect to mail sent to the IRS.

**RESPONSE:**

a-f. You need to ask the Internal Revenue Service about its policies and regulations and interpretation of relevant laws. The Postal Service cannot answer for another Government agency.

g. Attached.



If you wait until  
after April 15  
to *learn* about  
Special Services,  
it may be *too* late.

 UNITED STATES  
POSTAL SERVICE  
We deliver.

### POSTCARDS/SPECIAL SERVICES/TAX FORM/BACK

Four ways the United States Postal Service  
*provides* you with peace of mind.



#### *Certificate of Mailing:*

Offers official proof that an item was mailed. A Certificate can be used on any mailed item.



#### *Certified Mail:*

Available for First-Class and Priority Mail, this service provides proof that an item was mailed, and a record of delivery. A return receipt, which shows when an item was delivered and who signed for it, can be purchased with this service.



#### *Insured Mail:*

Insurance coverage can be purchased for items mailed at the Priority, First-Class and Standard Mail rates. For articles insured for more than \$50, a receipt of delivery is signed by the recipient, and a return receipt can also be purchased.



#### *Registered Mail:*

Designed for high value First-Class items, this is the most secure delivery option. Like Certified Mail, it provides proof that an item was mailed, and a record of delivery. A return receipt can also be purchased with this service.

 UNITED STATES  
POSTAL SERVICE

We deliver.



## VAL-PAK/SPECIAL SERVICES/TAX FORM/FRONT

If you wait until  
after April 15  
to learn about  
Special Services,  
it may be too late.

 UNITED STATES  
POSTAL SERVICE  
We deliver.

## VAL-PAK/SPECIAL SERVICES/TAX FORM/BACK

Four ways the United States Postal Service *provides* you with peace of mind.

**Certificate of Mailing:**

Offers official proof that an item was mailed. A Certificate can be used on any mailed item.

**Certified Mail:**

Available for First-Class and Priority Mail, this service provides proof that an item was mailed, and a record of delivery. A return receipt, which shows when an item was delivered and who signed for it, can be purchased with this service.

**Insured Mail:**

Insurance coverage can be purchased for items mailed at the Priority, First-Class and Standard Mail rates. For articles insured for more than \$50, a receipt of delivery is signed by the recipient, and a return receipt can also be purchased.

**Registered Mail:**

Designed for high-value First-Class items, this is the most secure delivery option. Like Certified Mail, it provides proof that an item was mailed, and a record of delivery. A return receipt can also be purchased with this service.

 UNITED STATES  
POSTAL SERVICE  
We deliver.



# Tax Time Doesn't Have To Be Taxing.

CERTIFIED MAIL



\$2<sup>65</sup>

Prove It  
Got There

Cost Down 50% On The Mail And More...

NO POSTAGE  
NECESSARY  
IF MAILED  
IN THE  
UNITED STATES



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
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**DBP/USPS-81.** On lines 4 and 5 on page 150 of USPS-T-39, the witness stated, "if purchased from a postal facility providing collection." What type of postal facility does not provide collection service?

**RESPONSE:**

Certain postal facilities with administrative functions do not provide mail collection.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
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REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-82.** On line 12 on page 123 of USPS-T-39, the witness stated, "Postal insurance is automatic with any registered mail valued above \$100." If this an error? If not, please explain.

**RESPONSE:**

No. Actually, postal insurance is automatic with any registered mail valued at least \$0.01.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
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REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-85.** [a] Please provide a listing of prestigious ZIP Code areas that witness 39 is referring to on lines 1 and 6 on page 104 of USPS-T-39. [b] Please confirm, or explain if you are unable to do so, that boxholders might be interested in having an address in a prestigious post office name but not in a given ZIP Code - for example, in the Princeton NJ area, boxholders might find the Princeton address prestigious, while I really can't imagine them beating down to doors to get a 08542 or 08543 ZIP Code. [c] Provide an estimate of the number of prestigious cities or areas that exist in the country and provide a listing of at least five of them and why you feel they are prestigious. [d] What percentage of the total number of facilities having post office boxes does your response to subpart c calculate to?

**RESPONSE:**

- a. Some obviously prestigious ZIP Code areas were identified in Docket No. MC96-3, USPS-T-7, pages 25-28. Any ZIP Code area could be potentially prestigious from the viewpoint of the customer desiring box service.
- b. Confirmed only that some boxholders might be more interested in the name of the ZIP Code area as opposed to the particular ZIP Code.
- c. See my response to (a) above.
- d. See my response to (a) above.



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**DBP/USPS-86.** On lines 8 through 11 on page 104 of USPS-T-39, there are two references to receiving mail early in the day as an advantage of having a post office box. [a] Is a postal facility required to post a sign in the box section indicating the time that all mail will be in the boxes? If not, why not? [b] What percentage of the days would you consider to be reasonable for the mail not to be in the boxes by the posted time. [c] Please discuss your belief why your response to subpart b is reasonable.

**RESPONSE:**

a. Yes

b-c. The Postal Service makes every reasonable attempt to put up all box mail by the posted time. Given unknown extenuating circumstances, what is reasonable could vary from office to office depending upon the situation.



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**DBP/USPS-87.** On lines 17 to 20 on page 108 of USPS-T-39, the witness provides the rounding constraints that were used in determining the final rate for post office boxes. [a] Please confirm, or explain and discuss if you are not able to do so, that the use of rounding constraint is to round off the final rate to an even multiple value of that rounding constraint - namely if one uses a rounding constraint of \$10, then the final rate must be a multiple of \$10 such as \$60 or \$70 but not \$75. [b] Please discuss and support the choice of each of the rounding constraints utilized. [c] Specifically describe why you feel that a rounding constraint of \$5 in Group B2 vs. \$2.50 in Group C3 is appropriate since there is only a \$2.50 difference in Box size 1 rates [I have converted all numbers to the minimum rental period]. [d] In a similar manner a rounding constraint for Group C4 is \$2.50 and Group C5 is 50 cents with a \$3.50 difference in Box size 1 rates. [e] Also, please explain the reasonableness of the large rounding constraints when compared to the 10 cent rounding rate utilized for academic institutions [DMM Section D910.4.11].

**RESPONSE:**

a. Confirmed.

- b-d. The one-dollar annual rounding constraints for Groups C5, D6 and D7 are consistent with past and current rounding constraints for all box fees since 1995. The five-dollar annual rounding constraint in Groups C3 and C4 and the ten-dollar annual rounding constraint in Group B2 promote fee simplicity and identifiable relationships between the box sizes and are consistent with Criterion 7.
- e. The 10-cent rounding for the charge is applied to a portion of the fee that has already had a larger rounding constraint applied (currently one dollar).



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**DBP/USPS-88.** For each of the special services rates that utilized a rounding constraint greater than one cent, provide a tabulation of the service, specific category, rounding constraint utilized and the reasons for its choice, the rate that would have been used if there was a rounding constraint of one cent, and the final rate chosen.

**RESPONSE:**

The rounding constraints used in the special services fee designs are addressed in the applicable "Fee Design" sections of my testimony.



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**DBP/USPS-102.** [a] Confirm, or explain and discuss if you are not able to confirm, that the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200] indicates that there were problems in the Northeast Area with the handling and processing of Registered Mail, Certified Mail, and Return Receipt service. [b] Provide a listing of the reasons why it is felt that these problems are unique to the Northeast Area and would not be expected to occur in the remainder of the country. [c] Provide details of any similar studies that have been requested or conducted in other areas of the country to ensure that these classes of mail are being processed in accordance with proper procedures. [d] Have any follow-up audits been conducted in the Northeast Area. If so, provide details. [e] On a scale of 1 [being the lowest] to 10 [being the highest], how would you rate the level and value of service that the mailing public would perceive getting if they knew all of the facts with respect to processing of Registered Mail in the offices covered by the Audit. Explain your reason for choosing that number. [f] Same as subpart e except for Certified Mail. [g] Same as subpart e except for Return Receipts.

**RESPONSE:**

- a. Confirmed.
- b. There are no reasons for the Northeast Area to be considered unique with respect to the handling and processing situations.
- c. I have no knowledge of any similar studies.
- d. I have no knowledge of any follow-up audits conducted.
- e-g. The audit findings do not affect my testimony concerning value of service. See my testimony at pages 125-126 (registered mail), 43 (certified mail), and 135 (return receipts). The audit states that management is addressing the audit findings. See LR-I-200, pages 14-17 and 22-23.



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**DBP/USPS-105.** [a] Within the past five years [up to and including R2000-1], has the Postal Service ever claimed in a pleading before the Postal Rate Commission that an improvement in post office box service would result from a granted post office box rate increase? [b] If so, provide details on the number of facilities that have had their service improved over the past five years, the types of improvements that have been made, the total cost of providing all of those improvements, and the total additional revenue that has been received over the past five years as a result of the rate increases as compared to not having raised the box rents at all.

**RESPONSE:**

- a. No.
- b. Not applicable.



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**DBP/USPS-106.** [a] Confirm, or explain and discuss if you are not able to confirm, that in 1998 the Postal Service attempted to change the rules for processing Return Receipts so as to allow, among other changes, large receivers of accountable mail with Return Receipts to complete the Return Receipt after delivery. [b] What other changes were proposed? [f] Confirm, or explain and discuss if you are not able to confirm, that the purpose for proposing these rules was to change an existing method of processing return receipts from one that was specifically prohibited in the rules to change the rules to make it authorized. [g] Specify any other reasons why this rule was proposed. [h] Provide the reasons why the proposed rules were not adopted. [i] Please provide copies of the Federal Register announcements of the proposed change and resolution.

**RESPONSE:**

- a. Confirmed that a change was proposed to DMM D042.1.7.
- b. The recipient would sign a manifest.
- f-g. The purpose of the proposed change was to make the DMM section more consistent with the practice for large recipients of accountable mail.
- h. See response to DFC/USPS-T39-68.
- i. See Federal Register, Volume 63, p. 12874 (March 16, 1998), and p. 37965 (July 14, 1998). Federal Register notices are available from <http://www.access.gpo.gov/nara/>.



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**DBP/USPS-107.** [e] Confirm that a parcel containing merchandise may be insured regardless of whether the postage is paid at the First-Class Mail, Priority Mail, or Package Services rate. [f] Confirm that a parcel containing merchandise may be registered regardless of whether the postage is paid at the First-Class Mail, or Priority Mail rate. [g] Confirm that when Registered Mail is utilized, there is an accounting for each individual mailpiece between the accountable mail section of the delivering post office and the delivering employee. [h] Confirm that when Insured Mail is utilized, there is no accounting for each individual mailpiece nor even for the total number of insured parcels between the accountable mail section of the delivering post office and the delivering employee. [i] Confirm that when Registered Mail is utilized there is an accounting for the mail as it progresses through the mail system from the acceptance to the delivery. [j] Confirm that when Insured Mail is utilized, there is no accounting for the parcel at any time other than when the acceptance employee provides the mailer with a receipt and when the delivering employee obtains a receipt from the addressee. [k] Confirm that for the acceptance of the article and the delivery of the article, the security and accountability between Registered Mail and Insured Mail is either identical or better for Registered Mail. [l] Confirm that for the time between the acceptance of the article and its ultimate delivery, the accountability and security provided to Registered Mail will be greater than that provided to Insured Mail. [m] Confirm that, ignoring any price differential, a knowledgeable mailer with a merchandise parcel weighing up to 70 pounds [under the proposed rates and 1 to 70 pounds under the existing rates] will always choose Priority Mail - Registered Mail over Package Services - Insured Mail. [n] If you provide any examples where the knowledgeable mailer referred to in subpart m would choose Package Services - Insured Mail over Priority Mail - Registered Mail, provide an estimation of the percentage of parcels out of the total number of parcels handled would fall into that category. Remember, that any price differential must be ignored. [o] Confirm that the fee for Registered Mail for an article with a value of \$5,000 insurance is presently \$9.50 and proposed to be \$12.00. [p] Confirm that the fee for Insured Mail for an article with a value of \$5,000 insurance is presently \$48.35 and proposed to be \$51.10. [q] Confirm that a mailer having a parcel for which \$5,000 insurance is desired presently pays \$38.85 and is proposed to pay \$39.10 more for Insured Mail compared to Registered Mail. [r] Confirm that at the present time the crossover between Registered Mail and Insured Mail fees is \$600.01 value and under the proposed rates will be a \$700.01 value [where the Insured Mail fee becomes higher than the Registered Mail fee]. [s] Based on the above, confirm that a knowledgeable mailer with a parcel containing merchandise and weighing under one pound and for which \$5,000 insurance coverage is desired will always choose Registered Mail over Insured Mail. [t] Based on the above, confirm that a knowledgeable mailer with a parcel containing merchandise and weighing over one pound and for which



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**DBP/USPS-107 (CONTINUED)**

\$5,000 insurance coverage is desired will always choose Registered Mail over Insured Mail in those rate cells where the Priority Mail rate is presently less than \$38.85 [proposed to be \$39.10] more than the Package Services rate for the same zone and weight. [w] What would United Parcel Service charge an individual shipper for \$5,000 insurance? [x] Based on the above, how could a knowledgeable mailer perceive the rates for insurance as being fair and equitable? [y] Confirm that the rate for Express Mail insurance is presently \$42.75 and is proposed to be \$45.00 for \$5,000 coverage. [z] Confirm that a mailer having a parcel for which \$5,000 insurance is desired would pay \$33.25 [proposed to be \$33.00] more for Express Mail Insured Mail compared to Registered Mail. [aa] Confirm that Express Mail may not be registered. [bb] If so, provide a rationale for such a regulation. [ee] What do United Parcel Service, Federal Express, and other major carriers charge their individual overnight shippers for \$5,000 insurance? [ff] Based on the above, how could a knowledgeable mailer perceive the rates for Express Mail insurance as being fair and equitable. [gg] Confirm, or explain if you are unable to do so, that a mailer with a parcel for which \$5,000 coverage may decide to accept the slower Priority Mail compared to the faster Express Mail because of the added \$33.25 difference [proposed to the \$33.00] in insurance rates between Registered Mail and Express Mail insurance rates. [hh] Please provide a logical explanation as to why the insurance rates are much higher than the corresponding registry rates for the higher values of insurance. [ii] Please explain and discuss any subparts that you are not able to confirm.

**RESPONSE:**

- e. Confirmed. Additionally, a parcel containing merchandise may be insured when the postage is paid at the Express Mail rate.
- f. See my response to your Docket No. R97-1 interrogatory DBP/USPS-53(f).
- g. See my response to your Docket No. R97-1 interrogatory DBP/USPS-53(g).
- h. Not confirmed. It is possible that the delivering employee will report the insured mailpieces to the accountable section before delivery.
- i. See my response to your Docket No. R97-1 interrogatory DBP/USPS-53(i).



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**DBP/USPS-107 CONTINUED**

- j. Not confirmed. See my response to (h) above.
- k. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-53(k).
- l. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-53(l).
- m. Not confirmed. Mailers choose insurance over registry service for a variety of reasons peculiar to their individual needs.
- n. There is no information available to provide an estimate, especially since the term "knowledgeable" is subjective.
- o. Objection filed.
- p. Objection filed.
- q. Objection filed.
- r. Confirmed.
- s-t. See my response to (m) above.
- w. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-53(dd).



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**DBP/USPS-107 CONTINUED**

- x. I do not have an opinion as to whether United Parcel Service's insurance charges are fair and equitable.
- y. Objection filed.
- z. Objection filed.
- aa. See my response to your Docket No. R97-1 interrogatory DBP/USPS-53(z).
- bb. See my response to your Docket No. R97-1 interrogatory DBP/USPS-53(aa).
- ee. See witness Plunkett's response to your Docket No. R97-1 interrogatory DBP/USPS-53(dd).
- ff. See my testimony at pages 63-64.
- gg. Confirmed.
- hh. See my testimony at pages 63-64 where I discuss the fee design and pricing criteria for insurance fees.
- ii. See above responses.



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**DBP/USPS-117.** In the response to DBP/USPS-15[c], it appears that the words "with absolute certainty" were overlooked in the response. [a] Please answer again or explain why it is not necessary. [b] If, under the present rates, I bring a three pound machinable package going from New Jersey to California to the post office for mailing with \$400 insurance, confirm that the required postage would be \$4.25 postage and \$4.65 insurance for a total of \$8.90. [c] If the only stamps that I have with me are \$11.75 stamps and I put one of them on the package. Will the package be accepted for mailing? If not, why not? [d] If the package were to be mailed in a California post office addressed to another California city ten miles away in the same BMC but still has my New Jersey return address, confirm that the required postage is \$3.17. [e] If the only stamps that I have with me are \$11.75 stamps and I put one of them on the package. Will the package be accepted for mailing? If not, why not? [f] Now explain to me how you would be able to determine the insurance value, with absolute certainty, for either of these two parcels if you observed them in the mail stream. [g] Please estimate the percentage of insured parcels that you feel an employee will actually take the parcel out of the system, weigh it, calculate the required postage based on any one of several rates, look at the total postage paid on the parcel, subtract the cost of the postage alone, and then assume that the remainder was for the insurance fee and calculate the insurance value from that. Assume that this applies to all employees other than the window clerk who accepted the parcel or others in the immediate area. [h] Since you have indicated that no special security or handling applies to an insured parcel whether it is insured for any value between \$50.01 and \$5000.00, please confirm, or explain and discuss if you are unable to confirm, that the rates for insurance between \$50.01 and \$5000.00 should be based on the paying the claims for lost and damaged parcels. [i] Please provide a tabulation of the total number of parcels that are insured at each rate category, the number of parcels for which a claim was made, and the average value of the claim. [j] Please provide a detailed explanation of how one would convert the data provided in response to subparts i, j, and k into the proposed rates. [m] How did you calculate the proposed rates. Provide a detailed explanation.



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**DBP/USPS-117.**

**RESPONSE:**

- a. The words "with absolute certainty" apply to the answer you received given the reasonable assumption that the correct postage and fees are paid exactly and the total rate is reflected on the package. See my response to your Docket No. R97-1 interrogatory, DBP/USPS-37(r).
- b. Not confirmed. A package sent by Priority Mail or Express Mail could meet the criteria for a machinable parcel and therefore the postage rates would vary. The insurance fee would be \$4.65 for Priority Mail and no additional charge for Express Mail.
- c. See my response to (b) above. I do not know what your postage rate will be, so I do not know if the stamp you have would cover the postage and any applicable fee.
- d. See my response to (b) above.
- e. See my response to (c) above.
- f. See my response to (a) above.
- g. The Postal Service does not collect information on employee guesses or estimates of casual postage and fee calculations.



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**DBP/USPS-117 (CONTINUED).**

**RESPONSE:**

- h. I don't where I have indicated that no special security or handling applies to numbered insured parcels. On the contrary, my testimony on page 61 states that insured mailpieces are eligible to obtain special handling. The proposed fees are based upon the consideration and application of the pricing criteria as discussed in my testimony at pages 63-64.
- i. See my response to OCA/USPS-T39-15.
- l-m. See my testimony at pages 63-64.



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**DBP/USPS-118.** [a] Confirm, or explain and discuss if you are not able to confirm, that generally the same level of security and transportation will be provided for a Registered Mail letter whether it has no insured value or is insured for the \$25,000 maximum. [b] If I were to mail a one ounce letter registered for \$200, please confirm that the required postage would be 33 cents plus \$6.75 registry fee for a total of \$7.08. [c] If the only stamps that I have with me are \$11.75 stamps and I put one of them on the letter. Will the letter be accepted for mailing? If not, why not? [d] Now explain to me how you would be able to determine the insurance value, with absolute certainty, for this letter if you observed it in the mail stream. [e] Please estimate the percentage of registered letters that you feel an employee will actually take the letter out of the system, weigh it, calculate the required postage, look at the total postage paid on the letter, subtract the cost of the postage alone, and then assume that the remainder was for the registry fee and calculate the insurance value from that. Assume that this applies to all employees other than the window clerk who accepted the letter or others in the immediate area. [f] Since no special security or handling applies to an registered letter whether it is insured for any value up to \$25,000, please confirm, or explain and discuss if you are unable to confirm, that the rates for Registered Mail valued up to \$25,000 should be based on the paying the claims for lost and damaged articles. [g] Please provide a tabulation of the total number of letters that are registered at each rate category, the number of letters for which a claim was made, and the average value of the claim. [j] Please provide a detailed explanation of how one would convert the data provided in response to subparts g, h, and i into the proposed rates. [k] How did you calculate the proposed rates. Provide a detailed explanation.

**RESPONSE:**

- a. Not confirmed. Depending upon local situations different security and transportation methods may be employed for a letter with no value than for a letter insured for \$25,000.
- b. Confirmed for the current postage rate and registered mail fee.



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**DBP/USPS-118. CONTINUED**

- c. It should be acceptable for you to overpay the postage and fees.
- d. See my response to DBP/USPS-117(a).
- e. See my response to DBP/USPS-117(g).
- f. See my response to (a) above. Special security or handling might apply to a registered letter insured for high amounts versus an uninsured registered letter. See my testimony at pages 125-126 for the fee design and pricing criteria for registered mail.
- g. See attachment.
- j-k. See my testimony at pages 125-126.



Attachment to DBP/USPS-118(g)

FY 1998 Registered Indemnity Costs

Value Up To	Transactions <sup>1</sup>	Claims <sup>2</sup>				Average Indemnity Per Transaction		
	Number	Volume		Dollar Amount		Lost	Damaged	Total
		Lost	Damaged	Lost	Damaged			
100	999,539	84	83	\$ 4,594	\$ 5,195	\$ 0.00	\$ 0.01	\$ 0.01
500	1,150,152	239	159	\$ 61,573	\$ 43,725	\$ 0.05	\$ 0.04	\$ 0.09
1000	927,555	193	94	\$ 144,038	\$ 70,112	\$ 0.16	\$ 0.08	\$ 0.23
2000	784,528	185	86	\$ 259,397	\$ 126,658	\$ 0.33	\$ 0.16	\$ 0.49
3000	426,329	99	17	\$ 236,396	\$ 40,966	\$ 0.55	\$ 0.10	\$ 0.65
4000	283,376	57	16	\$ 190,298	\$ 53,379	\$ 0.67	\$ 0.19	\$ 0.86
5000	304,569	39	6	\$ 181,025	\$ 27,612	\$ 0.59	\$ 0.09	\$ 0.69
6000	136,837	27	2	\$ 140,754	\$ 11,429	\$ 1.03	\$ 0.08	\$ 1.11
7000	159,589	25	0	\$ 157,970	\$ -	\$ 0.99	\$ -	\$ 0.99
8000	92,666	16	2	\$ 118,333	\$ 14,525	\$ 1.28	\$ 0.16	\$ 1.43
9000	66,503	8	0	\$ 66,221	\$ -	\$ 1.00	\$ -	\$ 1.00
10000	196,867	9	1	\$ 85,681	\$ 9,766	\$ 0.44	\$ 0.05	\$ 0.48
11000	51,605	6	0	\$ 61,390	\$ -	\$ 1.19	\$ -	\$ 1.19
12000	40,124	9	0	\$ 102,797	\$ -	\$ 2.56	\$ -	\$ 2.56
13000	25,939	8	0	\$ 110,921	\$ -	\$ 4.28	\$ -	\$ 4.28
14000	34,630	5	0	\$ 67,285	\$ -	\$ 1.94	\$ -	\$ 1.94
15000	73,340	6	0	\$ 87,884	\$ -	\$ 1.20	\$ -	\$ 1.20
16000	28,816	6	1	\$ 92,449	\$ 15,997	\$ 3.21	\$ 0.56	\$ 3.76
17000	30,199	3	0	\$ 48,563	\$ -	\$ 1.61	\$ -	\$ 1.61
18000	23,679	5	0	\$ 86,189	\$ -	\$ 3.64	\$ -	\$ 3.64
19000	16,399	7	0	\$ 127,407	\$ -	\$ 7.77	\$ -	\$ 7.77
20000	57,450	1	0	\$ 19,570	\$ -	\$ 0.34	\$ -	\$ 0.34
21000	12,463	6	0	\$ 121,097	\$ -	\$ 9.72	\$ -	\$ 9.72
22000	6,023	2	0	\$ 43,127	\$ -	\$ 7.16	\$ -	\$ 7.16
23000	6,816	3	0	\$ 66,474	\$ -	\$ 9.75	\$ -	\$ 9.75
24000	9,927	2	0	\$ 46,964	\$ -	\$ 4.73	\$ -	\$ 4.73
25000	103,577	23	2	\$ 575,098	\$ 50,008	\$ 5.55	\$ 0.48	\$ 6.04
Total	6,049,295	1,074	469	\$ 3,303,495	\$ 469,372	\$ 0.55	\$ 0.08	\$ 0.62

Notes:

<sup>1</sup> Source for Transactions data is the FY1998 Billing Determinants.

<sup>2</sup> Source for Claims data: St. Louis Accounting Service Center



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**DBP/USPS-119. [k] Do you feel that a large negative rate shock would upset the customer? If so, why?**

**RESPONSE:**

- k. For the customer getting the fee decrease, a large decrease in a proposed fee should only upset a customer if the customer felt that the decrease was a prelude to a future increase. Other customers might be upset if they felt their fees were higher because of large decreases for some customers.



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**DBP/USPS-124.** Refer to the response to DBP/USPS-1. [a] Confirm that the use of nineteen [I have omitted the check digit] unique digits will result in a total of ten quintillion unique article numbers. [b] Provide an estimate of the number of years that it would take to use up ten quintillion article numbers before repeating them - please provide details of your estimation procedure. [c] What is the purpose of the check digit and how is it determined? [d] Refer to the response to subpart d, provide a listing of any items which will subtract from the value of service. [e] Provide a listing of any items which will be neutral with respect to the value of service. [f] Evaluate your responses to DBP/USPS-1[d] and subparts d and e above, and indicate what the overall change in value of service will be - positive, negative, or neutral. Discuss the reason for your choice. [g] Please explain why the increase to a 20-digit number was necessary to allow for electronic data capture of delivery information and recipient signatures. [h] Why wouldn't the existing 9-digits serve this purpose? [i] If 9-digits is not sufficient, why wasn't a number between 10 and 19 chosen? [j] Confirm that the present label is broken up into three groups of three digits [plus a single prefix letter]. [k] Explain why you feel that copying five groups of four digits will be an addition to the value of the service when compared to a letter and three groups of three digits. [l] How many mailers print their own Certified Mail labels? [m] What is wrong with the present system that mailers are given a block of numbers? [n] Please reevaluate your response to subpart j in which you state that the same number of digits must be used for all numbers with the response in DBP/USPS-2 for Registered Mail. [o] Refer to your response to DFC/USPS-T39-38 f-g which were referred in the response to DBP/USPS-1 subpart k. How could the removable label create a machineability problem when it would be the same glue and paper as the service label that is already utilized? [p] Please provide that data that you utilized to determine that increasing the height of the gum by approximately 1/4 inch, printing a number on the strip, and adding a second perforation would cost more than the time for a window clerk to record the number. [q] What percentage of all Certified Mail - Return Receipt transactions have the number entered on the receipt by the window clerk?

**RESPONSE:**

- a. Not confirmed. Only the eight-digit identified serial number is unique to the article number.



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**DBP/USPS-124 (CONTINUED)**

**RESPONSE:**

- b. Since my response to (a) above is not confirmed, the requested estimate does not appear to be applicable.
- c. The purpose of the check digit is to validate accuracy of the barcode in every electronic transaction. See pages 27 and 28 of Publication 109 on the Postal Service website for information on how this digit is determined.
- d. None.
- e. None.
- f. Positive. See my response to DBP/USPS-1(d).
- g. The twenty-digit number is required for electronic data capture for several reasons. First, quality controls are necessary for customer/vendor produced forms and labels. It is important to have the ability to identify the producer of unreadable barcodes to avoid costs. If a barcode is unreadable, the carriers will have to key in the numbers in lieu of the barcode scan. Nine of the twenty digits are used to identify every customer printing barcoded labels or forms for corrective action follow-up. Second, the specific product must be identified in the database for later retrieval to provide delivery status and process claims. For postal-printed and customer/vendor-printed labels and forms, two of the twenty digits are for a product code. Third, eight digits are required to allow larger customers and vendors who print their own labels and forms to not repeat article number



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-124 (CONTINUED)**

**RESPONSE:**

*within two years. Finally, for quality control of the postal-printed labels and forms, five digits are for the Julian date for when that batch of labels was printed. For postal and customer/vendor printed labels one digit is a check digit to validate the barcode scan.*

- h. Nine digits do not allow for customer identity and enough space for article numbering.*
- i. See g. and h. above.*
- j. As of March 2000, nine-digit labels are no longer authorized for use.*
- k. The increased value does not come from copying digits. The value comes from the new capabilities offered by electronic capture and retrieval. Reliable, electronic capture and retrieval is made possible by a twenty-digit code.*
- l. The Postal Service does not collect this type of information.*
- m. The present system is labor intensive and requires a person in every postal district and at Headquarters to keep track of assigned numbers. This type of system can creates delays for mailers and printing vendors.*



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-124 (CONTINUED)**

**RESPONSE:**

- n. The exception would be for labels and forms that are also used for international purposes.

The postal-printed international insured mail and registered mail forms and labels have nine-digits with two alpha characters as a prefix and affix. This is required to meet international mail standards. We can get by with only nine digits because little or no customer or vendor printing is done for these labels and forms. Therefore, there is little risk of a printing quality control problem. Customers who print insured mail or registered mail labels or forms for domestic use are required to use the twenty-digit number and barcode. The two alpha prefix serves as the product code in the product tracking database.

- o. Even if the glue and the paper are the same, adding another layer of thickness could increase the potential for non-machineability.
- p. The Postal Service did not collect data to make the determination.
- q. The Postal Service does not collect this type of information.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-125.** Refer to your response to DBP/USPS-2. [a] In response to [5], explain how the number gets transcribed to the *original* 3849 form. [b] Your response to [6] refers to a library reference. Please provide a copy of the ENTIRE USPS-LR-I-168.

**RESPONSE:**

- a. The delivery employee writes the number.
- b. Objection filed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-131.** Attached to this pleading is a letter dated September 24, 1999, as Attachment A. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service. [b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Atlanta Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service and the Georgia Income Tax Division is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200]. [c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Atlanta Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service and the Georgia Income Tax Division do not meet the requirements of the Domestic Mail Manual [Section D042.1.7], Postal Operations Manual [Section 822.11], and Headquarters Directives. [d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

**RESPONSE:**

- a. Objection filed.
- b. Confirmed that, in areas other than the Andover, Massachusetts IRS, the Postal Service may process return receipts destined to the IRS similarly to the method observed by the Inspection Service at Andover in conducting its audit.
- c-d. See the Rebuttal Testimony of witness Plunkett in Docket No. R97-1, USPS-RT-20, at 7-9.



ATLANTA DISTRICT  
CONSUMER AFFAIRS

ATTACHMENT A - DBP/USPS-131



September 24, 1999

Mr. David B. Popkin  
P. O. Box 528  
Englewood, NJ 07631-0528

Dear Mr. Popkin:

In response to your recent inquiry, each year and right up until April 15, the Internal Revenue Service (IRS) and Georgia Income Tax Division receive millions of tax returns, many of which are sent by mailers who want a return receipt. Because of the sheer volume, we record each item on computerized lists, and deliver them in bulk to the IRS and the Georgia Income Tax Division.

When the mail is turned over to the respective government agency, their employees verify the numbers for each individual item against the numbers on the computerized list. The agencies employees then sign the list verifying delivery and distribute the mail within their office. At this point they will also sign and date-stamp each return receipt and return it to the mailstream.

It has been our experience that most mailers receive their return receipts in a reasonable amount of time. However, sometimes the agencies' employees fail to properly complete and return the receipts. We regret such oversights and realize the inconvenience and worry it can cause our customers.

Through our "duplicate" return receipt service, *Form 3811A*, your post office can request delivery information on the mail in question with the respective agency. They will research their computerized lists and provide you with a duplicate return receipt. Such duplicate return receipts are accepted by the courts and other authorities as proof that the article was delivered.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jan M. Lovell".

Jan Lovell  
Manager, Consumer Affairs



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-132.** Attached to this pleading is a letter dated September 24, 1999, as Attachment B. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service. [b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Memphis Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200]. [c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Memphis Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual [Section D042.1.7], Postal Operations Manual [Section 822.11], and Headquarters Directives. [d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

**RESPONSE:**

- a. Objection filed.
- b. Confirmed that, in areas other than the Andover, Massachusetts IRS, the Postal Service may process return receipts destined to the IRS similarly to the method observed by the Inspection Service at Andover in conducting its audit.
- c-d. See the Rebuttal Testimony of witness Plunkett in Docket No. R97-1, USPS-RT-20, at 7-9.



CONSUMER AFFAIRS

ATTACHMENT B - DBP/USPS-132



September 24, 1999

David B. Popkin  
PO Box 528  
Englewood, NJ 07631-0528

Dear Mr. Popkin:

This is in response to your inquiry about mail sent via Certified mail addressed to the Internal Revenue Service with a request for a Domestic Return Receipt.

The Internal Revenue Service (IRS) receives millions of tax returns, many of which are sent by mailers who want a return receipt. Because of the large amount of return receipt mail, it is delivered in bulk to the IRS.

Under our procedures for handling return receipt mail addressed to government agencies, the IRS is responsible for signing and returning the receipts directly to the mailer. The empty envelopes are given daily to our postal employee to generate a tracking file for delivery.

I hope this information clarifies this issue. If I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Darlene McCaster".

Darlene McCaster  
Consumer Affairs Representative

Enclosure



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-133.** Attached to this pleading is a letter dated October 26, 1999, as Attachment C. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service. [b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Philadelphia Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200]. [c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Philadelphia Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual [Section D042.1.7], Postal Operations Manual [Section 822.11], and Headquarters Directives. [d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

**RESPONSE:**

- a. Objection filed.
- b. Confirmed that, in areas other than the Andover, Massachusetts IRS, the Postal Service may process return receipts destined to the IRS similarly to the method observed by the Inspection Service at Andover in conducting its audit Report.
- c-d. See the Rebuttal Testimony of witness Plunkett in Docket No. R97-1, USPS-RT-20, at 7-9.



## ATTACHMENT C - DBP/USPS-133

CONSUMER AFFAIRS AND CLAIMS  
PHILADELPHIA DISTRICT



October 26, 1999

Mr. David B. Popkin  
Post Office Box 528  
Englewood, NJ 07631-0528

Dear Mr. Popkin:

This letter is in response to your recent correspondence concerning our process of handling Certified Mail, Return Receipt Requested (PS Form 3811) for the Internal Revenue Service, Philadelphia, PA.

The Internal Revenue Service (IRS) receives an enormous amount of mail on a daily basis. Certified Mail is delivered to the IRS with PS Form 3811 attached to the mailpiece. The Certified Mail is then scanned by a U.S. Postal Service Representative into our Delivery Confirmation Receipt System (DCRS). After proper completion of this process, it is the responsibility of the IRS to acknowledge receipt by date stamping and returning all PS Form(s) 3811 to the mailer.

In the event the Return Receipt is not returned, the mailer may initiate a Duplicate Return Receipt (PS Form 3811A).

We hope that the information is helpful. Thank you for your inquiry.

Sincerely,

*Denise Henry Bolden*

Denise Henry Bolden  
Acting Manager, Consumer Affairs & Claims

Reference: I35011045

2070 MARKET STREET, ROOM 117  
PHILADELPHIA, PA 19104-9631  
215-895-8011  
FAX: 215-895-8900



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-134.** Attached to this pleading is a letter dated September 28, 1999, as Attachment D. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service. [b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Cincinnati Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200]. [c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Cincinnati Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual [Section D042.1.7], Postal Operations Manual [Section 822.11], and Headquarters Directives. [d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

**RESPONSE:**

- a. Objection filed.
- b. Confirmed that, in areas other than the Andover, Massachusetts IRS, the Postal Service may process return receipts destined to the IRS similarly to the method observed by the Inspection Service at Andover in conducting its audit.
- c-d. See the Rebuttal Testimony of witness Plunkett in Docket No. R97-1, USPS-RT-20, at 7-9.



CONSUMER AFFAIRS AND CLAIMS

ATTACHMENT D DBP/USPS-134



September 28, 1999

Mr David B. Popkin  
Post Office Box 528  
Englewood, NJ 07631-0528

Dear Mr. Popkin:

Thank you for your letter requesting clarification on our procedure for processing PS Form 3811, Return Receipt on certified mail sent to the Internal Revenue Service.

Each year and right up until April 15, the IRS receives millions of tax returns, many of which are sent by mailers who want a return receipt. Because of this sheer volume, we record each item on computerized lists, and deliver them in bulk to IRS.

When the mail is turned over to the IRS, their employees verify the numbers for each individual item against the numbers on the computerized list. The IRS employees then sign the list verifying delivery and distribute the mail within the IRS office. At this point they also will sign and date-stamp each return receipt and return it back to the mailstream.

It has been our experience that most mailers receive their return receipts in a reasonable amount of time. However, sometimes the IRS employees fail to properly complete and return the receipts. We regret such oversights and realize the inconvenience and worry it can cause our customers.

Through our "duplicate" return receipt service, Form 3811A, your post office can request delivery information on your item with IRS and the delivery post office. Through the computerized record, if IRS has done its part, the computer will know if a specific item was received and signed for by IRS. If confirmed, a Form 3811A with delivery information will be sent to the mailer. If there is no recorded delivery, full postage fee will be refunded.

Sincerely,

A handwritten signature in cursive script that reads "Roberta Buchman".

Roberta Buchman  
Manager, Consumer Affairs

3581 DALTON AVENUE  
CINCINNATI OH 45244-9631  
(513) 684-5470  
Fax: (513) 684-5350



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO FOLLOW-UP INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-137. Please reconcile the responses to subparts s and u of DBP/USPS-17. [a] The response to subpart u states, in part, "made available to the addressee", while the response to subpart s states that the box section can be closed at the time of "delivery". [b] Please provide the requested explanation of the non-confirmation of subpart s, namely why is this procedure done and not just a statement that it is done.**

**RESPONSE:**

- a. I believe the responses to s and u are consistent. See my response to part (b).**
- b. I explained in the response how delivery confirmation could be accomplished when the post office box lobby was not open. Providing access to boxes is not a part of delivery. Even though a post office box may not be accessible at all times, unlike a mail receptacle at a residence, delivery would still occur when the postal employee places the mailpiece in the box. The delivery operation is complete in terms of making the mail available (as you used the term in your question 17[u]), although from the customer's perspective the receipt occurs when they pick up the mail. This is similar to delivery of a mailpiece to a residence when the customer does not pick up the mailpiece until later in the day.**



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO FOLLOW-UP INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-138.** The response to subpart d of DBP/USPS-24 fails to provide the rates that are charged. Please provide.

**RESPONSE:**

I do not know the insurance charges, but it is my understanding that they would vary, depending upon the service desired. I would suggest contacting the company providing the insurance to find out information about their charges. See <http://www.u-pic.com>.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO FOLLOW-UP INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-139.** Please refer to your response to subparts b and e of DBP/USPS-27. [a] Confirm that the customer will sign a piece of paper called a delivery receipt with barcode identification. [b] Please provide a copy of this form. [c] Please advise how the article will be identified on this delivery receipt or will the recipient be asked to sign a form in blank [other than a barcode on it]? [d] Please confirm that once the delivery receipt barcode is scanned after scanning one or more barcodes on the mail, it will not be possible to scan additional pieces of mail to be associated with that receipt. [e] Please confirm that it will not be possible to scan one or more article barcodes before starting the visible transaction with the recipient [and therefore indicating a signature of receipt for an article without actually delivering the article.] [f] Please advise the disposition that will be made of the signed delivery receipt form after it is scanned. [g] Please explain the access that will exist, either with the delivering employee or with the local office or with a higher level, to access and modify the data contained in the system. [h] Will the instructions to the delivering employee indicate that all of this action of scanning the mail and scanning the receipt be done in front of the addressee [whether it is a single article or multiple articles]? If not, why not? [i] Please explain and fully discuss the procedures that will ensure that the ability to associate a recipient's signature with an article that was not delivered will not exist. [j] Please explain and discuss any items you are not able to confirm.

**RESPONSE:**

- a. Confirmed.
- b. See attachment to this response.
- c. The article number will be on the front of the delivery receipt, along with a barcode. The barcode will be scanned at the time of delivery.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO FOLLOW-UP INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-139 (CONTINUED).**

- d. Not confirmed. If the same delivery receipt is scanned for additional mailpieces, an error message will appear requiring the delivery employee to verify that the delivery receipt is valid for the additional mailpiece(s).
- e. Not confirmed. Articles will be able to be scanned while the carrier is waiting for the customer to come to the door. The process of linking the articles to the delivery receipt does not start until delivery is made to the customer, and the "delivered" event is selected.
- f. The signed delivery receipt form is forwarded to a central location for imaging. The image is transmitted to the database and linked to the delivery information through the delivery receipt barcode. At least for a transition period, the hardcopy delivery receipt will continue to be stored at local offices or centralized sites.
- g. The delivering employee can correct an error prior to the transmission of the data from the handheld scanner. After the data are transmitted, they cannot be altered.
- h. No. Delivering employees will be told to begin the scanning while waiting for the customer to come to the door. See my response to (e) above.
- i. Delivering employees will be trained to follow the proper procedures. The handheld scanner is programmed to reinforce the proper delivery procedures. The total system has been thoroughly tested to ensure that the signature and article numbers match properly in the database.
- j. See responses to the subparts above.



Attachment to response to DBP/USPS-139(b)

PAGE 8

POSTAL BULLETIN 22014 (12-30-89)

PS Form 3849 Illustration — Actual Form Size 3 1/2" x 5 1/2"

United States Postal Service		Today's Date	Sender's Name
<b>Sorry We Missed You! We'll Deliver for You</b>			
Item is at:	Available for Pick-up After		
Post Office (See back)	Date:		
	Time:		
<input type="checkbox"/> Letter <input type="checkbox"/> Large envelope, magazine, catalog, etc. <input type="checkbox"/> Parcel <input type="checkbox"/> Restricted Delivery <input type="checkbox"/> Insurable Item <input type="checkbox"/> Other:	For Delivery: (Enter total number of items delivered by service type) For Notice Left: (Check applicable item) <input type="checkbox"/> Express Mail (We will attempt to deliver on the next delivery day unless you instruct the post office to hold it.) <input type="checkbox"/> Certified <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Delivery Confirmation <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Firm ID	<input type="checkbox"/> If checked, you or your agent must be present at time of delivery to sign for item Article Number(s)     Customer Name and Address    Delivered By and Date	
Article Requiring Payment		Amount Due	
<input type="checkbox"/> Postage Due <input type="checkbox"/> COD <input type="checkbox"/> Customs		\$	
<input type="checkbox"/> Final Notice: Article will be returned to sender on			
PS Form 3849, November 1999		Delivery Notice/Reminder/Receipt	

We will redeliver OR you or your agent can pick up your mail at the post office. (Bring this form and proper ID. If your agent will pick up, sign below in item 2, and enter agent's name here):	
1. Check all that apply in section 3; a. Sign in section 3 below; b. Leave this notice where the carrier can see it.	<b>WESTSIDE STATION — 8301</b> <b>123 S BAYSIDE AVE</b> <b>M-F 8:30 AM - 5:30 PM; SAT 9:00 AM - 12:00 PM</b> <b>PHONE: 301-830-5532</b>
2. Sign Here to Authorize Redelivery or to Authorize an Agent to Sign for You	Delivery Section
3. <input checked="" type="checkbox"/> Redeliver (Enter day of week):	Signature
	X
(Allow at least two delivery days for redelivery, or call your post office to arrange delivery.)	Printed Name
<input type="checkbox"/> Leave item at my address	Delivery Address
(Specify where to leave. Examples: "porch", "side door". This option is not available if box is checked on the front requiring your signature at time of delivery.)	
<input type="checkbox"/> Refused <input type="checkbox"/> Forward <input type="checkbox"/> Return	USPS
PS Form 3849, November 1999 (Reverse)	5212 3456 7890 1111



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO FOLLOW-UP INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

**DBP/USPS-140.** Please refer to your response to subpart b of DBP/USPS-40 and explain why the service is being established this way and how you feel that will affect the value of the service to the mailer who must continually check to see if an article has been received and the data made available.

**RESPONSE:**

Signature Confirmation was designed to be comparable to services offered by other shipping companies. It is anticipated that Signature Confirmation will provide a similar value of service to Delivery Confirmation, which has, so far, proven to be a popular product. Both services provide their respective confirmations if the customer decides he/she needs it after mailing.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-1.**

- a. Please confirm that manual Delivery Confirmation provides proof of mailing. If you do not confirm, please explain why the postmarked Delivery Confirmation receipt does not constitute proof of mailing.
- b. Please confirm that a certificate of mailing provides proof of mailing. If you do not confirm, please explain.
- c. Please confirm that a certificate of mailing does not provide proof of delivery. If you do not confirm, please explain.
- d. Please confirm that a customer receives a greater number of services with manual Delivery Confirmation than with a certificate of mailing. If you do not confirm, please explain.
- e. Please explain why the fee for certificate of mailing should be higher than the fee for manual Delivery Confirmation.
- f. Please explain the difference in Delivery Confirmation service, if any, that a customer receives between Priority Mail Manual Delivery Confirmation and Standard Mail (B) Manual Delivery Confirmation.
- g. Please explain why the fee for Priority Mail Manual Delivery Confirmation and Standard Mail (B) Manual Delivery Confirmation should be different.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-1 CONTINUED**

**RESPONSE:**

- a. Not confirmed. Manual Delivery Confirmation service would provide a dated mailing receipt only in instances when either PS Form 152 (Delivery Confirmation label) is dated as part of the retail transaction, PS Form 3877 (Firm Mailing Book for accountable mail) or facsimile with postal markings verifying the date of mailing is obtained, or a manifest for postage payment with article number(s) listed is submitted. For manual Delivery Confirmation pieces deposited in a mailbox for collection, no mailing receipt would be provided.
- b. DMCS section 947.11 states that certificate of mailing service "furnishes evidence of mailing."
- c. Confirmed.
- d. In quantifiable terms, manual Delivery Confirmation service usually provides more services than certificate of mailing service. The services provided are different.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-1 CONTINUED**

- e. Certificates of mailing provide evidence of mailing. Delivery Confirmation confirms delivery, and may, though not necessarily, provide a mailing receipt. Certificates of mailing and Delivery Confirmation are two distinctly different special services, as certificates of mailing are available for ordinary mail of any class and Delivery Confirmation is only available for Priority Mail and Standard Mail (B). These two special services were priced based on the criteria discussed in my testimony at pages 39 and 56-58. With respect to costs which were used for pricing purposes, witness Davis presents costs for certificate of mailing service that are comparable to those for Delivery Confirmation service.
- f. There is no difference in the Delivery Confirmation service a customer receives between Priority Mail manual and Standard Mail (B) manual.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-1 CONTINUED**

- g. The fees are based on the cost of the service, plus a markup. Witness Davis presents net volume variable costs for *Priority Mail manual Delivery Confirmation* that are 33 percent lower than the *Standard Mail (B) manual Delivery Confirmation* costs. See USPS-T-30, pp. 6-7. Hence, the *Priority Mail manual Delivery Confirmation* fee is lower than the *Standard Mail (B) manual Delivery Confirmation* fee.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-3.** Please provide copies of any studies, reviews, or investigations that the Postal Service has conducted since 1997 on the quality of return-receipt service or delivery problems with return-receipt service. If the Postal Service has not conducted any studies, please explain why not.

**RESPONSE:**

Please see the attached certified mail/return receipt portion of a 1999 Inspection Service Area Coordination Audit.



**United  
States  
Postal  
Inspection  
Service**

**Area Coordination Audit  
SPECIAL SERVICES**

**MAY 18, 1999**

**Case No. 040-1241887-PA(2)**

**U.S. POSTAL INSPECTION SERVICE  
NORTHEAST DIVISION**

**FINAL REPORT**



**RESTRICTED INFORMATION**





## **CERTIFIED MAIL**

### **FINDING**

Better internal controls were needed at Northeast Area Postal facilities delivering large volumes of certified mail to individual businesses and government agencies. Customers were paying the service fees for the handling and documentation associated with the delivery of certified mail. However, at the point of delivery, Postal personnel were not adequately controlling certified mail to ensure postal delivery records were properly documented and service was rendered to the mailing customers. As a result the customer was not receiving the service as advertised by the Postal Service.

Certified mail service increased during peak federal and state tax reporting periods. We found the Postal Service did not fully utilize its resources, commensurate with the increased revenue, to accommodate the increased volume of certified mail and properly control its delivery. PS Forms 3811, Return Receipts, were not always returned to the mailer. Due to the inadequate delivery procedures, the Postal Service was unable to determine which party was responsible for the non-conveyance.

Customers were inconvenienced because they were required to file PS Forms 3811-A, Duplicate Return Receipt, and wait additional periods of time to determine if certified pieces addressed to these large volume receivers were delivered. Consumer affairs and claims/inquiry offices had to use excessive work hours investigating the delivery of certified mail pieces.

In response to an Inspection Service questionnaire sent to all District Managers and Senior Plant Managers, three District offices and five plants identified certified mail as an ongoing problem in their facilities. Their main concern was callers with direct holdouts were receiving certified letters in their mail. Additionally, customers were receiving certified letters without signing for receipt of the item. According to our survey, plant managers were concerned that certified mail was bypassing the facility and going directly to the federal and state agencies without being documented.

### **DETAILS OF FINDING**

Based on the results of the above questionnaire, we sampled at least one large volume certified mail receiver in each of the 9 districts.

- A. We found two districts (Boston and Middlesex/Central) had undocumented deliveries.
- B. We found six districts (Albany, Boston, Middlesex/Central, New Hampshire, Providence, and Springfield) where postal employees were not obtaining signatures on the return receipts, PS Forms 3811. This non-service resulted in the customer



being overcharged by \$.90 (\$1.10 - \$.20, postcard fee) for non-completion/non-control of PS Form 3811.

- C. We found three districts (Boston, Albany and Middlesex/Central) where postal facilities processing in excess of a postcon of mail per day had not made arrangements with the addressee to deliver this mail at a mutually agreeable transfer site where these huge volumes could be expeditiously delivered while being simultaneously controlled and documented.
- D. We found three districts (Albany, Boston and Middlesex/Central) where more resources were needed to ensure certified mail would be delivered in a timely fashion.
- E. We found all nine districts where automation equipment was not effectively programmed to separate the certified mail, increasing the possibility of an undocumented delivery to the addressee.

#### **Middlesex / Central District**

The Internal Revenue Service (IRS) located in Andover, Massachusetts receives approximately 200,000 pieces of certified mail daily during peak tax periods; April and quarterly filings. The mail is processed at the Middlesex/Essex Processing and Distribution Center in North Reading, MA. The Computerized Forwarding Unit (CFS) handles the preparation of IRS mail for delivery. We observed certified mail being scanned which generated a computerized manifest thereby creating the delivery notification receipt. The pieces scanned were placed back into trays, loaded into postal equipment and shipped to the IRS facility in Andover. Mail averaged two to three days to be processed through this unit. This mail was not reported as delayed on the Daily Mail Condition Report. Once delivered, no IRS employee was signing the manifest acknowledging receipt of the mail.

According to postal employees, most of the certified letters mailed to the IRS had PS Forms 3811 attached. It was the practice of the Middlesex/Essex employees to remove PS Forms 3811 from the envelopes after scanning, and then hand stamp them to show the date of delivery. We found the manifest and PS Forms 3811 did not accompany this mail to the IRS office but instead were delivered at a later time. The PS Forms 3811 were surrendered to the IRS. The IRS would assume custody of PS Forms 3811, endorse the forms, and return them to the Postal Service when they found time available. The Postal Service had no system in place to ensure all PS Forms 3811 rendered to the IRS were returned. We found an antiquated computer system made it difficult and time consuming to research the many claims which were received by the District's Consumer Affairs Office.

#### **Albany, NY District**



Similar conditions existed with mail delivered to the State of New York Department of Taxation. The processing for delivery was handled at the Albany, NY P&DC. The Department of Taxation employees were signing the manifest upon delivery of the mail with PS Forms 3811 still attached to the certified letters and flats. Postal Service employees did not remove PS Forms 3811 from the items to obtain the signature or hand stamp as required. These forms (when signed or hand stamped) were returned to the Postal Service when it was convenient for the Dept. of Taxation. The Postal Service failed to ensure the PS Forms 3811 were signed by the addressee and returned to the sender through the mails.

Limited Postal resources were used to process this mail during peak tax filing periods. As with the IRS certified mail, not all mail was delivered the same day as it was processed to the Department of Taxation. The undelivered mail was not being reported as delayed mail on the Daily Mail Condition Reports.

#### **Providence District**

Letter carriers at the Providence, RI Post Office were delivering between 500 and 1000 pieces of certified mail to the Rhode Island Division of Taxation (RIDT). Control of the certified mail at the time of delivery needed to be improved. Prior to assigning the RIDT mail to delivery employees, station clerks were scanning the numbers on the certified letters to create a computerized PS Form 3883A, Firm Delivery Receipt. These PS Forms 3883A were stamped with a post office date round iron. The indicia should have been affixed after delivery. Many carriers were delivering certified letters with the PS Forms 3811 attached along with PS Form 3883A, Firm Delivery Receipt. Signatures were obtained at a later time.

#### **Boston District**

The Incoming Mail Center (IMC) located in Chelsea, MA was delivering one postcon of certified mail daily to the Commonwealth of Massachusetts Department of Revenue (DOR). Scanning the certified numbers into a computer created the manifest. This manifest was not used as a delivery document. No representative of the DOR signed for the daily shipments of certified mail. Forms PS 3811 were left attached to the mail and delivered to the DOR. Neither postal management nor craft employees interviewed were able to describe how PS Forms 3811 were endorsed by DOR and returned to the Postal Service.

#### **New Hampshire District**

During peak periods the Concord, New Hampshire Post Office delivered between 3000 and 8000 pieces of certified mail to the State of New Hampshire Revenue Administration Office. The mail was delivered as a caller service from the Concord Post Office. Delivery of the mail was documented by the agent of the addressee signing a computerized manifest listing the certified numbers. According to Postal employees,



approximately 40% of the certified pieces had PS Forms 3811 attached. These forms were removed from the mail and given to the agent for signature processing at the Revenue Administration Office. The forms were subsequently brought back to the Post Office by the agent for return to the mailer.

#### **Springfield District**

Mass Mutual Insurance Company in Springfield, MA was receiving as many as 120 pieces of certified mail daily at the Springfield P&DC. Postal employees listed the certified letters on PS Form 3883. Representatives of Mass Mutual accepted the mail and signed PS Form 3883. The Postal employees were leaving the PS Form 3811's attached to the certified letters at the time of delivery. By their actions, local postal officials had made it the responsibility of Mass Mutual to ensure the forms were signed and returned to the mailer through the mails.

The Domestic Mail Manual Section D042.1.7 states that for all accountable mail (including certified mail):

- a. The recipient (addressee or addressee's representative) may obtain the sender's name and address and may look at the mail piece while held by the USPS employee before accepting delivery and endorsing the delivery receipt.
- b. The mail piece may not be opened or given to the recipient before the recipient signs and legibly prints his or her name on the delivery receipt (and return receipt, if applicable) and returns the receipt(s) to the USPS employee.

#### **RECOMMENDATIONS**

We recommend the Vice President Area Operations, Northeast Area:

- 3.1 Ensure Postal employees handle certified mail in accordance postal regulations.
- 3.2 Ensure the necessary upgrades are accomplished in the computerization of the delivery receipts for firms that receive large volumes of certified mail.
- 3.3 Ensure the operations responsible for the controlled delivery of this mail and documentation of delivery are adequately staffed.
- 3.4 Ensure the mail being processed for these large volume customers is managed, using the USPS color code system, and the conditions of this mail are reported daily as part of the Daily Mail Condition Report.
- 3.5 Ensure suitable transfer sites are developed to logistically handle the controlled delivery of certified mail from the Postal Service to the large volume customers.



- 3.6 Ensure certified mail detectors are operational or adequate staffing is utilized to cull accountable mail from ordinary first class mail.

## **MANAGEMENT'S RESPONSE**

3.1-

- 3.6 As stated in the initial response from William Bothwell, Manager of Delivery Programs Support, the issues uncovered in the audit concerning large volume recipients/addressees are national issues.

After Inspectors Mancini and Newton brought their findings to our attention, we contacted Sandra Curran, manager of Delivery Policies and Programs, concerning the national implication of the findings. She assisted in scheduling a meeting at national Headquarters concerning the issues on January 7, 1999. The meeting was held on that date with representatives from Delivery, In-Plant, Engineering, Special Services, Marketing and the Inspection Service.

The problems outlined in the findings were discussed and it was agreed that the issues uncovered in the Northeast Area audit were general in nature and indicative of systemic problems. John Dorsey, Manager of Special Services, Don Leonard, Delivery Policies and Programs, and Jim Buie, Engineering, are addressing the issues discussed with the purpose of designing systems and procedures to enable the Postal Service to comply with existing requirements while improving automated handling of the large volume of Certified Mail.

This entire matter is being viewed from a national perspective. Additionally, I have tasked the District Manager of Middlesex-Central with improving the manner in which Certified Mail is tendered to the IRS in Andover, MA, and bringing the handling into closer compliance with established procedures. Headquarters will keep the Northeast Area updated on procedural changes as they are developed. Currently, we feel that the findings are appropriately addressed by the Headquarters' group.

## **MANAGEMENT'S SUPPLEMENTAL RESPONSE**

(On April 8, 1999, the following supplemental response was received from Gregory Petrin, Northeast Area Operations Program Analyst.)

Steve Rossetti has been working with the IRS to reduce or eliminate the amount of accountable mail mixed with regular mail by using casuals to do a 100% verification of the "non-accountable" mail that is destined for the IRS. The goal would be to assure that the only certified mail the IRS receives will be processed through the CFS unit. This would apply only to mail that goes through the platform operation at Middlesex. A casual is also on duty at the IRS to assist in removing the Certified mail from the "non-accountable" mail. I have contacted Bill Bothwell at HQ to see



where we stand with a technological solution to the problem. I am expecting an update from him shortly, but it appears that it will take some time to reach a solution to this issue.

#### **INSPECTOR COMMENTS**

**3.1-**

**3.6** To date, the only response received from the Northeast Area was related to the Middlesex Central District's handling of certified mail addressed to the IRS in Andover, MA. No response has been received concerning conditions cited in the other Districts.

The Northeast Area has requested assistance from National Headquarters relating to the delivery of Certified Mail to the IRS. No update has been received regarding upgrading the level of service for the tax reporting season. New methodologies developed by Headquarters may be helpful; however, indications are that revenues received from Certified Mail sales are adequate to pay for the resources needed to handle this mail.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-4.** Please explain the steps that the Postal Service has taken since 1997 to resolve the types of problems with return-receipt service that led the Commission to conclude in Docket No. R97-1 that "there may be problems with the reliability of this service" (PRC Op. R97-1 at 577). Please provide an assessment of the success of any measures in resolving the problems. For both parts of this question, please provide copies of all relevant documentation, including memos and directives.

**RESPONSE:**

The Postal Service conducted an audit of several locations within one postal area to assess the causes for incomplete return receipt transactions. See my response to DFC/USPS-T39-3. One of the major contributing factors identified involved postal locations that receive high volumes of certified mail with return receipts. The Postal Service concluded that, in the short-term, the only solution to address the challenge of processing the large numbers (2,000 to 200,000 per day) of return receipts in high volume locations is through use of additional labor during seasonal peak periods.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-5.**

- a. Please confirm that the Postal Service revised Form 3811, Domestic Return Receipt, to include a box for delivery employees to check to indicate whether the delivery address matches the address to which the customer mailed the article (as indicated in box 1 on the form). If you do not confirm, please explain.
- b. Please provide the date on which this revised Form 3811 became available to post offices.
- c. Please provide copies of all directives and other documents that were produced to alert employees to the redesign of Form 3811 and to train delivery employees on the proper completion of the new Form 3811.
- d. Please confirm that *Postal Bulletin* often is used to communicate important changes in policies and procedures to postal employees and to announce the debut of new forms. If you do not confirm, please explain.
- e. Please provide a copy of the *Postal Bulletin* notice that explained proper completion of the new Form 3811.
- f. Please provide a copy of the *Postal Bulletin* notice that encouraged postmasters to ensure that their delivery employees were aware of the proper procedures for completing the new Form 3811.
- g. If no notice was published in *Postal Bulletin*, please explain why not.
- h. Please confirm that, all else equal, employees are more likely to complete a form properly if they have been trained on completing the form than if they have not been trained on completing the form. If you do not confirm, please explain.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-5 CONTINUED**

**RESPONSE:**

- a. Confirmed that the Postal Service issued a revised Form 3811 that includes a box for delivery employees to check either "yes" or "no" to indicate whether or not the delivery address matches the address to which the customer mailed the article (as indicated in box 1 on the form). The use of the two boxes for a "yes" or "no" response not only serves as an indicator of a delivery address different from the one to which the customer mailed, but it also requires the delivery employee to check the address match.
- b. The Postal Service issued a revised Form 3811, Domestic Return Receipt, on July 15, 1999.
- c. Please see the attached Postal Bulletin 22002, pages 4 and 5. The "Revise Forms" part of this section, Directives and Forms Update, includes the PS Form 3811.
- d. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-5 CONTINUED**

- e. See my response to DFC/USPS-T-39-5(g). No explanation on completion of the revised Form 3811 was published in a Postal Bulletin.
- f. See my response to DFC/USPS-T-39-5(g).
- g. The effort in revising Form 3811 was focused on making the form easy to complete and clearer than the old Form 3811. The instructions on completion are self-explanatory and printed on the form itself. Based on this, no notice beyond the announcement of the revised form was deemed necessary.
- h. Confirmed. The announcement of revised forms and instructions in completing them are usually done at the local level during stand-up talks for clerks and carriers.



**Directives and Forms Update**

Effective immediately, Publication 223, *Directives and Forms Catalog* (November 1997), is revised. The tables below contain the document ID, edition date, title, national stock number (NSN), and the postal and public supply source for all new, revised, and obsolete directives and forms. Use this article to keep Publication 223 current. Information on how to order directives and forms can be

found in chapter 1 of Publication 223.

IWEB = Intranet = <http://blue.usps.gov>; click on "Information," then "Policies and Procedures," and then "Publications."

WWW = USPS webpage = [www.usps.com](http://www.usps.com).

PE = Postal Explorer.

F3 = F3 Fill Software.

**New Directives**

Document ID	Edition Date	Title	NSN	Org	USPS Source	Public Source
HBK F-66	4/99	General Investment Policies and Procedures	7610-04-000-6117	FIN	MDC	N/A

**Revised Directives**

Document ID	Edition Date	Title	NSN	Org	USPS Source	Public Source
POS 123-S	5/30/99	Postal Rates and Fees	7690-03-000-4151	MSY	MDC	PBC
PUB 51	5/30/99	International Postal Rates and Fees	7610-01-000-9815	IB	MDC	MDC
PUB 112	6/16/99	National Electronic Catalog	7610-03-000-5940	PUR	TMD	TMD
PUB 123	5/30/99	Consumer's Guide to Postal Rates and Fees	7610-03-000-5306	MSY	MDC	AR

**Obsolete Directives**

Document ID	Edition Date	Title	Obsolete Date	Replaced By
HBK MS-122-VOL-A	9/95	Advanced Facer Canceled System (AFCS), General Information	6/15/99	HBK MS-166
HBK MS-122-VOL-BP1	5/95	Advanced Facer Canceled System (AFCS), Maintenance Information	6/16/99	HBK MS-166
HBK MS-122-VOL-BP2	5/95	Advanced Facer Canceled System (AFCS), Maintenance Information	6/16/99	HBK MS-166
HBK MS-122-VOL-CP1	12/94	Advanced Facer Canceled System (AFCS), Parts Information	6/16/99	HBK MS-166
HBK MS-122-VOL-CP2	12/94	Advanced Facer Canceled System (AFCS), Parts Information	6/16/99	HBK MS-166
HBK MS-122-CHG1	12/95	Advanced Facer Canceled System (AFCS), Parts Information (Change 1)	6/16/99	HBK MS-166
HBK MS-122-CHG2	2/96	Advanced Facer Canceled System (AFCS), Parts Information (Change 2)	6/16/99	HBK MS-166
MIAS-530-84-2	4/29/94	NTSN Guidelines for PS-10 Electronics Technician Positions	6/21/99	MIAS-530-1999-5
MIAS-710-87-15	10/5/87	Receiving Reports and Payments to Vendors for Supply and Services Contracts	6/8/99	N/A



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## Revised Forms

Form Number	Edition Date	Oldest Usable Date	Title	NSN	Where Used	Unit of Issue	Org	USPS Source	Public Source
PS 61	3/99	3/99	Appointment Affidavits	7530-02-000-7226	PS	SH	HR	MDC	N/A
PS 1314-F	6/99	6/99	Rural Carrier FMLA Certificate	7530-03-000-8007	PS	EACH	FIN	MDC	N/A
PS 2185	6/99	6/99	Certificate of Site Investigation for Easements or Other Evidences of Rights to Government Interests	7530-03-000-0705	HQ	SH	GC	HQO	N/A
PS 2591	3/99	3/99	Application for Employment	7530-01-000-8733	PU	SH	HR	MDC	WWW
PS 2906	4/99	4/99	Steamship Notice — Departure Information	7530-01-000-8784	PH	SH	IB	MDC	N/A
PS 3541-S	5/99	5/99	Supplement Sheet for International Mail Volume for Selected Countries	7530-03-000-6515	PU	SH	IB	MDC	WWW
PS 3811	7/99	7/99	Return Receipt	7530-02-000-9053	PU	EACH	MKT	MDC	P/F
PS 3877	4/99	4/99	Firm Mailing Book for Accountable Mail	7530-02-000-9098	PU	BOOK	MSY	MDC	P/F
PS 4052	5/99	5/99	Notice to Customer of Correct Address	7530-02-000-9168	CR	SH	OS	MDC	N/A
PS 4570	3/99	3/99	Vehicle Time Record	7530-02-000-8272	CR	EACH	OS	MDC	N/A
PS 8126	4/99	4/99	Consolidated Originating RPW Test	7530-02-000-7256	PS	PAD	FIN	MDC	N/A
PS 8130	5/99	5/99	Vending Equipment Sales and Service Log	7530-02-000-9839	PS	EACH	MKT	MDC	N/A
PS 8163	7/99	7/99	Request for Fiscal Year 1999 Accrual	7530-03-000-1139	PS	SH	FIN	HQO	N/A

## Obsolete Forms

Form Number	Edition Date	Title	Obsolete Date	Replaced by
PS 2564-B	6/98	EEO Settlement — Counseling Process	7/6/99	N/A
PS 2564-C	6/98	Withdrawal of Informal EEO Complaint of Discrimination	7/6/99	N/A

## Directives With Electronic Access

Document ID	Edition Date	Title	NSN	Org	USPS Source	Public Source
HBK AS-503	3/17/99	Standard Design Criteria	N/A	FAC	IWEB	LOC
MIAS-530-1999-5	6/9/99	NTSN Guidelines for PS-10 Electronics Technician Positions	N/A	OS	IWEB	N/A
MOPIS-06-17-1999	6/17/99	Year 2000 End User Computing Action	N/A	OS	BLUE	N/A
MOPIS-06-21-1999	6/21/99	Year 2000 End User Computing Action	N/A	PMG	BLUE	N/A
POS 158	6/99	Possession of Firearms and Other Dangerous Weapons on Postal Property Is Prohibited by Law	7610-03-000-3949	IS	IWEB	WWW
PUB 164	5/99	Q's and A's: Compensation, Relocation Benefits, and Reinstatement Policies for Career Employees	N/A	HR	HQO	N/A
PUB 165	5/99	Q's and A's: Compensation Programs Applicable to Transitional Employees	N/A	HR	HQO	N/A



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-6.**

- a. Please confirm that a customer who does not receive his return receipt for merchandise cannot obtain a duplicate return receipt or any other proof of delivery. If you do not confirm, please explain.
- b. Has the inability to obtain proof of delivery if the original return receipt does not arrive caused significant problems for customers using return receipt for merchandise?

**RESPONSE:**

- a. Not confirmed. A customer who does not receive his/her return receipt for merchandise can obtain evidence of delivery at no additional charge from the delivery record, if the customer provides a receipt showing the return receipt for merchandise fee was paid.
- b. See my response to part a above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-7.** Please explain why the Postal Service offers a stand-alone return-receipt service for merchandise but not for non-merchandise.

**RESPONSE:**

The Postal Service proposed return receipt for merchandise in Docket No. R87-1 to respond to the needs of parcel mailers. These mailers desired delivery information, but did not necessarily need a signature. Additionally, they may have wanted to use subclasses of mail that did not qualify for certified mail. The Postal Service has never proposed a stand-alone return receipt service for non-merchandise, presumably because it has not received much interest from non-parcel mailers for that type of service.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-8.**

- a. Suppose customer 1 purchases certified mail plus return receipt. Please confirm that this customer would pay, under the Postal Service's proposed fees, \$2.10 plus \$1.50, for a total of \$3.60 (plus postage).
- b. Suppose customer 2 purchases return receipt for merchandise. Please confirm that this customer would pay, under the Postal Service's proposed fees, \$2.35 (plus postage).
- c. Please identify all services that customer 1 would receive that customer 2 would not receive.
- d. Please confirm that the services that customer 1 would receive that customer 2 would not receive explain and justify the \$1.25 difference in fee. If you confirm, please explain why.
- e. Based on historical data, in which percentage of cases would customer 1 need the additional services that customer 2 would not receive.
- f. In which percentage of all certified-mail transactions does a customer request a duplicate return receipt?
- g. In which percentage of all certified-mail transactions does a customer request a return receipt after mailing?

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-8 CONTINUED**

- c. Both customers would receive a completed return receipt with the signature of the addressee or addressee's agent, the delivery date, and the address where the mailpiece was delivered if it differs from the address on the mailpiece. Additionally, customer 1 would receive certified mail service. Customer 1 would have the option to purchase restricted delivery service, unlike customer 2. Customer 2 would have the option to have the delivery employee, rather than the recipient, sign the return receipt.
- d. Certified mail with return receipt and return receipt for merchandise service are distinctly different special services. Therefore, I can neither confirm nor not confirm your supposition. The justifications for the proposed fees for these special services are discussed in the respective pricing criteria sections of my testimony. In particular, witness Davis presents return receipt for merchandise costs that are less than the costs for certified mail and return receipts combined. See USPS-LR-I-108, pp. 47-55.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-8 CONTINUED**

- e. Certified mail with return receipt and return receipt for merchandise are two different special services used with sometimes different classes of mail and geared towards different needs of different customers. Therefore, I cannot calculate a percentage.
- f. This information is not available. Duplicate return receipts for which a fee is paid are a subset of return receipts after mailing and I do not have a breakdown of the percentage. For the total percentage of return receipts requested after mailing for certified mail, please see my response to part g below.
- g. In 1998, .07 percent of all certified mail transactions had a return receipt requested after mailing. If my proposal to reduce the return receipt after mailing fee is implemented, I would not be surprised to see this proportion increase significantly.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T39-1-9)**

**DFC/USPS-T39-9.** Please explain the basis for using a ten-dollar rounding constraint, rather than a smaller rounding constraint, for Reserve Number. If a one-dollar rounding constraint had been used, which fee would have been proposed?

**RESPONSE:**

I applied a ten-dollar rounding constraint to the proposed fee for Reserve Number to match the rounding constraint applied to the proposed caller service fee. It is probable that a \$30 fee would have still been proposed if I had used a one-dollar rounding constraint.



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

**DFC/USPS-T39-10.** Please confirm that some stations or branches of post offices that offer city carrier delivery either do not deliver mail to the post-office boxes on Saturdays or do not allow customers any access to their boxes on Saturdays. If you do not confirm, please explain why not.

**RESPONSE:**

I am not aware of any nationwide policy or standard practice that encourages no post office box delivery or no customer access to post office boxes on Saturdays. I would not be surprised if post office box delivery did not occur or access to post office boxes was not available on Saturdays as a result of unique local circumstances.



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

**DFC/USPS-T39-11.** Please provide the percentage of postal facilities that have post-office boxes that either do not deliver mail to the boxes on Saturdays or do not allow customers any access to their boxes on Saturdays. Please break the data down between city-delivery offices and non-city-delivery offices. If the Postal Service does not have this data, please explain why not.

**RESPONSE:**

I have not been able to locate the information you have requested, and presumably this type of information is not collected.



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

**DFC/USPS-T39-12.** Please confirm that, all else equal, some customers would derive greater value from their post-office-box service if they could receive and access their box mail Monday through Saturday instead of only Monday through Friday. If you do not confirm, please explain why not.

**RESPONSE:**

Not confirmed. I am not aware of any customer analysis with which to verify your hypothesis.



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

**DFC/USPS-T39-13.** Please explain why customers who have a post-office box at a facility that does not deliver mail to the boxes on Saturdays or does not allow customers access to the boxes on Saturdays should not pay a fee that is lower than the fee that box customers who can receive mail Monday through Saturday pay.

**RESPONSE:**

Postal fee design, like rate design, requires averaging because the alternative would be different fees for each of the many characteristics that would vary for individual customers. Saturday non-delivery or non-access to post office boxes is not enough of a factor to consider an alternative fee structure, especially in light of the statutory concern for fee simplicity as stated in Criterion 7. See also the Postal Service's response to interrogatory DFC/USPS-10, filed February 7, 2000.



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

**DFC/USPS-T39-14.** On a recent Saturday, I checked the mail at my post-office box in Berkeley, California, at 11:30 AM, after the posted 11:00 AM cutoff time for delivery of First-Class Mail. On the following Monday, a Priority Mail parcel had been delivered to my box. My post office stamped it as received on Saturday. The parcel had a Delivery Confirmation label. The Web tracking system indicated that the parcel was delivered at 9:02 AM on Saturday. On a previous occasion, a Priority Mail parcel was scanned as delivered at approximately 7:30 AM, even though mail distribution to my box, which is located in rented space in a building one block from the main post office, rarely begins before 9:00 AM or 10:00 AM.

- a. In light of these examples, please explain the exact meaning of "delivery" for the Delivery Confirmation service.
- b. Does "delivery" mean the moment when the article is made available to the customer?
- c. Please provide all documentation and instructions to delivery employees concerning the proper moment in the delivery process to scan Delivery Confirmation bar codes.

**RESPONSE:**

- a-b. The exact meaning of "delivery" for Delivery Confirmation service is when an item is available to the customer with no postal intervention required.

This would include when an item is placed in a mail receptacle, including a post office box. In light of the first example you provide, if what you state is accurate, it appears as though the parcel was delivered after the delivery time entered into the system. With respect to the second example, there is no indication the parcel was not delivered at 7:30 AM.



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

**DFC/USPS-T39-14 (CONTINUED):**

- c. Please see the attached letter dated August 27, 1998.





August 27, 1998

MANAGERS, OPERATIONS SUPPORT (AREA)  
MANAGERS, IN-PLANT SUPPORT (AREA)  
MANAGERS, DELIVERY PROGRAMS SUPPORT (AREA)

SUBJECT: Scanning Procedures for Delivering Delivery Confirmation (DC) Mail

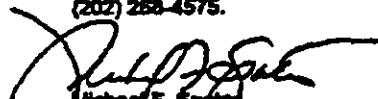
In response to field inquiries, the following instructions provide scanning procedures for five types of situations involving Delivery Confirmation (DC) mail. The objective is to scan every piece of DC mail, every time, every day.

- Carrier, Motor Vehicle Service (MVS) Driver, or HGR Driver Deliveries: Scan DC mail as "Delivered" when it is given to customer or left at the customer's address. If there is no safe place to leave mail or the customer is not available to receive it, scan DC mail as "Attempted Delivery." Scan DC mail as "Delivered" when customer picks up mail or when driver delivers the mail the next day.
- Post Office Box Deliveries: Scan DC mail as "Delivered" when placed in post office box. If DC mail does not fit in post office box, scan the mail as "Attempted Delivery," leave a notice in the customer's box, and scan the mail as "Delivered" when customer picks up the mail.
- Returned Mail: Pieces that cannot be delivered should be appropriately scanned as "Refused," "Undeliverable as Addressed," or "Return to Sender" by the receiving office and scanned as "Delivered" when returned to sender at the origin office.
- Held Mail or General Delivery: Scan mail as "Attempted Delivery," leave notice in container for held mail, and place mailpiece with accountables. Scan DC mail as "Delivered" when the customer picks up mail.

**Directs:** The term "directs" applies to caller service, firm holdouts, unique 5-digit ZIP Codes, etc. When caller service or firm pick-up is provided at the post office, scan DC pieces as "Delivered" when items are placed into container for the direct. Large volume firms that have been assigned a unique 3-digit or 5-digit ZIP Code may be scanned as "Delivered" at the plant dock if circumstances do not allow scanning at the customer's dock.

Operations should segregate DC mail if mail is sorted into a container in one operation and the container is moved to another location for delivery. At the distribution operation, isolate the DC mail, similar to accountable mail; then send it to the delivering operation. At the point of delivery, scan the DC pieces as "Delivered" when sorted into the appropriate container for directs.

These procedures should meet dual purposes: providing efficient methods for processing DC mail and ensuring the integrity of information provided to customers. Questions concerning processing operations can be directed to Jamie Gallagher at (202) 268-4031. Delivery issues will be addressed by Jeff Lewis at (202) 268-4575.

  
Michael F. Spitzer  
Manager, Delivery

  
Walter O'Torney  
Manager, Processing Operations



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

**DFC/USPS-T39-16. Please refer to current DMCS section 921.222.**

- a. Is this service also known as "firm holdout"? If not, please provide the common name for this service.
- b. Is this service being eliminated? If so, please explain why.

**RESPONSE:**

- a. and b. This service is not also known as "firm holdout" and has sometimes been identified as involving "P.O. Box throwbacks". It is addressed in Section IV(R)(11)(d) on pages 119-120 of my testimony. The elimination of this service is receiving active consideration for the reasons discussed in my testimony.



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

**DFC/USPS-T39-17.** Please refer to current DMCS section 941.26. How does a mailer obtain a copy of the original mailing receipt for certified mail? Is a copy kept at the mailing post office?

**RESPONSE:**

A customer who mails a piece of certified mail as part of a window transaction has in his/her possession the original mailing receipt. At the time of mailing, the customer may ask for a copy of the mailing receipt at the window. Otherwise, after the transaction takes place, the customer could make a photocopy of the original mailing receipt. No copy of the original mailing receipt is kept at the mailing post office.



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

**DFC/USPS-T39-18.** Please refer to your testimony at page 43, lines 17-19. Please identify all alternatives to certified mail, including the specific services (e.g., proof of mailing, proof of delivery) that those alternatives provide and the price or fee associated with each alternative.

**RESPONSE:**

The Postal Service alternatives to certified mail, where a mailing receipt is provided and where a signature is obtained on a delivery receipt upon delivery for First-Class Mail or Priority Mail include registered mail, numbered insurance, return receipt for merchandise (Priority Mail only) and Signature Confirmation (Priority Mail only). The current and proposed fees for these special services are presented in my testimony in the respective proposal sections.



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

**DFC/USPS-T39-19.** Why is the fee for return receipt after mailing being reduced by 50 percent? Please explain all reasons and provide relevant cost data for Docket Nos. R97-1 and R2000-1.

**RESPONSE:**

Please refer to my testimony at pages 135 and 136 where I discuss the fee design and pricing criteria for return receipts. Witness Davis' cost analysis for return receipt after mailing in Docket No. R2000-1 can be found in LR-I-108, pages 51 and 61. The Docket No. R97-1 return receipt after mailing cost analysis was presented by the Postal Service in Library Reference H-107, page 43.



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

**DFC/USPS-T39-20.** Please identify all alternatives to return receipt, including the specific services (e.g., proof of delivery, hard-copy notification of date of delivery, signature of recipient, address verification or correction) that those alternatives provide and the price or fee associated with each one.

**RESPONSE:**

With respect to the specific combined features of return receipts - a hard copy notification of date of delivery, original ink signature of addressee or addressee's agent, and address where the mailpiece was delivered if different from the address on the mailpiece, there is no postal alternative. There are other special services that offer similar features, such as Delivery Confirmation and Signature Confirmation. The current and proposed fees for these services are presented in my testimony at page 55 and page 142, respectively.



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

**DFC/USPS-T39-21.** Please refer to your testimony at page 137, lines 8-13.

- a. Please confirm that Form 3811A, which provides the service proposed to be known as "evidence of delivery from the delivery record," does not provide the signature of the recipient. If you do not confirm, please explain.
- b. All else equal, would customers in general place a higher value on receiving the signature of the recipient versus not receiving the signature of the recipient? If your answer is not an unqualified yes, please explain your answer.
- c. Please explain why a customer should not receive a partial fee refund if he/she must settle for a Form 3811A, rather than a Form 3811 that has the signature of the recipient?

**RESPONSE:**

- a. Confirmed. However, it is my understanding that the Postal Service is considering changes to both this form and this service that would make a copy of the recipient's signature available.
- b. I believe the value of possessing the signature of the recipient versus the verification of delivery from the delivery record on file would vary depending upon the needs of the individual customer.
- c. DMCS section 3080 states that a refund may be made when "postage and special service fees have been paid on mail for which no service is rendered for the postage and fees paid, ..." (emphasis added). That section would not extend to partial refunds in the circumstance you describe.



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

**DFC/USPS-T39-22.** Please refer to Docket No. R97-1 Tr. 3/1018 at lines 13-16.

- a. Please confirm that witness Plunkett agreed that it would be a "good idea" to study the possibility of extending a stand-alone return-receipt service that shares the characteristics of return receipt for merchandise to documents sent via regular First-Class Mail, thus allowing customers to purchase this return-receipt service along with First-Class Mail without purchasing an additional service such as certified mail. If you do not confirm, please explain.
- b. Please explain the results of any study of this issue that has occurred.
- c. Please explain why the Postal Service is not proposing a return-receipt service that customers can purchase along with First-Class Mail without purchasing an additional service, such as certified mail.
- d. Please explain any plans to offer return-receipt service in the future that can be purchased along with First-Class Mail without the current requirement to purchase an additional service, such as certified mail.

**RESPONSE:**

- a. I can confirm that witness Plunkett agreed that it would be a "good idea" to study why return receipt for merchandise service shouldn't be extended to regular First Class Mail for documents.
- b. To the best of my knowledge, no studies have been conducted concerning the extension of return receipt for merchandise to First Class Mail for documents.
- c. Please see my response to DFC/USPS-T39-7.



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

**DFC/USPS-T39-22 CONTINUED**

- d. I know of no plans to offer return receipt service without another special service for First Class Mail.



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

**DFC/USPS-T39-23.**

- a. Please confirm that Citibank receives mail via post-office-box service or caller service using a variety of post-office boxes with the address "The Lakes, NV" and ZIP Codes beginning with 889. If you do not confirm, please explain. If you are not able to confirm this statement by naming Citibank, please confirm the statement as if "Citibank" were replaced with "a remittance processor" or "a customer."
- b. Please confirm that The Lakes is not the name of a post office, station, or branch in Nevada. If you do not confirm, please explain.
- c. To the best of your knowledge, is The Lakes a city or town in Nevada?
- d. Please confirm that no addresses other than those belonging to the customer described in (a) use "The Lakes, NV" as a mailing address. If you do not confirm, please explain.
- e. Please confirm that The Lakes, NV, is an address associated only with ZIP Codes beginning with 889. If you do not confirm, please explain.
- f. Please confirm that the 889 ZIP Codes are administered by the post office in Las Vegas, NV. If you do not confirm, please explain.
- g. Please explain the origin of the name The Lakes, NV, for this customer's address and whether this name was created at the suggestion of the customer or the Postal Service.
- h. Please confirm that a customer might derive added value from his post-office-box or caller service if he had the opportunity to design his own post-office name for his delivery address. If you do not confirm, please explain.
- i. Does the Nevada customer described in this interrogatory pay any fees for the privilege of having created its own post-office name for its delivery address?
- j. Which fee schedule, if any, applies to customers who are able to create their own post-office name for their delivery addresses?
- k. Please explain the procedures for a customer to follow to create his own post-office name for mail sent to him.



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

**DFC/USPS-T39-23 (CONTINUED)**

**RESPONSE:**

a-g. Objection filed February 15, 2000.

h. Confirmed.

i. Objection filed February 15, 2000.

j-k. Redirected to the Postal Service.



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

**DFC/USPS-T39-24.** At page 135, lines 15-16, you testified, "Return receipts are potentially a high value service, but some problems with the quality of service imply a lower cost coverage (Criterion 2). Please identify all known problems with the quality of return-receipt service that led you to write this statement.

**RESPONSE:**

Please see my response to DFC/USPS-T39-3 and PRC Op., R97-1, at 577.



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

**DFC/USPS-T39-25.** Please explain why fees for post-office-box service should not be based in part on the level of box service that a customer receives, such as the number of hours per week during which the box lobby is open and the availability of parcel lockers that allow customers to bypass the window line to pick up items that are too large to fit in their box.

**RESPONSE:**

Post office box fees are designed in part based on the value of service to the customer.

A discussion of the value of service criterion is presented in my testimony on page 109.

It is important to note that the value of service criterion discussed in my testimony applies generally to all post office box customers who have the alternative option of carrier delivery. This criterion concerns the overall value of service for box service, and is used to determine the general level of post office box fees. The criterion is not intended to reflect differences in the value of service for particular post office box customers, or at various post offices. Basing fees on the level of post office box service at different post offices might also contradict the statutory concern for fee simplicity.

See my response to DFC/USPS-T39-13.



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

**DFC/USPS-T39-26.**

- a. Should a post-office-box customer expect to receive incoming mail at his post-office box on a holiday? Please explain your answer fully.
- b. Please explain the procedures that a box customer should follow if he does not receive mail at his post-office box on holidays but Postal Service policy provides for distribution of mail to his post-office box on holidays.
- c. Please confirm that delivery of mail to post-office boxes on holidays is a component of the value to customers of post-office-box service. If you do not confirm, please explain.

**RESPONSE:**

- a. Domestic Mail Manual Section G011.1.5 shows that post office box delivery service on holidays is determined by national, area, and/or district guidelines. I am not aware of any national guidelines. It is my understanding that local guidelines might permit mail to be delivered to boxes on holidays, primarily to ensure that service standards for the following day can be met, rather than to provide an additional service to customers. Thus, customers generally should not expect mail delivery to post office boxes on holidays.
- b. Objection filed February 15, 2000.
- c. While particular customers might value holiday delivery of mail to post office boxes, such delivery, if and when performed, is done for the convenience of the Postal Service and would not be a component of the value of service criterion I used in designing post office box fees. See my response to DFC/USPS-T39-25.



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

**DFC/USPS-T39-29.**

- a. Will customers be able to purchase Priority Mail manual Signature Confirmation without also purchasing Delivery Confirmation?
- b. Please confirm that Signature Confirmation will provide every service that Delivery Confirmation provides. If you do not confirm, please explain.
- c. Please refer to your testimony at page 143, lines 20-22 and page 144, lines 1-5. If the answer to (a) is yes, please explain why you removed the Delivery Confirmation base cost in determining the cost coverage of Signature Confirmation.

**RESPONSE:**

- a. Under my proposal, yes.
- b. Confirmed. As proposed in this proceeding, Signature Confirmation would provide every service that Delivery Confirmation would provide. See my testimony, page 145.
- c. To be consistent with the approach for electronic Signature Confirmation (see my testimony at page 143, lines 11-18) and electronic and manual Delivery Confirmation (see my testimony at page 56, lines 8-14), in all cases I used the net volume variable costs from Witness Davis (USPS-T-30, pages 7 and 11).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-30.**

- a. Please confirm that your response to DFC/USPS-T39-5(c) represents the full extent to which the Postal Service has issued directives and other documents to alert employees to the redesign of Form 3811 and to train delivery employees on the proper completion of the new Form 3811. If you do not confirm, please provide the missing information.
- b. Please provide all evidence that the Postal Service possesses indicating that delivery employees are familiar with the new Form 3811 and are completing it properly.
- c. Please confirm that a Form 3811 that is returned to the customer with neither box checked has not been completed correctly by the Postal Service.
- d. Please provide any available evidence confirming that stand-up talks have been conducted at the local level to discuss the new Form 3811.
- e. Please provide all evidence revealing the extent to which delivery employees are checking either the "yes" box or the "no" box on new Forms 3811.

**RESPONSE:**

- a. I cannot confirm that my response to DFC/USPS-T39-5(c) represents the full extent to which the Postal Service has alerted employees about the redesign and proper completion of Form 3811. See my response to DFC/USPS-T39-5(h).
- b. I am not aware of any "evidence", but my experience as a letter carrier and continued contact with postal field employees is the basis for my belief that delivery employees are being properly trained in completing new and revised forms.
- c. I cannot answer the question without knowing which boxes you are referring to.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-30. (CONTINUED)**

- d. I am not aware of any "evidence".
- e. See my response to part (d) above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-31.**

- a. Please confirm that the Postal Service has a measurement system to determine the extent to which delivery employees are scanning Delivery Confirmation bar codes. If you do not confirm, please explain.
- b. Please provide documents explaining the function and operation of the system described in (a).
- c. Please provide the percentage of delivery offices that this system measures.
- d. Which percentage of Delivery Confirmation mail is delivered in areas subject to this measurement system?
- e. Does this measurement system compare the actual time of delivery with the time of the delivery scan or the time of the delivery scan recorded in the tracking system? Or does this system only check to ensure that the test piece was scanned, regardless of the time of the scanning?
- f. Please provide recent performance results from the system described in (a).

**RESPONSE:**

- a. Confirmed.
- b. I am not aware of any documents explaining the function and operation of the measurement system. It is my understanding that the scan percentage is calculated by taking the number of pieces with acceptance records scanned by delivery employee divided by the number of pieces with acceptance records.
- c. All delivery offices are covered by this system.
- d. All Delivery Confirmation mail is delivered in areas subject to this measurement system.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-31 CONTINUED**

- e. This system only checks to ensure that the piece was scanned, regardless of the time of the scanning.
- f. In Accounting Period 5 of Fiscal Year 2000 the scanning percentage was 96 percent.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-32.** Please refer to your response to DFC/USPS-T39-7.

- a. Please explain the process by which the Postal Service solicits, reviews, or responds to input from non-organized groups of mailers, such as consumers and the general public.
- b. Please provide all evidence concerning the percentage of transactions for certified mail plus return receipt where the mailer would have purchased solely the return receipt if certified mail had not been a prerequisite for purchasing return receipt.
- c. Please confirm that a stand-alone return-receipt service would not be popular with customers. If you do not confirm, please explain.

**RESPONSE:**

- a. Different departments within the Postal Service solicit, review or respond to input from consumers and the general public in different ways. For example, I review and respond to some inquiries directed to the Postmaster General, the Consumer Advocate, or the Vice President of Pricing and Product Development if these inquiries relate to special services. With respect to solicitation, my department performs market research or other special studies. Also, the Postal Service holds a Postal Forum twice annually as a means to both solicit input from mailers and respond to input from mailers.
- b. I know of no evidence.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-32 CONTINUED**

- c. Not confirmed. I do not know whether a stand-alone return receipt would or would not be popular. However, the Postal Service has never proposed such a service. See my response to DFC/USPS-T39-7. Presumably, the Postal Service has not received much interest from non-parcel mailers for that type of service. I have not heard of much interest in such a service, other than by individual intervenors, like you, in Commission cases.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-33.** Please refer to your response to DFC/USPS-T39-9 and explain the basis for a ten-dollar rounding constraint for the fee for caller service.

**RESPONSE:**

I determined a ten-dollar rounding constraint was more appropriate than the current twenty-five-dollar rounding constraint, particularly when aiming to have the proposed fee for caller service match the rounding constraint applied to the proposed reserve number fee.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-34.** The Inspection Service audit report provided in response to DFC/USPS-T39-3 states, "We found an antiquated computer system made it difficult and time consuming to research the many claims which were received by the District's Consumer Affairs Office." Attachment to Response to DFC/USPS-T39-3 at page 3 (final sentence). Please provide all available information on the number of claims.

**RESPONSE:**

It is my understanding there is no information on the number of claims.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-35.**

- a. Please explain why the Postal Service does not offer Delivery Confirmation along with First-Class Mail service.
- b. Please confirm that a customer who wishes to mail a one-ounce letter via First-Class Mail and who desires to know only that the letter was delivered currently must purchase return receipt *plus* certified mail, registered mail, or insured mail to obtain this information. If you do not confirm, please explain.
- c. Please confirm that most customers who purchase certified mail and return receipt for their First-Class Mail desire more information than just knowledge that the article was delivered. If you do not confirm, please explain and provide all available evidence.

**RESPONSE:**

- a. Delivery Confirmation was designed to meet the needs of expedited and parcel shippers. For that reason, the service is currently available for Priority Mail and Standard Mail (B) only.
- b. Not confirmed. The insurance option would generally not be available, because I don't believe a one-ounce First-Class Mail eligible letter would qualify as Standard Mail matter eligible to receive insurance. Furthermore, one could mail a one-ounce letter and receive knowledge that it was delivered using the Priority Mail subclass of First-Class Mail with either return receipt for merchandise or Delivery Confirmation.
- c. Not confirmed. I have no idea how many certified mail plus return receipt customers desire more information than knowing that the mailpiece was delivered.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-36.** Please refer to your response to DFC/USPS-T39-10.

- a. Please provide the national policy or other guidelines that explain the "unique local circumstances" under which no delivery or access to post-office boxes is permissible.
- b. To enhance the record on this subject via examples, please explain why customers may not receive mail and access their post-office boxes on Saturdays at the Byron Rumford Station in Oakland, California, the post office in Babb, Montana, and the station located in the Port Authority Bus Terminal in New York, New York.
- c. Please provide the approximate year in which the building housing the Byron Rumford Station was constructed.
- d. Please confirm that access to the box section on Saturdays at the Byron Rumford Station could not have been accommodated architecturally. If you do not confirm, please explain.

**RESPONSE:**

- a. I am not aware of any national policy or other guidelines explaining the unique local circumstances.
- b. Objection filed.
- c. Objection filed.
- d. Objection filed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-37.** Please explain how the Postal Service determined that the boxholder's city of residence was a significant enough factor to warrant a special fee (see Docket No. MC96-3) while the number of days on which a customer can receive mail at his box is not significant enough to warrant fee differentiation. Please provide the policy governing establishment of separate fee categories.

**RESPONSE:**

See my Docket No. MC96-3 USPS-T-7 testimony at pages 23 to 34 and 37 to 43 that explains the Postal Service proposal for a non-resident fee for box service. The proposed fee was founded on the beliefs that non-residents could present costlier box service administration and receive a variety of benefits from a mailing address other than in the post office serving one's residence. Also see witness Landwehr's testimony, USPS-T-3, at pages 3 to 10 from that same docket which summarized problems caused by non-resident boxholders that could inevitably lead to increased service costs. In any case, the non-resident fee proposal was rejected by the Commission, so that proposal does not serve as Commission precedent for what types of factors should warrant fee differentiation.

I believe that fee differentiation is not warranted if a customer cannot receive box mail on Saturdays. I am not aware of how many facilities do not deliver box mail on Saturdays, nor am I aware of any hardship for any boxholders not receiving mail delivery to their post office box on Saturday. On the other hand, I am aware of the costly situations imposed by non-resident boxholders.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-38.** These questions concern Form 3800, Certified Mail Receipt.

- a. Please confirm that the version issued in April 1995 had a number consisting of 10 alphanumeric characters. If you do not confirm, please explain.
- b. Please confirm that the bar-coded version issued in July 1999 has a number 20 numeric characters long. If you do not confirm, please explain.
- c. Please confirm that either the customer or the window clerk must write the *certified-mail* number on the return receipt if the customer wishes to purchase a return receipt. If you do not confirm, please explain.
- d. Please confirm that a certified-mail number that is twice as long as the old one will increase the length of time required for a customer or window clerk to place this number on the return receipt. If you do not confirm, please explain.
- e. Please confirm that the length of the new number may increase window-service costs associated with certified mail and return receipt.
- f. Has the Postal Service considered designing a Certified Mail Receipt that has a tiny removable label on which the certified-mail number is printed that can be peeled off and placed in the box for article number on the return receipt? Please provide details.
- g. If the Postal Service has not considered the label described in (f), do you believe that this removable label might increase the value of certified-mail service to customers or reduce window-service costs? Please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-38 CONTINUED**

- d. Confirmed.
- e. Redirected to witness Davis.
- f-g. It is my understanding that the Postal Service considered using a removable number label and has determined it currently would not be desirable. I have been informed that a removable label could present machinability problems on high-speed equipment that could increase costs. Also, it is my understanding that the costs of producing and distributing forms with such a label could offset any hypothetical window service transaction cost savings. The Postal Service is continually reviewing forms for improvements and a removable label could possibly be included in a future redesign, along with other changes. I do not believe that a peel-off label would necessarily increase the value of service for certified mail, particularly if, in the alternative, the window clerk recorded the number.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-39.** Please provide the overall cost coverage for post-office boxes that resulted from implementation of the fees approved in Docket No. R97-1.

**RESPONSE:**

See Appendix G, Schedule 1 of the Docket No. R97-1 Recommended Decision for the post office box and caller service overall cost coverage.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-40.** For each box group and box size, please provide the cost coverage that resulted from implementation of the fees approved in Docket No. R97-1.

**RESPONSE:**

The cost coverages can be calculated by annualizing the fees in Fee Schedule 921 of Appendix One of the Docket No. R97-1 Recommended Decision and dividing by witness Lion's costs that are included in an attachment to the response to your interrogatory DFC/USPS-T39-1, also from Docket No. R97-1 (Tr. 3/572).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON (USPS-T-39-30-41)**

**DFC/USPS-T39-41.** Please provide the cost coverage for each box group and box size proposed in Docket No. R2000-1.

**RESPONSE:**

The cost coverages can be calculated by annualizing the proposed fees in my testimony on page 102 and dividing by witness Kaneer's costs presented in Exhibit USPS-40B, page 2.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-42.** Please refer to your response to DFC/USPS-T30-30, 5(c), and 5(h). Please provide all directives, communications, and other written documents or publications that Postal Service headquarters has issued to field offices or employees alerting them to or otherwise informing them of the July 1999 redesign of Form 3811 or to train delivery employees on the proper completion of the new Form 3811.

**RESPONSE:**

I assume you are referring to my responses to DFC/USPS-T39-30, 5(c), and 5(h). See my response to DFC/USPS-T39-5(c). To the best of my knowledge, Postal Service headquarters issued the Postal Bulletin notice and no other communications. I am unaware of what communications have been issued in the field.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-43.** Please provide all facts and information that the Postal Service possesses or of which the Postal Service is aware indicating that delivery employees are familiar with the new Form 3811 and are completing it properly.

**RESPONSE:**

The Postal Service does not collect this type of information.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-44.** Please explain the process by which the Postal Service is evaluating the extent to which delivery employees are checking one of the two boxes in section D on the new Form 3811. Please provide the results of all studies, evaluations, audits, and reviews.

**RESPONSE:**

See my response to DFC/USPS-T39-43.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-45.** Please refer to your response to DFC/USPS-T39-30(b) and explain specifically how your continued contact with postal field employees causes you to believe that delivery employees are being properly trained in completing new and revised forms, including Form 3811. Please provide specific information about conversations that you have had, and please provide all relevant e-mail messages or other written correspondence.

**RESPONSE:**

I have spoken casually with field employees who are always willing to provide their opinion on the delivery of special services and new forms, services and procedures. I have no e-mail messages or written correspondence from these employees.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-46.** Please provide a copy of the July 1999 version of Form 3811.

**RESPONSE:**

Attached.



Attachment to DFC/USPS-T39-46

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY									
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		<table border="1"> <tr> <td>A. Received by (Please Print Clearly)</td> <td>B. Date of Delivery</td> </tr> </table>		A. Received by (Please Print Clearly)	B. Date of Delivery						
A. Received by (Please Print Clearly)	B. Date of Delivery										
1. Article Addressed to:		<table border="1"> <tr> <td>C. Signature</td> <td><input type="checkbox"/> Agent</td> </tr> <tr> <td>X</td> <td><input type="checkbox"/> Addressee</td> </tr> </table>		C. Signature	<input type="checkbox"/> Agent	X	<input type="checkbox"/> Addressee				
C. Signature	<input type="checkbox"/> Agent										
X	<input type="checkbox"/> Addressee										
		<table border="1"> <tr> <td>D. Is delivery address different from item 1?</td> <td><input type="checkbox"/> Yes</td> </tr> <tr> <td>If YES, enter delivery address below:</td> <td><input type="checkbox"/> No</td> </tr> </table>		D. Is delivery address different from item 1?	<input type="checkbox"/> Yes	If YES, enter delivery address below:	<input type="checkbox"/> No				
D. Is delivery address different from item 1?	<input type="checkbox"/> Yes										
If YES, enter delivery address below:	<input type="checkbox"/> No										
		<table border="1"> <tr> <td colspan="2">3. Service Type</td> </tr> <tr> <td><input type="checkbox"/> Certified Mail</td> <td><input type="checkbox"/> Express Mail</td> </tr> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> <tr> <td><input type="checkbox"/> Insured Mail</td> <td><input type="checkbox"/> C.O.D.</td> </tr> </table>		3. Service Type		<input type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail	<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.
3. Service Type											
<input type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail										
<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise										
<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.										
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes									
2. Article Number (Copy from service label)											

PS Form 3811, July 1999

Domestic Return Receipt

702595-99-M-1789

UNITED STATES POSTAL SERVICE



First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-47.** Please confirm that a Form 3811 (July 1999 version) that is returned to the customer with neither of the boxes in section D checked has not been completed correctly by the Postal Service. If you do not confirm, please explain.

**RESPONSE:**

See my response to DBP/USPS-45(j).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-48.** Please provide all available facts and information confirming that stand-up talks have been conducted at the local level to discuss the new Form 3811.

**RESPONSE:**

To the best of my knowledge, information on stand-up talks is not collected at the Headquarters level.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-49.** To the extent that you have knowledge of facilities that have conducted stand-up talks to discuss the new Form 3811, please identify them.

**RESPONSE:**

See my response to DFC/USPS-T39-48.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-50.** Please provide all facts and information revealing the extent to which delivery employees are checking either the "yes" box or the "no" box in section D of new Forms 3811.

**RESPONSE:**

See my response to DFC/USPS-T39-43.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-51.** Please provide documents explaining the function or operation of the measurement system that determines the extent to which delivery employees scan Delivery Confirmation bar codes. Please also provide documents explaining the method by which this system determines the extent to which delivery employees scan Delivery Confirmation bar codes.

**RESPONSE:**

See my response to DFC/USPS-T39-31(b).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-52.** Please refer to your response to DFC/USPS-T39-32(a). Please provide an approximate number of inquiries that you reviewed and to which you responded during calendar year 1999 (or any one-year period that you select and identify).

**RESPONSE:**

During calendar year 1998, I responded directly or indirectly to approximately 50 inquiries.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-53.** Please refer to your response to DFC/USPS-T39-32(a). Please identify the special services for which your department has performed market research or other special studies since January 1, 1996, and provide documents describing the results of the market research and special studies.

**RESPONSE:**

The results of all but one special service market research performed since January 1, 1996 by my department, or under my department's direction have been included in Dockets No. MC96-3 and R97-1, for special services including certified mail, insured mail, registered mail, and post office boxes. A survey was sent out in 1999 to C.O.D. mailers, yet due to a lack of responses no documents describing the results were prepared.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-54.** Please estimate the number of members of the general public who do not work in the mailing community who attended Postal Forums in 1999.

**RESPONSE:**

I don't know and I would assume that this is a privacy matter. The Postal Service would not collect this information.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-55.** Please provide all facts and information concerning the percentage of transactions for certified mail plus return receipt where the mailer would have purchased solely the return receipt if certified mail had not been a prerequisite for purchasing return receipt.

**RESPONSE:**

See my response to DFC/USPS-T39-32(b).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-57.** Please refer to your response to DFC/USPS-T39-32(c). Do you believe that the interest expressed by individual intervenors in Commission cases for a stand-alone return-receipt service is unrepresentative of the interest in this service among the American public? If yes, please provide facts and information in support of your position.

**RESPONSE:**

To the best of my knowledge no individual intervenors have proposed a stand-alone return receipt service in any Commission cases. I cannot say whether your interest in this type of service is representative or unrepresentative of the American public. I have not seen anything that would indicate to me that there is even a lukewarm interest in this type of service among the general public.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-58.** Please confirm that a customer who wishes to mail a one-ounce letter containing a bank check at the one-ounce single-piece First-Class Mail rate and who desires to know only that the letter was delivered currently must purchase return receipt *plus* certified mail or registered mail to obtain this information. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. The customer could simply call the recipient to see if the piece was received or ask the recipient to return an enclosed postcard when he/she receives the mailpiece. The customer could purchase just certified mail or registered mail without return receipt service, and use return receipt after mailing service if he/she becomes concerned about whether the letter was delivered.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-59.** Please refer to your response to DFC/USPS-T39-35(b). Please provide a citation to the DMM or DMCS that confirms that a one-ounce letter would qualify as "merchandise."

**RESPONSE:**

I know of no citation to the DMM or the DMCS that defines merchandise for use with return receipt for merchandise. For example, a one-ounce letter could be merchandise if it is a letter that could be bought and sold.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-60.** Please refer to your response to DFC/USPS-T39-37. Please discuss the steps that you have taken to determine the number of facilities that do not deliver box mail on Saturdays and to examine any hardship for boxholders who do not receive mail at their post-office box on Saturdays.

**RESPONSE:**

I have not taken any steps to determine the number of facilities that do not deliver box mail on Saturdays, nor have I taken any steps to examine any hardship for boxholders who do not receive mail at their post office box on Saturdays. I was not even aware of this situation until you brought it up, which leads me to believe that any potential hardship from non-delivery post office boxes on Saturdays is a rare occurrence.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-61.** Please refer to your response to DFC/USPS-T39-37. Please explain how you determined, without knowing the number of facilities that do not deliver box mail on Saturdays, that fee differentiation based on whether a customer can receive box mail on Saturdays is not warranted.

**RESPONSE:**

See my response to DFC/USPS-T39-60. I also believe that adding a fee category related to Saturday service would be inconsistent with maintaining fee simplicity, and the Commission's support for a more cost-based fee structure.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-62.** Please refer to your testimony at page 43, lines 17–19. For a customer who wishes to send a letter via First-Class Mail, please identify all alternatives that exist to certified mail, including the specific services (e.g., mailing receipt, proof of delivery) that those alternatives provide. For this interrogatory, assume that the letter weighs 13 ounces or less, and the customer wishes to pay the single-piece First-Class Mail (not Priority Mail) rate corresponding to the weight of the letter. Assume that the letter contains only documents.

**RESPONSE:**

I am not sure what alternatives you are referring to with respect to certified mail. I am unclear as to whether you want a signature, delivery receipt, evidence of mailing, etc. Nonetheless, I could say registered mail and certificates of mailing are alternatives to certified mail. See my testimony at pages 123-124, and 36 for descriptions. Additionally, if the document is Standard Mail matter mailed at the First-Class rate, insurance is also an alternative. See my testimony at pages 60-61 for a description.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-63.** Please refer to your response to DFC/USPS-T39-25.

- a. Please provide all information you have, including legislative history and Commission precedent, supporting your assertion that the value-of-service criterion "is not intended to reflect differences in the value of service for particular post office box customers, or at various post offices."
- b. Please confirm that the non-resident fee for post-office boxes that the Postal Service proposed in Docket No. MC96-3 was based, in part, on a contention that non-resident boxholders receive a higher value of service than resident boxholders. If you do not confirm, please explain and provide citations to the record.

**RESPONSE:**

- a. I am not an expert in legislative history. I believe my value of service criterion discussions are consistent with other witnesses in past rate cases and in this present rate case proceeding. With respect to the value of service criterion discussed in my testimony for post office box pricing, it was not my intention to discuss differences in the various services provided at individual post offices and how they may differ from each other. See my response to DFC/USPS-T39-60.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-63 (CONTINUED)**

**RESPONSE:**

- b. Not confirmed. The non-resident fee proposal in Docket No. MC96-3 was based on the pricing criteria in my testimony, USPS-T-7, including the value of service criterion discussed on pages 37-38 of that testimony. While I noted that non-residents receive a high value of service, nowhere in my testimony do I contend that non-resident boxholders receive a higher value of service than resident boxholders.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-64.** Please refer to your response to DFC/USPS-31. Please confirm that Table B accurately summarizes information contained in the DMM pertaining to the service elements a customer may receive if he purchases certificate of mailing (middle column) or manual Delivery Confirmation (right column). If you do not confirm, please explain fully and correct this table.

**TABLE B**

<b>Service Element</b>	<b>Certificate of Mailing</b>	<b>Manual Delivery Confirmation</b>
Mailing Receipt	Yes	Available
Evidence of Mailing	Yes	No
Delivery Confirmation	No	Yes
Record of Delivery	No	No
Available with any mail class	Yes	No
Available with any special service	Yes	No

**RESPONSE:**

Your table appears to have all the corrections and revisions I suggested in DFC/USPS-31.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-65.** Please provide all facts and information the Postal Service has indicating that customers would not, in general, place a higher value on receiving mail at their post-office box Monday through Saturday than Monday through Friday only.

**RESPONSE:**

Such information has not been collected. I believe that a customer who obtains a box at a facility that does not provide Saturday service is interested primarily in Monday through Friday service and would not value Saturday service much, if at all. Moreover, the form of the question implies that the Postal Service would collect information on what customers do not value. I do not believe this would be a very sensible approach.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-66.** Please refer to your response to DFC/USPS-T39-26. Please explain why "customers generally should not expect mail delivery to post office boxes on holidays" given that POM § 125.22 requires incoming mail to be delivered to boxes on holidays at the main office and "generally" also at stations and branches.

**RESPONSE:**

POM Section 125.22 and DMM Section G011.1.5 both indicate that mail may not be delivered to boxes on holidays. In addition, it is my understanding that the POM provides guidelines, rather than requirements. Therefore, I believe customers generally should not expect mail delivery to post office boxes on holidays, especially if the lobby is not open. See my response to DFC/USPS-T39-26(a).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-67.** Please refer to your response to DFC/USPS-T39-26. Please also refer to POM Exhibit 125.22. Please provide copies of exceptions approved by the chief operating officer and executive vice president pertaining to the subject of DFC/USPS-T39-26(a).

**RESPONSE:**

There are no exceptions approved by the Chief Operating Officer and Executive Vice President.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T39-42-68)**

**DFC/USPS-T39-68.** Why did the Postal Service not implement the amendment to DMM § D042.1.7 that it proposed in 63 Fed. Reg. 12,874 (1998)?

**RESPONSE:**

The Postal Service decided to seek operational solutions to improve return receipt processing at high volume destinations rather than amend DMM section D042.1.7. As discussed on pages 22-23 of the Inspection Service report in LR-I-200, efforts to find operational solutions are ongoing.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**

**DFC/USPS-30.** Please confirm that Table A accurately summarizes information contained in the DMM pertaining to the service elements a customer may receive if he purchases certified mail plus return receipt (middle column) or return receipt for merchandise (right column). If you do not confirm, please explain fully and correct these tables.

**TABLE A**

<b>Service Element</b>	<b>Certified Mail + Return Receipt</b>	<b>Return Receipt For Merchandise</b>
Mailing Receipt	Yes	Yes
Record of Delivery	Yes	Yes
Return Receipt	Yes	Yes
Option to Purchase Restricted Delivery For Additional Fee	Yes	No

**RESPONSE:**

Not confirmed. Although the information contained in Table A is accurate, it does not fully summarize the similarities and differences between certified mail with return receipt and return receipt for merchandise. I would add the following to the table:

<u><b>Service Element</b></u>	<u><b>Certified Mail + Return Receipt</b></u>	<u><b>Return Receipt For Merchandise</b></u>
Available for use with First-Class Mail	Yes	No
Available for use with Priority Mail	Yes	Yes
Available for use with Std. Mail (B)	No	Yes
Option to waive signature	No	Yes
Option to purchase Special Handling	No	Yes



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**

**DFC/USPS-31.** Please confirm that Table B accurately summarizes information contained in the DMM pertaining to the service elements a customer may receive if he purchases certificate of mailing (middle column) or manual Delivery Confirmation (right column). If you do not confirm, please explain fully and correct these tables.

**TABLE B**

Service Element	Certificate of Mailing	Manual Delivery Confirmation
Mailing Receipt	No	Yes
Evidence of Mailing	Yes	No
Delivery Confirmation	No	Yes
Record of Delivery	No	No

**RESPONSE:**

Not confirmed. Table B is not accurate. A mailing receipt is not necessarily provided with manual Delivery Confirmation. See my response to DFC/USPS-T39-1. Therefore, I would suggest changing the mailing receipt row "Yes" answer under the manual Delivery Confirmation column to "Available".

Additionally, a certificate of mailing would provide a mailing receipt, demonstrating evidence of mailing, so in the certificate of mailing column, mailing receipt row, the answer of "No" should be changed to "Yes". I would add the following to the table:

<u>Service Element</u>	<u>Certificate of Mailing</u>	<u>Manual Delivery Confirmation</u>
Available for use with any mail class	Yes	No
Available for use with any special service	Yes	No



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**

**DFC/USPS-32.** Please confirm that a difference exists between a mailing receipt and evidence of delivery. If you do not confirm, please explain.

**RESPONSE:**

Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**

**DFC/USPS-33.** *Please explain the difference between a mailing receipt and evidence of delivery.*

**RESPONSE:**

A mailing receipt provides evidence of mailing. Evidence of delivery helps demonstrate that delivery occurred and provides evidence of mailing.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**


**DFC/USPS-34.** Please provide a copy of the following forms: Form 3800 (Certified Mail Receipt), Form 152 (Delivery Confirmation Receipt), and Form 3817 (Certificate of Mailing).

**RESPONSE:**

Please see the attached pages that contain front and back photocopies of the forms.



Attachment to response to DFC/USPS-34  
Page 1 of 3

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF RETURN ADDRESS. FOLD AT DOTTED LINE <b>CERTIFIED MAIL</b>				<b>U.S. Postal Service</b> <b>CERTIFIED MAIL RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)	
				Article Sent To:	
Postage	\$	Postmark Here			
Certified Fee					
Return Receipt Fee (Endorsement Required)					
Restricted Delivery Fee (Endorsement Required)					
Total Postage & Fees	\$				
Name (Please Print Clearly) (to be completed by mailer)					
Street, Apt. No., or PO Box No.					
City, State, ZIP+4					
PS Form 3800, July 1999					
See Reverse for Instructions					

### Certified Mail Provides:

- A mailing receipt
- A unique identifier for your mailpiece
- A signature upon delivery
- A record of delivery kept by the Postal Service for two years

### Important Reminders:

- Certified Mail may ONLY be combined with First-Class Mail or Priority Mail.
- Certified Mail is not available for any class of international mail.
- NO INSURANCE COVERAGE IS PROVIDED with Certified Mail. For valuables, please consider Insured or Registered Mail.
- For an additional fee, a Return Receipt may be requested to provide proof of delivery. To obtain Return Receipt service, please complete and attach a Return Receipt (PS Form 3811) to the article and add applicable postage to cover the fee. Endorse mailpiece "Return Receipt Requested". To receive a fee waiver for a duplicate return receipt, a USPS postmark on your Certified Mail receipt is required.
- For an additional fee, delivery may be restricted to the addressee or addressee's authorized agent. Advise the clerk or mark the mailpiece with the endorsement "Restricted Delivery".
- If a postmark on the Certified Mail receipt is desired, please present the article at the post office for postmarking. If a postmark on the Certified Mail receipt is not needed, detach and affix label with postage and mail.

**IMPORTANT: Save this receipt and present it when making an inquiry.**

PS Form 3800, July 1999 (Reverse)

102565-99-11-2067



United States Postal Service  
**DELIVERY CONFIRMATION**



0304 7490 0000 0721 4871

DELIVERY CONFIRMATION NUMBER

0304 7490 0000 0721 4871

# U.S. Postal Service Delivery Confirmation Receipt

Postage and Delivery Confirmation fees must be paid before mailing.

(Article Sent To: (to be completed by mailer))

(Please Print Clearly)

Postmark  
Here

**POSTAL CUSTOMER:**  
Keep this receipt. For inquiries: Access  
Internet web site at [www.usps.com](http://www.usps.com)  
or call 1-800-222-1811

CHECK ONE (POSTAL USE ONLY)

- ☐ Priority Mail  
☐ Standard Mail (B)

(See Reverse)

PS Form 162, March 1999

## U.S. Postal Service Delivery Confirmation

### This Service

- provides confirmation of delivery/attempted delivery data upon inquiry
- is available with Priority Mail and Standard Mail (B)  
(Parcel Post, Bound Printed Matter, Special Standard, Library) only

No insurance coverage is provided. If indemnity coverage is desired, consider insured mail, registered mail, or other special service that provides coverage. Contact your local postmaster for information concerning available options and limitations on coverage.

### HOW TO USE:

1. COMPLETE FORM  
Type or print clearly2. AFFIX POSTAGE  
or meter stamp3. ATTACH LABEL  
above or to left of delivery address4. DEPOSIT  
in the nearest  
mail office for  
postmark and processing

PS Form 162, March 1999

102595-06-44-0010



Attachment to response to DFC/USPS-34  
Page 3 of 3

U.S. POSTAL SERVICE	CERTIFICATE OF MAILING
MAY BE USED FOR DOMESTIC AND INTERNATIONAL MAIL, DOES NOT PROVIDE FOR INSURANCE-POSTMASTER	
Received From:	
<hr/>	
<hr/>	
One piece of ordinary mail addressed to:	
<hr/>	
<hr/>	
<hr/>	

Affix fee here in stamps  
or meter postage and  
post mark. Inquire of  
Postmaster for current  
fee.

PS Form 3817, Mar. 1989



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-30-35)**

**DFC/USPS-35.** Please provide all evidence the Postal Service has indicating that customers would not, in general, place a higher value on receiving mail at their post-office box Monday through Saturday than Monday through Friday only.

**RESPONSE:**

I know of no evidence the Postal Service has indicating that customers would or would not, in general, place a higher value on receiving mail at their post office box Monday through Saturday than Monday through Friday only. Please see my response to DFC/USPS-T39-12.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-36-37)**

**DFC/USPS-36.** Please confirm that a difference exists between a mailing receipt and evidence of mailing. If you do not confirm, please explain.

**RESPONSE:**

Not necessarily confirmed. A mailing receipt prepared by the Postal Service can serve as evidence of mailing and therefore, in that instance, there is inherently no difference. In cases where a mailer would prepare his/her own mailing receipt, the mailing receipt may not be accepted as evidence of mailing by some parties, such as a court or government agency.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-36-37)**

**DFC/USPS-37.** Please explain the difference between a mailing receipt and evidence of mailing.

**RESPONSE:**

There is not necessarily a difference between a mailing receipt and evidence of mailing.

Please see my response to DFC/USPS-36 above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM WITNESS DAVIS  
(DFC/USPS-T30-10-11)**

**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.
- 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.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM WITNESS DAVIS  
(DFC/USPS-T30-10-11)**

**DFC/USPS-T30-10 (CONTINUED).**

- d. Please see my response to DFC/USPS-30. Since you have requested the service elements for certified mail only versus return receipt for merchandise, the return receipt element for certified mail only should be "No" instead of "Yes." Otherwise, DFC/USPS-30 applies. Also, a customer of certified mail receives *options* for return receipt at the time of mailing or after mailing, so the customer could choose to wait and see if there were any uncertainty or dispute concerning the delivery before requesting a return receipt. A customer of return receipt for merchandise, on the other hand, *must* pay for *both* the delivery record and the return receipt at the time of mailing. Additionally, in cases where the return receipt for merchandise customer waives the signature requirement, the delivery record for the certified mail customer will include the signature of the addressee or addressee's agent, while the delivery record for the return receipt for merchandise customer will not.
- e. See my responses to DFC/USPS-30 and part (d) above.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES REDIRECTED FROM WITNESS DAVIS  
(DFC/USPS-T30-10-11)**

**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.

**RESPONSE:**

- a. This percentage is not available. See my response to DFC/USPS-T39-1(a).
- b. See my response to DFC/USPS-T39-1(b).
- c. See my response to DFC/USPS-T39-1(a).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-1.** On page 27 of your prepared testimony you indicate that the seventh criterion for establishing postal rate and fee levels is to offer simple and identifiable relationships.

- (a) Please confirm that your proposed unit fee for pre-approved prebarcoded, automation-compatible QBRM letters received in bulk is 3 cents. If you cannot confirm, please explain.
- (b) Please confirm that your proposed unit fee for nonstandard, bulky, non-uniform and non-machineable BRM, weighing over two ounces and received in bulk, is 1 cent. If you cannot confirm, please explain.
- (c) Please confirm that at your proposed fees, the minimum quantity required to make the QBRM 3-cent fee attractive to bulk mail recipients is 113,000 per year. See page 28 of your prepared testimony. If you cannot confirm, please explain.
- (d) Please confirm that at current fees, the minimum quantity required to make the non-letter BRM 1-cent fee attractive to bulk mail recipients is 102,857 pieces per year. See Docket No. MC99-1, USPS-T-4, p. 17. If you cannot confirm, please explain.
- (e) Please confirm that at your proposed fees, the minimum quantity required to make the non-letter BRM 1-cent fee attractive to bulk mail recipients will be 80,000 pieces per year. ( $.10 \times V = .01 \times 600 \times 12$ ;  $V = 80,000$ ). If you cannot confirm, please explain.
- (f) Please confirm that in Docket No. MC99-2, USPS witness Schenk (USPS-T-3, p. 14) found that Postal Service personnel could weigh and count an average of 7,365.7 non-letter size BRM pieces per hour. If you cannot confirm, please explain.
- (g) Please consider two situations wherein the Postal Service must count BRM pieces for rating purposes. In situation A, there are 10,000 clean, barcoded, machineable letters. In situation B there are 10,000 non-uniform, bulky small parcels. In your view, would it be less expensive for rating purposes to count the pieces in situation A or situation B? Please explain your answer.
- (h) Please explain why you believe that the Postal Service's proposed 3-cent fee for QBRM letters and a 1-cent fee for BRM small parcels are both consistent with criterion 7?



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-1 (CONTINUED)**

**RESPONSE:**

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed, compared to the proposed 6-cent fee.
- (d) Confirmed, assuming you were referring to Docket No. MC99-2.
- (e) Confirmed with respect only to the breakeven quantity of 80,000 pieces annually, compared to the proposed 10-cent fee. I cannot confirm the equation provided.
- (f) Redirected to witness Campbell.
- (g) According to the cost information I received from witness Campbell, it would appear to be less expensive for rating purposes to count the pieces in situation B, if weight averaging were used.
- (h) Both the proposed one-cent non-letter size and the three-cent QBRM letter proposed fees are simple in maintaining whole-cent rounding constraints. Further, the proposed one-cent non-letter size fee is the same as the current fee, which should make it extremely simple and easy to remember.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-2.** On page 25 of your prepared testimony you state that the QBRM unit cost is 2.05 cents and the BRM non-letter unit cost is .58 cents.

- (a) Did you perform any independent evaluation of these cost figures provided to you by other Postal witnesses, or did you just simply accept them as they were given to you?
- (b) Were you at all concerned that, based on the Postal Service cost figures, the cost of counting clean, machineable QBRM reply mail letters received in bulk is more than 3 ½ times the cost of counting bulky, non-uniform small parcels? Please explain your answer.

**RESPONSE:**

- (a) I accepted the cost figures provided by witness Campbell.
- (b) I was not concerned that the QBRM letters were more costly than the non-letters since each one employs a different method for rating purposes.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-3.** On page 26 of your testimony you explain your derivation of the QBRM quarterly fee. You state, "the QBRM quarterly fee cost of \$237.93 was increased \$45". Your footnote to the \$237.93 quarterly fee cost reads, "Cost from USPS-T-29, page 16 plus contingency".

- (a) Where, precisely on page 16 of USPS-T-29, is that \$237.93 figure found, either with or without the contingency?
- (b) Did you mean to cite "the QBRM quarterly fee cost of \$237.93" to USPS-T-29, page 15, line 20?
- (c) If your answer to part (b) is yes, doesn't USPS witness Campbell derive a "volume weighted fixed cost per high-volume QBRM account...of \$232.13 per month" so that the cost is per month rather than per quarter?
- (d) How did you take USPS witness Campbell's monthly cost of \$232.13 to formulate your proposed quarterly cost of \$850?
- (e) Please explain why you increased the QBRM quarterly fee cost by \$45.
- (f) Please provide the date on which you finalized your proposed \$850 quarterly fee for high volume QBRM.
- (g) Did you perform any independent evaluation of the \$232.13 monthly cost figure provided to you by USPS witness Campbell, or just simply accept it as it was given to you?

**RESPONSE:**

- (a) An erratum was filed on January 28, 2000 which corrected the page cite from USPS-T-29, page 16 to page 15.
- (b) See my response to (a) above.
- (c) Yes. Also, please see an erratum filed February 18, 2000 that defines the QBRM quarterly fee cost as a monthly cost for the quarterly fee.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSPAN ENERGY (KE/USPS-T39-1-8)**

**KE/USPS-T39-3 (CONTINUED)**

**RESPONSE:**

- (d) I added a 2.5 percent contingency to the monthly cost and followed the procedure outlined in my testimony on page 26, lines 2-3, as revised February 18, 2000.
- (e) Forty-five dollars was the monthly markup I applied to arrive at the proposed quarterly fee, based on the application of the statutory pricing criteria.
- (f) The Postal Service Board of Governors approved the filing of Docket No. R2000-1 on January 10, 2000, and my proposed fees were finalized then.
- (g) I accepted the cost figures provided by witness Campbell.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-5.** On page 28 of your prepared testimony you indicate that at your proposed fees, "the volume at which it will pay to switch to the two-part (QBRM high-volume) fee structure is... 113,000 pieces per year."

- (a) Did you perform any studies or analyses to determine that such a volume would in fact result in cost savings to the Postal Service. If yes, please provide copies of all such documents?
- (b) Other than your proposed fees for QBRM letters in this proceeding, are there any other factors that you considered in determining the 113,000 annual minimum volume figure to "qualify" for the QBRM high volume program? Please explain your answer.
- (c) Please provide the date on which you realized that the break-even volume would be 113,000 pieces per year.

**RESPONSE:**

- (a) No.
- (b) No. There is no minimum volume to "qualify" for the QBRM letter fee utilizing the quarterly fee. Please see your wording in KE/USPS-T39-1(c).
- (c) The break-even volume was determined using the proposed fees, which were finalized when the Postal Service Board of Governors approved the filing of Docket No. R2000-1 on January 10, 2000.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-6.** Please refer to USPS-T-39, WP-5.

- (a) Please explain why you believe (as noted in footnote 2) that one-third of the 461.61 million QBRM letters expected in the test year will qualify for the USPS proposed reduced 3-cent fee. As part of your answer, please provide any studies, analyses, or other documents you reviewed in formulating your response.
- (b) Please confirm that you estimate that 4 nonletter-size BRM recipients will qualify for the reduced 1-cent fee, and will pay the fixed monthly charges for the test year? If you cannot confirm, then please state what is the correct number of recipients who will take advantage of the nonletter-size BRM reduced per piece fee (with fixed monthly charge)?
- (c) What is the basis for your assumption (stated in footnote 5) that the average volume of letters received by high volume QBRM recipients will be equal to the minimum breakeven quantity of 113,000 pieces per year?
- (d) Please confirm that you estimate that 1,358 QBRM recipients will qualify for the reduced 1-cent fee and will pay the fixed quarterly charges for the test year? If you cannot confirm, then what is the correct number of recipients you expect will take advantage of the QBRM per piece fee of 3 cents (with fixed quarterly charge)?
- (e) Have you performed any marketing studies to test, justify, or support your estimates regarding (1) the number of high volume QBRM recipients that will take advantage of the proposed QBRM per piece fee of 3 cents (with fixed quarterly charge), or (2) the average volume of letters received by high volume QBRM recipients who do take advantage of this proposal. If such studies were performed, please supply those documents. If such studies were not conducted, please explain why not?
- (f) Suppose your estimate of 1,358 QBRM (high volume) recipients is high by wide margin and that the real figure is closer to, say 50. Would this change the costing and pricing of your proposal in any way? Please explain.
- (g) What was the volume per year for each of the top 100 QBRM recipients for FY 98 or the latest year for which such information is available? If the requested information is not available in the form requested, please provide the total QBRM revenue, or similar data, for each of the top 100 QBRM recipients for FY 98 or the latest year for which such information is available.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-1-6)**

**KE/USPS-T39-6 (CONTINUED)**

**RESPONSE:**

- (a) I used an estimate based on the Prepaid Reply Mail migration estimate I used in Docket No. R97-1.
- (b) Confirmed.
- (c) Footnote 5 provides the calculations for estimating the proposed number of quarterly fee accounts. In the absence of market research or studies, I believe this was the best method to arrive at an estimate.
- (d) I can only confirm that I estimate 1,358 QBRM mailers would find it advantageous to pay the quarterly fee and a 3-cent fee (as opposed to a 1-cent fee).
- (e) No. The Postal Service did not deem any marketing study for this issue necessary.
- (f) A response to this interrogatory involves pure speculation. If my proposal is recommended and approved, and the actual number of QBRM high volume mailers taking advantage of the quarterly fee option is 50, the costing could possibly change and therefore the pricing could possibly change. I cannot provide a definitive answer of whether costing and pricing changes are certain given a hypothetical volume of 50.
- (g) I am unable to provide the requested information since the Postal Service does not track all QBRM mailers in any centralized data system.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-7** Please refer to your answer to Interrogatory KE/USPS-T39-1 (e) where you discuss the "breakeven" volume for nonletter-size BRM received in high volumes.

- (a) Please confirm that the correct equation to compute the "breakeven" volume for nonletter-size BRM under your proposal of 80,000 pieces per year is as follows:

$$.10 \times V = .01V + 600 \times 12 \text{ where } V = \text{"Breakeven" Volume}$$

- (b) Please confirm that the average volume received per nonletter-size BRM account in FY 1998 was 1.262 million pieces. See LR-T-39, WP-5, which shows a total of 5.409 million pieces received by four recipients. If you cannot confirm, please explain why not.
- (c) Please confirm that the average number of pieces received per recipient was more than 12 times the "breakeven" volume in effect in 1998 and more than 15 times the proposed "breakeven" volume. If you cannot confirm, please explain why not.
- (d) Did you consider this relationship between pieces actually received by BRM recipients versus the theoretical "breakeven" volume when you projected the average number of pieces received per recipient for QBRM received in high volumes, as shown in LR-T-39, WP-5? If you did consider that relationship, please explain how you gave that effect to such considerations and what impact, if any, they had on your calculations. If you did not consider that relationship, please explain why not?

**RESPONSE:**

- a. Confirmed.
- b. Confirmed that the average volume per account in FY 1998 was 1.262 million pieces. The total volume of 5.409 in your interrogatory should be 5.049.
- c. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-7 (CONTINUED)**

**RESPONSE:**

- d. No. Since the non-letter size BRM was not permanently implemented as this omnibus case was being prepared, I did not correlate the breakeven volume for non-letter size BRM with the proposed quarterly fee QBRM volume.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-8** Please refer to your answer to Interrogatory KE/USPS-T39-1 (g). In that response you rely on USPS witness Campbell's cost study to conclude that it is less expensive to count 10,000 non-uniform, bulky small parcels than it is to count 10,000 clean, barcoded machinable letters.

- (a) Please confirm that 10,000 clean, barcoded machinable letters will take up more sacks (or trays) than 10,000 non-uniform, bulky small parcels, thereby requiring more sacks (or trays) to weigh and more time for postal service to derive an estimated quantity. If you cannot confirm, please draw upon your expertise to explain your answer.
- (b) Please confirm that 10,000 clean, barcoded machinable letters will require more sampling time to derive a weight-to-quantity conversion factor than the sampling time required for 10,000 non-uniform, bulky small parcels, thereby requiring more time to derive an estimate of the quantity. If you cannot confirm, please draw upon your expertise to explain your answer.
- (c) If you cannot confirm either situation in parts (a) and (b), how does charging a 3-cent BRM fee for the letters, which is three times the BRM fee for the small parcels, consistent with criterion 7 of the Act? (Criterion 7 of the Act calls for simple, identifiable relationships between the rates or fees charged.) Please explain your answer.
- (d) Please confirm that it is less costly to hand count 10,000 clean, barcoded machinable letters to obtain an estimated count than it is to weigh 10,000 clean, barcoded machinable letters to obtain an estimated count. If you cannot confirm, please draw upon your expertise to explain your answer.
- (e) Please confirm that it is more costly to hand count 10,000 non-uniform, bulky small parcels to obtain an estimated count than it is to weigh 10,000 non-uniform, bulky small parcels to obtain an estimated count. If you cannot confirm, please draw upon your expertise to explain your answer.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-8 (CONTINUED)**

**RESPONSE:**

- a. Redirected to witness Campbell.
  - b. Redirected to witness Campbell.
  - c. The proposed three-cent fee is simple and one-half of the proposed QBRM without the quarterly fee piece fee of six cents, which provides for an identifiable relationship between the two fees. Additionally, the proposed postage discount for QBRM with the quarterly fee is three cents which is identical to the proposed fee. This demonstrates another identifiable relationship, specifically between the proposed fee and the proposed discount.
  - d. Redirected to witness Campbell.
  - e. Redirected to witness Campbell.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-9** Please refer to your answer to Interrogatory KE/USPS-T39-1 (h). In your response you propose BRM fees that are subject to a whole cent rounding constraint.

- (a) Do you agree that high volume QBRM recipients and high volume nonletter-size BRM recipients are sophisticated mailers who can understand more complex postal procedures and a fractional fee? If you do not agree, please *explain why not*?
- (b) Why do you propose fees that are subject to a whole-cent rounding constraint for high volume QBRM recipients and high volume nonletter-size BRM recipients?

**RESPONSE:**

- a. Although I would never wish to imply that high volume QBRM recipients and high volume non-letter size BRM recipients are not sophisticated mailers, the fact remains that these recipients are paying postage with whole-cent constraints when receiving BRM. With respect to BRM, I have nothing to base any speculation on with respect to BRM recipients using fractional fees or fractional postage.
  - b. Consistent with the rest of the special service (including BRM) fees, both current and proposed, all fees are minimally in whole-cent constraints.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-10** Please refer to your answer to Interrogatory KE/USPS-T39-2 (b) where you state that you are not concerned that QBRM letters are more costly to count than nonletter-size BRM "since each one employs a different method for rating purposes."

- (a) Please define "rating" as you have used that term.
  - (b) Please describe the differences in the rating methods employed for QBRM and for nonletter-size BRM.
  - (c) Please explain how the method of rating is relevant to the cost of counting.
  - (d) Does the postal service count and rate BRM using the most efficient manner possible? Please support your answer.
  - (e) Why does the apparently higher cost of counting clean, barcoded machinable letters, as compared to non-uniform, bulky small parcels, not concern you even if different methods are employed for rating purposes?
  - (f) Are you aware that USPS witness Campbell did not attempt to study possible differences in the methods used to count QBRM received in high volumes and QBRM received in low volumes? See witness Campbell's response to Interrogatory KE/USPS-T29-2 (f) and KE/USPS-T29-1 1.
  - (g) Does USPS witness Campbell's failure to study the possible differences in methods used to count QBRM received in high volumes and QBRM received in low volumes concern you? Please explain fully the reasons why it does or does not concern you.
  - (h) In your opinion, why is it appropriate to propose different per piece fees for QBRM letters depending upon whether they are received in high or low volumes, without knowing whether or not there are different methods for counting these pieces?
  - (i) In your opinion, is volume the primary factor in determining the method of counting BRM?
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-10 (CONTINUED)**

**RESPONSE:**

- a. I have used the term "rating" to broadly describe the process that results in postage determination based on the counts.
  - b. In my response to KE/USPS-T39-2(b) I was referring to different counting methods for rating purposes, as opposed to different rating methods for rating purposes.
  - c. Please see my response to KE/USPS-T39-10(b).
  - d. It is not clear from the question which type of BRM you are referring to; however, I believe the Postal Service generally strives to use the most efficient methods possible in all operations, balancing competing considerations.
  - e. As a pricing witness, I am concerned with the actual cost estimates, not necessarily the costing methodology. I price the special services based on actual cost estimates and other factors. Please see my response to KE/USPS-T39-2(a).
  - f. Yes, based on his interrogatory responses.
  - g. No. Please see my response to KE/USPS-T39-2(a).
  - h. I proposed different per piece fees based on the costs, among other factors. Please see my testimony at pages 25-28.
  - i. Redirected to witness Campbell.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-11.** Please refer to your answer to Interrogatory KEIUSPS-T39-3 (f) where you state that your proposed \$850 quarterly fee for high volume QBRM was finalized when the Board of *Governors* approved the filing for Docket No. R2000-1.

- (a) Please confirm that three items, namely (1) the quarterly fee, (2) the associated per piece fee, and (3) the alternative per piece fee, all determine the "breakeven" volume necessary to make the proposed new QBRM category attractive to perspective recipients who receive high volumes. If you cannot confirm, please explain.
  - (b) Please confirm that when USPS witness Campbell performed his cost analyses for QBRM received in high volumes and for QBRM received in low volumes (see USPS LR-I-162, Schedule B, pages 2 and 3), he did not have, at that time, the benefit of knowing what your proposed quarterly fee would be for OBRM received in high volumes. If you cannot confirm, please *explain*.
  - (c) Please confirm that when USPS witness Campbell performed his cost analyses for QBRM received in high volumes and for OBRM received in low volumes (see USPS LR-I-162, Schedule B, pages 2 and 3), he did not have, at that time, the benefit of knowing what your proposed per piece fee would be for OBRM received in high volumes. If you cannot confirm, please explain.
  - (d) Please confirm that when USPS witness Campbell performed his cost analyses for QBRM received in high volumes and for QBRM received in low volumes (see USPS LR-I-162, Schedule 81 pages 2 and 3), he did not have, at that time, the benefit of knowing what your proposed per piece fee would be for QBRM received in low volumes. If you cannot confirm, please explain.
  - (f) Please confirm that when USPS witness Campbell performed his cost analyses for OBRM received in high volumes and for QBRM received in low volumes (see USPS LR-I-162, Schedule B, pages 2 and 3), he did not have, at that time, the benefit of knowing what the proposed "breakeven" volume for QBRM received in high volumes was going to be. If you cannot confirm, please explain.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSAN ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-11 CONTINUED**

**RESPONSE:**

a. Confirmed.

b-e. Redirected to witness Campbell.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-12.** Please refer to your answer to Interrogatory KE/USPS-T39-6 (c)-(f). In your responses you discuss the derivation of the number of QBRM recipients likely to take advantage of the newly proposed QBRM rate category and the possible cost implications related thereto.

- (a) Please confirm that the method you employ is, in your opinion, the best possible method for ascertaining the number of QBRM recipients likely to take advantage of the newly proposed QBRM fee category and the possible cost implications related thereto. If you cannot confirm, please explain why not.
- (b) Please confirm that the method you employ provides the absolute maximum possible number of high volume QBRM recipients that would take advantage of the newly proposed QBRM fee category? If you cannot confirm, please explain.
- (c) In view of the marketing study performed by the Postal Service in MC99-2 to estimate the number of nonletter-size BRM recipients likely to take advantage of the new rate category proposed for recipients of high volumes, why did the Postal Service determine that no similar marketing study was necessary for purposes of estimating the number of QBRM letter recipients likely to take advantage of the new rate category proposed for recipients of high volumes in the R2000-1 proceeding? Please provide copies of all documents that discuss the need for developing estimates of the number of QBRM letter recipients likely to take advantage of the new fee category proposed for recipients of high volumes in the R2000-1 proceeding.
- (d) Please explain and illustrate with a numerical example how, in your words "the costing could possibly change and therefore the pricing could possibly change," depending on the actual number of high volume QBRM recipients who take advantage of the newly proposed rate category. For purposes of the example used in your response to this part, please assume that only 50, rather than 1358, high volume QBRM recipients take advantage of the newly proposed rate category.
- (e) Part (a) of the referenced KeySpan interrogatory asked you to provide copies of certain documents relating to your estimate of the number of QBRM pieces that will qualify for the 3-cent high volume per piece fee in the test year. Your response indicates that you "used an estimate based on the Prepaid Reply Mail migration estimate [you] used in Docket No. R97-1." Please provide copies of the documents that show the derivation of the migration estimate you used in Docket No. R97-1 and the derivation of the estimate you used in this proceeding.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-12 (CONTINUED)**

- (f) Your response to part (9) of Interrogatory KE/USPS-T39-6 indicates that "the Postal Service does not track all QBRM mailers in any centralized data system. Please state what Postal Service "data systems," including databases, or information systems of any kind or description, contain information about QBRM mailers (whether such data system is centralized or decentralized and whether the data system contains information regarding all QBRM mailers or only a portion of the QBRM mailer universe) and indicate for each such data system the type of QBRM recipient information contained and the approximate percentage of all QBRM recipients whose information is contained in such data system.
- (g) What data system was used to gather information that you used to determine how many QBRM reply mail pieces were received in the Base Year?

**RESPONSE:**

- a. Confirmed that this was the best method I had for purposes of ascertaining a number for my workpapers.
- b. Confirmed.
- c. The Postal Service assumed the one-third/two-thirds split from Docket No. R97-1 was a reasonable estimate to use in this case and no marketing study was necessary. Specifically, the assumption is that two-thirds of the QBRM volume would remain in non-quarterly fee QBRM and one-third of the QBRM volume would move to QBRM with the quarterly fee. Similarly, the assumption in Docket No. R97-1 was that two-thirds of BRMAS volume would shift to Prepaid Reply Mail and one-third of the BRMAS volume would remain.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF KEYSpan ENERGY (KE/USPS-T39-7-12)**

**KE/USPS-T39-12 (CONTINUED)**

**RESPONSE:**

- d. Again, this would involve pure speculation and I cannot answer given a hypothetical volume. According to the data system referenced in (f) below, at least 486 BRM mailers have reported annual volumes for one ounce pieces exceeding the breakeven volume that would make the proposed QBRM with the quarterly fee attractive. Therefore, even hypothetically, I would venture to say a volume of 50 is unrealistic.
- e. Please see witness Fronk's Docket No. R97-1 workpaper (attached) which was used for both Dockets No. R97-1 and R2000-1.
- f. I am aware of one database that tracks BRM mailers. This database is the Corporate Business Customer Information System (CBCIS). CBCIS is a centralized system and contains information for the majority of the QBRM mailer universe. The type of recipient information includes customer name, account number, the postal facility, the area, the district, volume, and revenue.
- g. I used the Revenue, Pieces and Weight system to get the base year volume.



## Migration of Test Year First-Class BRM to QBRM and to PRM

TEST YEAR BRM (Old Rates)	TEST YEAR BRM TO QBRM (Proposed Rates)	TEST YEAR BRM TO PRM (Proposed Rates)
<b>1. Prebarcoded Letters at 2-cent BRM Fee (1 and 2 oz.)</b> <ul style="list-style-type: none"> <li>• TY 1998 Volume of 419.4 million <sup>1/</sup></li> <li>• First Ounce Postage \$.32</li> <li>• BRMAS Fees \$.02</li> <li>• Total Postage \$.34</li> </ul>	<b>1. Letters to QBRM</b> <ul style="list-style-type: none"> <li>• Volume is 132.8 million (of 419.4) <sup>2/</sup></li> <li>• First Ounce Postage \$.30 (QBRM)</li> <li>• BRM Fee \$.06</li> <li>• Total Postage \$.36</li> </ul>	<b>1. Letters to PRM</b> <ul style="list-style-type: none"> <li>• Volume is 286.6 million (of 419.4) <sup>2/</sup></li> <li>• Break-even is 200,000 per permit</li> <li>• 294 Permits</li> <li>• First Ounce Postage \$.30 (PRM Rate)</li> <li>• Monthly Fee of \$1,000</li> </ul>
<b>2. Prebarcoded Cards at 2-cent BRM Fee</b> <ul style="list-style-type: none"> <li>• TY 1998 Volume of 108.3 million <sup>1/</sup></li> <li>• First Ounce Postage \$.20</li> <li>• BRMAS Fees \$.02</li> <li>• Total Postage \$.22</li> </ul>	<b>2. Cards to QBRM</b> <ul style="list-style-type: none"> <li>• Volume is 47.1 million (of 108.3) <sup>2/</sup></li> <li>• First Ounce Postage \$.18 (QBRM)</li> <li>• BRM Fee \$.06</li> <li>• Total Postage \$.24</li> </ul>	<b>2. Cards To PRM</b> <ul style="list-style-type: none"> <li>• Volume is 61.2 million (of 108.3) <sup>2/</sup></li> <li>• Break-even is 200,000 per permit</li> <li>• 83 Permits</li> <li>• First Ounce Postage \$.18 (PRM Rate)</li> <li>• Monthly Fee of \$1,000</li> </ul>

<sup>1/</sup> Total Test Year card and letter volume of 527.7 million pieces from witness Needham (USPS-T-39). Allocated to cards and letters based on FY 1996 proportion of 79.48 percent letters and 20.52 percent cards.

<sup>2/</sup> Portion of volume to QBRM and PRM determined using break-even analysis comparing monthly fee of \$1,000 (\$12,000 annually) with per-piece fee of 6 cents. PRM is financially advantageous at volumes of 200,000 pieces or more per year. Permits at this volume level determined using FY 1996 data contained in USPS Library Reference H180. Because Permit System data contained in that library reference represented 44.17 percent of the FY 1996 prebarcoded, 2-cent fee letter volume and 38.16 percent of the FY 1996 prebarcoded, 2-cent fee card volume, the library reference volume and permit number data for permits with annual volumes of at least 200,000 pieces were scaled up using these percentages and then multiplied by 3 percent to represent growth from FY 1996 to the Test Year.

**Note:** 286.6 million letters and 61.2 million cards convert from prebarcoded, 2-cent fee BRM to PRM with a \$1,000 monthly fee for PRM.

The new monthly fee of \$1,000, or \$12,000 per year, will be paid by 294 BRM letter customers, 83 BRM card customers, and an estimated 100 CEM customers, or a total of 477 customers.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-1-2)**

**OCA/USPS-T39-1.** Please refer to your testimony, pages 15 and 16, in which you utilize a test year cost for Bulk Parcel Return Service of \$1.13 per piece derived from the cost determined by USPS witness Eggleston in USPS-T-26, plus contingency.

- (a) Please confirm that your reference on page 15, footnote 5, to pages 41-44 of USPS-T-26 should be to pages 30-40. If not, please explain.
- (b) Please provide your calculations for adjusting witness Eggleston's test year BPRS cost of \$1.105 at USPS-T-26, page 40, to arrive at the \$1.13 test year BPRS cost to which you apply a cost coverage. Please provide all supporting documentation.
- (c) Please indicate your basis for the contingency amount you applied to witness Eggleston's BPRS cost.
- (d) Please explain your basis for selecting a nickel rounding constraint rather than, for instance, a penny rounding constraint.
- (e) If witness Eggleston revised the total BPRS test year volume variable unit cost shown on USPS-T-26, page 40, either up or down, would you adjust your BPRS rate recommendation accordingly, by recalculating the BPRS cost using witness Eggleston's revised test year cost (to which you apply the contingency and add the cost coverage)? If not, please explain.

**RESPONSE:**

- a. Confirmed only that the footnote reference should be to page 40. Errata will be filed later.
- b. I multiplied witness Eggleston's cost per piece of \$1.105 by 1.025 (the contingency of 2.5 percent). The calculation is in the after rates cost per piece column (Column 2) of my W/P 32 of LR-I-168 on page 1 of 7.
- c. The basis for the 2.5 percent contingency used as the standard contingency in this rate case can be found in witness Tayman's testimony (USPS-T-9, pp. 43-46).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-1-2)**

**OCA/USPS-T39-1. CONTINUED**

- d. I used a nickel rounding constraint versus a penny rounding constraint for purposes of fee simplification. The current fee was designed using a nickel rounding constraint and I felt that was a reasonable constraint to use in my fee proposal.
- e. I might propose a different fee for BPRS if I were to receive a revised cost from witness Eggleston that was significantly different from the one she provided. I might not propose a different fee if a revised cost from witness Eggleston resulted in a cost coverage close to the target.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-1-2)**

**OCA/USPS-T39-2.** On page 17 of your testimony, you state that "the major consideration in developing the proposed BPRS per piece fee was maintaining a cost coverage close to the systemwide average." With a cost of \$1.13 per piece and a proposed rate of \$1.65 your proposed cost coverage is 146 percent.

- (a) What systemwide average cost coverage did you assume when you prepared your testimony?
- (b) If the systemwide average cost coverage were altered significantly in this proceeding, would your recommendation be altered to conform to the new systemwide average, as adjusted by the nickel rounding constraint?

**RESPONSE:**

- a. As the systemwide cost coverage was not finalized when I developed this proposed fee, I reviewed past omnibus case systemwide average cost coverages, while keeping in mind the recommend cost coverage from the establishment of the BPRS service.
- b. I would probably revise my proposed fee if the systemwide average cost coverage were altered significantly.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-4.** Please refer to your testimony at page 60.

- a. Please explain the reason for the large increase in costs for insurance which caused you to propose a 59% increase in the rate for Unnumbered Insurance up to \$50.
- b. As a rate/fee design witness, did this large increase disturb/alarm you? Please explain.
- c. Did this large increase cause you to investigate further? Why or why not?

**RESPONSE:**

- a. Redirected to witness Davis.
- b. I was actually not shocked by the cost increase. I suspected that the costs were too low in the last rate case. Although it is not desirable to propose a fee increase of this magnitude, it was necessary to cover the costs for this service that had been under-reported in the past.
- c. I discussed the cost increase with witness Davis, was not surprised by the cost increase, and did not feel any further investigation was necessary.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-5.** In prior dockets, a workpaper detailing indemnity costs was filed and used to aid in the setting of fees for insurance.

- a. Did you use such a document? If not, why not?
- b. Please provide an indemnity analysis.

**RESPONSE:**

- a. Yes.
- b. Please see the attached indemnity analysis.



**FY 1998 Insurance Indemnity Costs**

Value Up To	Transactions <sup>1</sup>	Claims <sup>2</sup>				Average Indemnity Per Transaction		
	Number	Volume		Dollar Amount		Lost	Damaged	Total
		Lost	Damaged	Lost	Damaged			
50	17,347,194	16,367	13,968	\$ 650,376	\$ 481,198	\$ 0.04	\$ 0.03	\$ 0.07
100	12,121,220	8,621	27,132	\$ 609,305	\$ 1,555,585	\$ 0.05	\$ 0.13	\$ 0.18
200	5,866,949	9,826	13,089	\$ 1,275,544	\$ 1,802,040	\$ 0.22	\$ 0.31	\$ 0.52
300	1,974,465	4,325	5,230	\$ 996,373	\$ 1,257,726	\$ 0.50	\$ 0.64	\$ 1.14
400	860,783	2,202	2,594	\$ 724,853	\$ 880,782	\$ 0.84	\$ 1.02	\$ 1.87
500	820,759	1,237	1,556	\$ 538,379	\$ 696,303	\$ 0.66	\$ 0.85	\$ 1.50
600 3/	341,304	1,039	1,053	\$ 546,875	\$ 565,204	\$ 1.60	\$ 1.66	\$ 3.26
700 3/	121,989	7,806	576	\$ 487,422	\$ 363,836	\$ 4.00	\$ 2.98	\$ 6.98
800 3/	110,886	204	264	\$ 150,864	\$ 197,101	\$ 1.36	\$ 1.78	\$ 3.14
900 3/	37,539	142	172	\$ 118,221	\$ 143,948	\$ 3.15	\$ 3.83	\$ 6.98
1000 3/	145,117	108	185	\$ 102,799	\$ 177,957	\$ 0.71	\$ 1.23	\$ 1.93
1100	9,824	223	248	\$ 227,029	\$ 254,635	\$ 23.11	\$ 25.92	\$ 49.03
1200	24,704	44	55	\$ 50,327	\$ 62,927	\$ 2.04	\$ 2.55	\$ 4.58
1300	10,070	48	56	\$ 58,984	\$ 69,392	\$ 5.86	\$ 6.89	\$ 12.75
1400 3/	17,457	42	44	\$ 55,930	\$ 59,521	\$ 3.20	\$ 3.41	\$ 6.61
1500	28,663	33	43	\$ 47,704	\$ 62,596	\$ 1.66	\$ 2.18	\$ 3.85
1600	2,619	74	85	\$ 112,893	\$ 130,295	\$ 43.11	\$ 49.76	\$ 92.87
1700	2,582	28	23	\$ 45,661	\$ 37,988	\$ 17.68	\$ 14.71	\$ 32.40
1800	3,431	17	21	\$ 29,433	\$ 36,714	\$ 8.58	\$ 10.70	\$ 19.28
1900	1,996	20	19	\$ 36,859	\$ 34,554	\$ 18.45	\$ 17.30	\$ 35.74
2000	27,301	23	21	\$ 45,168	\$ 41,456	\$ 1.65	\$ 1.52	\$ 3.17
2100	796	47	41	\$ 94,572	\$ 82,988	\$ 118.82	\$ 104.27	\$ 223.08
2200	1,521	11	8	\$ 23,729	\$ 17,197	\$ 15.60	\$ 11.31	\$ 26.91
2300	2,700	16	8	\$ 35,775	\$ 17,975	\$ 13.25	\$ 6.66	\$ 19.91
2400	431	10	6	\$ 23,509	\$ 14,103	\$ 54.59	\$ 32.75	\$ 87.33
2500	9,463	8	6	\$ 19,616	\$ 14,665	\$ 2.07	\$ 1.55	\$ 3.62
2600	0	22	6	\$ 55,504	\$ 15,108	N/A	N/A	N/A
2700	425	7	8	\$ 18,436	\$ 21,086	\$ 43.41	\$ 49.65	\$ 93.05
2800	2,839	9	4	\$ 24,647	\$ 11,048	\$ 8.68	\$ 3.89	\$ 12.57
2900	0	7	4	\$ 19,862	\$ 11,405	N/A	N/A	N/A
3000	5,387	5	3	\$ 14,835	\$ 8,816	\$ 2.75	\$ 1.64	\$ 4.39
3100	293	14	12	\$ 42,140	\$ 36,179	\$ 144.03	\$ 123.66	\$ 267.69
3200	473	1	2	\$ 3,136	\$ 6,245	\$ 6.64	\$ 13.22	\$ 19.85
3300	0	5	0	\$ 16,118	\$ -	N/A	N/A	N/A
3400	0	4	1	\$ 13,320	\$ 3,314	N/A	N/A	N/A
3500	975	4	2	\$ 13,762	\$ 6,918	\$ 14.11	\$ 7.09	\$ 21.20
3600	0	4	4	\$ 14,045	\$ 14,080	N/A	N/A	N/A



Value Up To	Transactions <sup>1</sup>	Claims <sup>2</sup>				Average Indemnity Per Transaction		
	Number	Volume		Dollar Amount		Lost	Damaged	Total
		Lost	Damaged	Lost	Damaged			
3700	0	1	1	\$ 3,682	\$ 3,660	N/A	N/A	N/A
3800	26	0	1	\$ -	\$ 3,761	0.00	\$ 144.88	\$ 144.88
3900	0	5	1	\$ 19,118	\$ 3,807	N/A	N/A	N/A
4000	2,275	2	2	\$ 7,888	\$ 7,923	\$ 3.47	\$ 3.48	\$ 6.95
4100	543	9	2	\$ 36,096	\$ 8,016	\$ 66.52	\$ 14.77	\$ 81.29
4200	328	1	0	\$ 4,162	\$ -	\$ 12.70	0.00	\$ 12.70
4300	339	0	0	\$ -	\$ -	0.00	0.00	0.00
4400	0	1	0	\$ 4,386	\$ -	N/A	N/A	N/A
4500	545	1	1	\$ 4,470	\$ 4,403	\$ 8.21	\$ 8.09	\$ 16.29
4600	0	2	0	\$ 9,029	\$ -	N/A	N/A	N/A
4700	380	0	0	\$ -	\$ -	0.00	0.00	0.00
4800	0	1	0	\$ 4,753	\$ -	N/A	N/A	N/A
4900	262	1	0	\$ 4,823	\$ -	\$ 18.42	0.00	\$ 18.42
5000	4,384	16	6	\$ 80,388	\$ 29,905	\$ 18.34	\$ 6.82	\$ 25.16
Total	39,911,233	52,643	66,563	\$ 7,522,800	\$ 9,254,360	\$ 0.19	\$ 0.23	\$ 0.42

**Notes:**

- <sup>1</sup> Source for transactions data is FY1998 Billing Determinants.
- <sup>2</sup> Source for Claims data: St. Louis Accounting Service Center. Dollar amounts truncated to one dollar.
- <sup>3</sup> Includes Express Mail claims in excess of \$500.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-6.** Please explain in detail what caused you to propose an increase in the incremental fee of 95 cents.

**RESPONSE:**

Please see my testimony at pages 63-64 that discusses both the fee design and pricing criteria for insurance. Additionally, the increase in the fee for the incremental value level worked in conjunction with the increase in the base price to provide a reasonable cost coverage for this service.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-7.** Please refer to your testimony at page 40.

- a. Was your statement that "This reflects the change to electronic signature capture for accountable mail services . . . ." meant to explain your proposed 50% increase for certified mail?
- b. If so, do you think that customers will consider the electronic signature an "enhancement" of certified mail service? Please explain.
- c. Do you think that it is possible/probable that customers would prefer a service that was 50% less expensive to a service with an electronic signature? Please explain.

**RESPONSE:**

- a. No. This sentence explains the proposed classification change to the DMCS references for retaining delivery records, and not the proposed fee change for certified mail.
- b-c. Not applicable. See my response to part (a).



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-8.** Please refer to your testimony at page 40. There you state "the Postal Service will be scanning signatures for a certified database, rather than storing hard copy signatures at each office of delivery." The implication seems to be that the Postal Service is instituting electronic signature scanning for its convenience not the customers. Your testimony at page 43 states: "There is no question that a fee increase of this magnitude will have an adverse impact on users (Criterion 4)." Please explain why customers should suffer "an adverse impact" from the proposed 50% fee increase for the convenience of the Postal Service.

**RESPONSE:**

Please see my response to 7(a). The electronic signature capture process, along with the proposed classification change with respect to the retention of delivery records, have very little to do with my proposed fee for certified mail.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-11.** Please explain why the Postal Service believes that it needs to spend this amount to advertise money orders when it is generally widely known that the Postal Service provides this service.

**RESPONSE:**

I don't believe that it is generally widely known that the Postal Service sells money orders. With the increasing popularity of purchasing goods over the Internet, there is a new customer base for money orders, and this customer base may not be aware of the Postal Service's offering. Please see my testimony at page 78.



REVISED APRIL 18, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T39-12.** Did the Postal Service conduct any research or survey of competitors in the money order business or of alternatives to the use of postal money orders? If so, provide all documents relating to such research or studies; if not, explain why not.

**RESPONSE:**

Partial objection filed. My understanding is the Postal Service has conducted such research.

I am informed that, in 1998, the Postal Service obtained the following pricing information for money orders provided by competitors.

Flat fees or percentage fees based on the face value dollar amount are typically charged on money orders. Money order prices range from as high as \$10 to free. Some money order providers charge either a nominal fee or provide money orders for free, as a loss leader used to drive customer traffic for higher margin products and services.

Travelers Express Co.: Price competitive. Some agents charge nothing, most charge between \$0.30 and \$1.00. Maximum face value is \$500. Cost for inquiry regarding a lost or stolen money order (trace) (\$8.00) is high relative to the competition.

Integrated Payment Systems Inc. (Western Union): Money orders are priced competitively. Priced between \$0 and \$0.90 (depending in part on the face value of the money order – this varies by retail agent)

Nations Bank: Nations Bank charges considerably more for money orders than the competition.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-13.** Please explain why the Postal Service is proposing an increase in the fee for money orders when many of its competitors provide a similar service for as little as 28 cents.

**RESPONSE:**

The Postal Service is proposing increases to the fees for money orders for the reasons described in my testimony at pages 77-79. Competitors offer money orders for various fees, and it is my understanding that these fees are based on the dollar value of the money order. I am not aware of any competitors that offer money orders valued up to \$700 for 28 cents.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-14.** Is the non-fee revenue provided by money order float, non-redeemed money orders and commission on international money orders revenue to the Postal Service in the same sense that fee revenue is revenue to the Postal Service? Please explain in detail.

**RESPONSE:**

Non-fee money order revenue is not revenue to the Postal Service in the same sense as fee revenue. See my response to OCA/USPS-T39-15.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-15.** At page 78 of your testimony you state that: "It is important to remember that the money order revenue used to calculate the cost coverage also includes non-fee revenue." Please explain why this is important.

**RESPONSE:**

Please see page 73, lines 7 to 9, and footnote 37, of my testimony. Using non-fee revenue in the calculation of the cost coverage does not provide for a pure cost coverage in that more than just the revenue from the fees were used in the calculation. In that sense, for purposes of fee design it is important to examine the cost coverage without the non-fee revenue, since the fee revenue is directly tied to the volume of money orders and the non-fee revenue can vary significantly from year to year depending upon financial market behaviors.



**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-3-16)**

**OCA/USPS-T39-16.** Please explain whether it is postal employees or military/civilian personnel who sell and redeem money orders at APO and FPO facilities.

**RESPONSE:**

I have been informed that military personnel sell and redeem money orders at APO and FPO facilities.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-17.** Please refer to your answer to OCA/USPS-T-39-5. Please explain in detail how you used the indemnity analysis in setting the fees for insurance.

**RESPONSE:**

I used the indemnity analysis directly and indirectly. Directly, I reviewed the percentage of claims per value level to see if there were any discrepancies that would be cause to consider more than one incremental fee per value level. Indirectly, I reviewed the costs from the indemnity analysis to verify that these costs were included in the total volume variable costs. Criterion 3 was used when designing the proposed insurance fees.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-18.** Please refer to your answer to OCA/USPS-T-39-6 where you were asked to justify an incremental fee of 95 cents per additional \$100 of insurance.

As a result of Docket No. MC96-3, Special Services, the indemnity limit for insurance was increased from \$600 to \$5,000. This was amply supported by market surveys and participants' testimony. However, the incremental fee was not.

The \$.90 incremental fee for each \$100 value level was chosen because it merely extends the current incremental insured mail fee of \$.90 per \$100 in value recommended by the Commission in Docket No. R94-1. No indemnity analyses were performed to arrive at this fee. No other fees were considered. . . .

Tr. 4/1107, witness Needham's response to interrogatory OCA/USPS-T8-30.

The principal interest of the participants (including the OCA) was that the Postal Service be required to collect data to support future adjustments in the incremental fee. PRC Op. MC96-3 at 119. The Commission agreed that the lack of support for the incremental fee was a concern but that the \$.90 fee would be appropriate for purposes of the MC96-3 decision. The Commission recommended that the Postal Service attempt to accurately determine all cost changes that were related to the change in indemnity limits. PRC Op. MC96-3 at 122.

- a. Has the Postal Service studied the costs as they relate to the incremental fee as instructed by the Commission? If so, provide the studies and describe how the studies were utilized in this case. If not, explain in detail why not.
- b. If not, please explain exactly what the cost basis is for the incremental fee.
- c. You state that "the increase in the fee for the incremental value level worked in conjunction with the increase in the base price to provide a reasonable cost coverage for this service." Please reconcile the resulting high cost coverage of this element of the insurance fee with your response to OCA/USPS-T-39-4b. referring to the magnitude of fee increase needed to have the unnumbered fee cover costs.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-18.**

**RESPONSE:**

- a. Redirected to witness Davis.
- b. The incremental fee was designed to help cover the total volume variable costs for insurance. Because of the variations in the average indemnity per transaction across value increments, I could not use this indemnity cost analysis as the sole basis for the proposed incremental fee.
- c. I do not have costs for each incremental value level and, therefore cannot calculate a cost coverage for this element. I do not believe the proposed overall cost coverage for insurance of 138 percent, that includes the incremental fee, is high, especially when compared to the Commission recommended cost coverages of 145 percent in Docket No. R97-1 and 148 percent in Docket No. MC96-3. Additionally, the proposed overall cost coverage for insurance is low when taking into consideration the proposed systemwide cost coverage in this proceeding.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-19.** Does the indemnity analysis provided in response to OCA/USPS-T-39-5 contain the type and kind of information that was needed in Docket No. MC96-3 but was lacking? Please explain in detail.

**RESPONSE:**

I do not believe an indemnity analysis or other information was necessary for the insurance proposal in Docket No. MC96-3. The proposed extension of the incremental fee per value level was based upon the then-current incremental fee recommended by the Commission in Docket No. R94-1. See Docket No. MC96-3, Tr. 4/1107, and PRC Op., MC96-3, at 122.

The indemnity analysis presented in response to OCA/USPS-T-39-5 does present, for the first time in a Commission proceeding, actual indemnity information for the \$600.01 to up to \$5,000.00 value levels.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-20. Please refer to OCA/USPS-T-39-11.**

- a. Please explain why you do not believe that it is generally widely known that the Postal Service sells money orders.
- b. Until the recent past (within the last 10 years) has the Postal Service been the sole or main provider of money order service? Please explain.
- c. Does the Postal Service anticipate advertising money orders on the Internet?
- d. Would it be feasible for the Postal Service to offer money orders on the Internet? Please explain.

**RESPONSE:**

- a. Based on my own personal experience I have encountered many people who do not know the Postal Service sells money orders. In passing convenience stores and check cashing facilities I usually see large signs in the windows advertising money orders. I do not see these types of signs in the front windows of post offices.
- b. The Postal Service first introduced money orders in the Civil War, and presumably was the only provider of money orders at that time. The most recent Non-Bank Financial Institution report shows that in 1996, the Postal Service's share of the money order market was 27 percent, with Traveler's Express at 28 percent, and American Express at 31 percent. (The remainder of the market is split among several companies with percentages ranging from 1 to 6 percent. See [www.ustreas.gov/fincen/cooply.html](http://www.ustreas.gov/fincen/cooply.html).) I do not have this type of information prior to ten years ago.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-21.** Please refer to OCA/USPS-T-39-13. There you state:  
"Competitors offer money orders for various fees, and it is my understanding that these fees are based on the dollar value of the money order." Please explain in detail on what you base your "understanding".

**RESPONSE:**

I base my understanding of competitors' money order fees on advertisements I see in stores and information gained from calls I place periodically to a variety of establishments selling money orders locally. I have found competitors charging prices of from \$0.50 to \$6.00 for \$700 in money orders.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-22.** Please refer to OCA/USPS-T-39-13. There you state: "I am not aware of any competitors that offer money orders valued up to \$700 for 28 cents."

- a. Are you aware of competitors who offer money orders for a single fee up to \$500?
- b. Are you aware of competitors who offer money orders for a single fee of 28 cents up to \$500?
- c. If your answer to b. is no, assume, hypothetically, that there are competitors who offer money orders for a single fee of 28 cents up to \$500. Please confirm that one could purchase two money orders with a value of \$700 for 56 cents, 34 cents less than the fee you propose.
- d. If your answer to b. is no, assume, hypothetically, that there are competitors who offer money orders for a single fee of 28 cents up to \$500. Please confirm that one could purchase three money orders with a value of \$1500 for 84 cents.
- e. Please confirm that under your proposal, three money orders with a total value of \$1500 would cost \$2.70.

**RESPONSE:**

- a. Yes.
- b. No. But see my response to OCA/USPS-T39-21.
- c-d. Your math appears to be correct, assuming a customer was willing to spend the time to purchase more than one money order for one payment.
- e. Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-23.** Please refer to OCA/USPS-T-39-13. There you state that "The Postal Service is proposing increases to the fees for money orders for the reasons described in my testimony at pages 77-79." On those pages you describe the pricing criteria of the Act. The discussion referred to is not responsive to the question asked in this interrogatory.

Please explain why the Postal Service proposes to increase the fee for money orders in the face of competition that charges less than your proposed fee. Include your proposed ninth criterion (found at page 78 of your testimony) in this discussion and explain how the Postal Service expects to capture a portion of this potentially large, new Internet market.

**RESPONSE:**

Again, I refer you to my testimony at pages 77-79 that describes the reasons for the proposed money order fees. I believe my discussion of the pricing criteria of the Act does explain the proposed money order fees. I mentioned Criterion 5, stating that there are many widely available alternatives to postal money orders. These alternatives do not necessarily have to be money orders. (See the Docket No. R94-1 testimony of witness Foster, USPS-T-11, at pages 63-64.) Also, the fees for the alternatives to postal money orders vary widely, with some priced higher and some priced lower than postal money orders. I believe that the proposed fees will not hurt the Postal Service's ability to attract Internet users to postal money orders. I know of one company whose money orders purchased over the Internet cost much more than the Postal Service's money orders. See [www.Bid Pay.com/pricing.html](http://www.Bid Pay.com/pricing.html).



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-23 (CONTINUED).**

The Postal Service faces competition from many companies that charge lower fees and rates than we do. That does not necessarily mean that we propose rates and fees that are lower than the competition, particularly when considering there are costs to be covered. The Postal Service prices individual products and services, such as money orders, using the nine pricing criteria of the Act.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T39-17-24)**

**OCA/USPS-T-39-24.** Please refer to OCA/USPS-T-39-13. There you state:

"Competitors offer money orders for various fees, and it is my understanding that these fees are based on the dollar value of the money order."

- a. Please provide a breakdown of the volume of money orders by dollar amounts of face value in increments of \$50 (i.e., \$0 – 50, \$51 – 100, \$101 – 150, etc.) or other similar increments for which data is available. Identify the period from which the data is taken.
- b. Please provide the average face value of money orders.

**RESPONSE:**

- a. See attachment to this response.
- b. The average face value for a domestic money order in 1999 was \$129.05. The average face value for all money orders (military, domestic and international) in 1999 was \$130.05.



Attachment to Response to OCA/USPS-T-39-24(a)

**Domestic Money Order Sales  
Vouchers Reported 10-1-1998 through 9-30-1999**

<b>Category</b>	<b>Number</b>	<b>Total Sales</b>
\$0-\$50.00	105,169,767	\$2,824,182,513
\$50.01-\$100.00	43,652,680	\$3,354,331,331
\$100.01-\$150.00	17,160,153	\$2,165,626,708
\$150.01-\$200.00	11,699,817	\$2,120,925,336
\$200.01-\$250.00	6,937,355	\$1,585,571,571
\$250.01-\$300.00	6,773,431	\$1,911,029,245
\$300.01-\$350.00	4,385,222	\$1,436,860,673
\$350.01-\$400.00	4,557,184	\$1,742,885,740
\$400.01-\$450.00	2,728,728	\$1,167,998,049
\$450.01-\$500.00	4,661,961	\$2,283,996,434
\$500.01-\$550.00	1,879,979	\$992,647,968
\$550.01-\$600.00	2,137,739	\$1,250,111,376
\$600.01-\$650.00	1,303,620	\$819,879,772
\$650.01-\$700.00	6,361,971	\$4,431,582,051
	<u>219,409,607</u>	<u>\$28,087,628,767</u>



1 CHAIRMAN GLEIMAN: Is there any additional written  
2 cross examination from anyone?

3 [No response.]

4 CHAIRMAN GLEIMAN: If there is not any additional  
5 written cross, then we'll proceed with oral cross  
6 examination. Four parties have indicated that they want to  
7 cross examine Witness Mayo, the Continuity Shippers  
8 Association, KeySpan Energy; the Office of the Consumer  
9 Advocate; and David B. Popkin.

10 Is there any other party that wishes to cross  
11 examine the witness?

12 [No response.]

13 CHAIRMAN GLEIMAN: If not, then Continuity  
14 Shippers? I don't see anyone from Continuity Shippers in  
15 the room. On the off chance that they were confused because  
16 of our changing schedule, we will reserve the rights of  
17 Continuity Shippers to do oral cross, should they show up at  
18 some point before the witness leaves the stand.

19 We'll move on to the next party that indicated  
20 oral cross examination, KeySpan Energy, Mr. Hall.

21 MR. HALL: Thank you, Chairman Gleiman.

22 CROSS EXAMINATION

23 BY MR. HALL:

24 Q Good morning, Ms. Mayo.

25 A Good morning.



1           Q     My name is Mike Hall, and I'm representing KeySpan  
2     Energy. You may have heard of KeySpan Energy only recently,  
3     but you've probably heard of the Brooklyn Union Gas Company,  
4     which is one of its subsidiaries that has participated  
5     actively in several Commission proceedings, and has  
6     generally focused on the area of QBRM or BRM rate  
7     relationships.

8           A     Right.

9           Q     I'd like you first to turn to your response to  
10    6(g) of the KeySpan interrogatory series.

11                   And what I want to do is to sort of give myself  
12    some edification, and also perhaps give the Commission some  
13    idea of the difficulty and vicissitudes associated with  
14    discovery and eliciting responses.

15                   In Question 6(g), we asked you what was the volume  
16    per year for each of the top 100 QBRM recipients for Fiscal  
17    Year 1998 or the latest year for which such information is  
18    available?

19                   If the requested information is not available in  
20    the form requested, please provide the total QBRM revenue or  
21    similar data for each of the top 100 QBRM recipients for  
22    Fiscal Year 1998 or the latest year for which such  
23    information is available.

24                   Now, I'd like you to read your response to that  
25    question.



1           A     Okay. My response is, "I am unable to provide the  
2 requested information since the Postal Service does not  
3 track all QBRM mailers in any centralized data system."

4           Q     Okay. Now, I guess if we had sort of left it  
5 there, we wouldn't have received the responses that we  
6 subsequently got to the question we posed to you in KeySpan  
7 T-39-12(f), I believe it is. And there, and, again, I will  
8 read the question, "Your response to part 9 of interrogatory  
9 KE/USPS-T-39-6 indicates that, quote, 'The Postal Service  
10 does not track all QBRM mailers in any centralized data  
11 system.' Please state what Postal Service 'data systems,'  
12 including databases or information systems of any kind or  
13 description contain information about QBRM mailers (whether  
14 such data system is centralized or decentralized, and  
15 whether the data system contains information regarding all  
16 QBRM mailers or only a portion of the QBRM mailer universe),  
17 and indicate for each such data system the type of QBRM  
18 recipient information contained and the approximate  
19 percentage of all QBRM recipients whose information is  
20 contained in such data system."

21                     Now, would you read your answer to that question,  
22 please?

23           A     Yes. My answer is I am aware of one database that  
24 tracks BRM mailers. This database is the Corporate Business  
25 Customer Information System, CBCIS. CBCIS is a centralized



1 system and contains information for the majority of the QBRM  
2 mailer universe. The type of recipient information includes  
3 customer name, account number, the Postal facility, the  
4 area, the district, volume and revenue.

5 Q So, now, in that answer, you are telling us about  
6 a database that exists. In the earlier answer, you said  
7 there wasn't any centralized database. What is it, what  
8 about my second question elicited the response about the  
9 existence of a database, whereas, my first question caused  
10 you to answer that there was no such database?

11 A Well, your first question asked for the top 100  
12 QBRM recipients, and, as I answered in that interrogatory  
13 response, we don't have a centralized database with the  
14 information of all the QBRM mailers in one central location.  
15 But I am aware of a database that does track many QBRM  
16 mailers, and that was the CBCIS. But I can't tell you that  
17 that is the top 100 QBRM mailers.

18 Q Okay. I guess the problem is, if I had just  
19 stopped with 6(g), I never would have heard about CBCIS.  
20 Why didn't you offer up CBCIS in the interests of trying to  
21 provide me with some type of information that I could use?

22 *for* A Well, it didn't provide you with the information  
23 ~~of~~ the question you asked, which was the top 100. I can't  
24 say for sure that includes the top 100. It includes only  
25 part of that universe of QBRM mailers, so my answer, I feel,



1 to 6(g), was responsive.

2 Q Okay. So then the lesson for me here is that I  
3 need to be extremely legalistic and broad in the way I frame  
4 my questions in order to capture all possible permutations?

5 MR. RUBIN: Objection. I don't see what the  
6 witness' response will add to the record.

7 MR. HALL: Well, would you like me to respond?

8 CHAIRMAN GLEIMAN: You can if you wish.

9 MR. HALL: I think what we are trying to get here  
10 to is, and I will go back a little bit in history for you,  
11 for years and years, whenever we have requested information  
12 about business reply mail volumes, relationships, quantities  
13 per account, et cetera, et cetera, et cetera, we have been  
14 told that those systems that would capture that data simply  
15 do not exist. So, frankly, we didn't really expect to get  
16 much when we asked the question in 6, because we were  
17 uninformed about what databases the Postal Service now has.

18 CHAIRMAN GLEIMAN: I think I have heard enough. I  
19 think it would help the record for the witness to answer the  
20 question that was asked, which was something to the effect,  
21 as I recall, that I guess we have to ask questions in a  
22 manner that are really, really broad and cover every  
23 combination and permutation, and are legalistic, I think was  
24 the term. If Mr. Hall wants to restate the question, but  
25 let the witness answer.



1 MR. HALL: You have done an admirable job, I will  
2 take your formulation.

3 CHAIRMAN GLEIMAN: And I think it is a yes or a no  
4 answer. It might not help this record, but it might help  
5 future records. So, I think it would be good to get it on  
6 the record.

7 THE WITNESS: Could you please repeat the  
8 question?

9 MR. HALL: Would the reporter please read the  
10 Chairman's question?

11 CHAIRMAN GLEIMAN: I would prefer that he read  
12 your version back. I was just trying to paraphrase.

13 [The reporter read the question as requested.]

14 THE WITNESS: Well, I could only suggest that if  
15 you wanted to know about the databases for QBRM that you  
16 would ask what databases exist and then see if they contain  
17 the type of information you want, because, to be honest with  
18 you, I really did answer the question, that I can't -- we  
19 don't have the top 100 QBRM mailers together in one  
20 centralized database system.

21 BY MR. HALL:

22 Q Well, I think you have answered that question.  
23 You didn't really give us a yes or a no, but I take it the  
24 answer was no.

25 In any event let's go on, because the question



1 really asked you for something more, at least in 12(f).

2 For example, it asked you for more than one data  
3 system.

4 Do you not include the PERMIT system as another  
5 system that would have information similar to this? You  
6 didn't list it there.

7 A No, I didn't. I didn't list it there.

8 Q Was that because you were unaware of it at the  
9 time?

10 A I am aware of the PERMIT system but I don't  
11 believe -- I didn't, I wasn't aware if it tracked the  
12 information you wanted. I know that this tracks the  
13 information for the majority of the mailers. I don't know  
14 if it would include the top 100, but the majority of the  
15 QBRM mailer universe.

16  
17 It is a high percentage. It's 90-some percent, so  
18 this seems to contain a good deal of information. I am not  
19 familiar with what the PERMIT system contains relative to  
20 the CBCIS.

21 Q Did you know that the CBCIS existed when you  
22 responded to the question that I posed to you in 6(g)?

23 A I had heard of the CBCIS. I knew about the  
24 system, but with respect to still looking for a database --  
25 I mean I looked for where we would have all of the QBRM



1 mailer universe -- I couldn't find anything.

2 Q But in any event you are up in to the high 90s,  
3 correct?

4 A Yes. I believe it is over 90 percent. It is  
5 definitely the majority.

6 Q And in terms of volume, do you know what volume  
7 that captures out of the total volume?

8 A No, I sure don't. I don't have that information  
9 in front of me.

10 Q But you would be able to obtain it from the CBCIS  
11 database or perhaps the PERMIT system or perhaps in  
12 combination with the RPW system or some other data system,  
13 isn't that correct?

14 A With RPW I could, if I got the volume from the  
15 CBCIS and compared it to the RPW volume, yes, I could tell  
16 you what percent of the volume.

17 Q Okay, now you gave me a figure of somewhere in the  
18 90 percents, so is it closer to 100 percent than 90 percent  
19 or --

20 A You know, off the top of my head I don't recall.  
21 It could be 94 percent, which would be closer to 90 percent,  
22 but is over 90 percent and under 100 percent.

23 Q Well, you looked at the number, right?

24 A Yes.

25 Q And so you could provide it?



1           A     Yes. I have been aware of it. I was either told  
2 about it or I saw it written down.

3           MR. HALL: In any event, Mr. Chairman, we would  
4 like to ask that the Postal Service furnish that percentage  
5 since it was specifically asked for in our question and was  
6 not forthcoming in the answer.

7           CHAIRMAN GLEIMAN: Can we get that information in  
8 seven days, Mr. Rubin?

9           MR. RUBIN: I believe we can.

10          MR. HALL: And we would also like to know the  
11 derivation of that number, how they arrived at it.

12          CHAIRMAN GLEIMAN: Can we get that information  
13 also?

14          MR. RUBIN: We'll try, yes.

15          CHAIRMAN GLEIMAN: Thank you.

16          BY MR. HALL:

17          Q     Now in addition you said that you believe this  
18 covers the majority of large QBRM or high volume QBRM  
19 recipients, didn't you?

20          A     No. I said it covered the majority of QBRM. I  
21 don't know whether that is large or high volume.

22          Q     Well, how would you determine -- it would give you  
23 if you sorted the information in that database by volume in  
24 descending order, that would give you starting with the  
25 largest customer and continuing on down to the lowest



1 customer, wouldn't it, that was in the system?

2 A That was in the system, yes, but I must also  
3 stress that there is up to 10 percent of the mailers that  
4 are not in that system that could represent even higher  
5 volume, so I don't know if we have the largest volume  
6 customers in that system.

7 Q Well, I guess you won't know until you look, is  
8 that right? So you could give us that information as well.

9 A I don't think I follow you. I don't know how I am  
10 going to know -- if I don't have access to the percentage  
11 that aren't in that system, I don't know how I am going to  
12 be able to tell that the ones that are in that system are  
13 the highest volume users.

14 Q Well, we would be better off than where we are now  
15 as far as you are concerned, since you have given us no  
16 information except a percentage of total BRM recipients that  
17 is probably in the system or captured by that system.

18 We would obviously know more information about the  
19 top 100, wouldn't we, which was our original question.

20 A I still can't, based on what I have answered, I  
21 still can't tell you if the missing percentage, if they are  
22 in the top 100 that are not being accounted for in the  
23 CBCIS.

24 Q What is the criterion for whether or not somebody  
25 gets into the CBCIS or doesn't get in there?



1 A I don't know.

2 Q But without knowing it, you can nonetheless  
3 speculate that you could be leaving out some high volume  
4 users? What if all high volume users are captured in there?

5 A Well, then they are, but I still without the total  
6 universe, I can't tell you for sure.

7 Q But you would be willing to provide us the  
8 information for the top 100 users that are in that database,  
9 wouldn't you, which was our original question?

10 A You asked for the top 100 --

11 Q You're right. I asked for the top 100, period.

12 A Right -- that's what I thought.

13 Q Now could I have the top 100 in that database?

14 A That's a different question. I will certainly do  
15 my best to see if we could provide that.

16 MR. RUBIN: There is an outstanding interrogatory  
17 to Witness Campbell on PERMIT and CBCIS.

18 I am not sure if that would cover this too, but it  
19 appears my co-counsel is saying that that question I believe  
20 has been asked in an interrogatory filed earlier this week.

21 MR. HALL: And I guess we might get information  
22 that will be useful for writing our testimony sooner, since  
23 we are coming up against a wall and I don't want to be  
24 seeking leave from this Commission to file my witness's  
25 testimony out of time.



1           Of course, it would help if they would expedite  
2           their response to that follow-up data request.

3           CHAIRMAN GLEIMAN: Well, I am going to invoke my  
4           seven day rule again here. You can provide the information  
5           either in response to the interrogatory or unless you find  
6           the question objectionable and want to argue that point now,  
7           answer the question, but one or the other within seven days.

8           MR. RUBIN: Fine.

9           CHAIRMAN GLEIMAN: Thank you.

10          BY MR. HALL:

11          Q     Now Ms. Campbell --

12                You changed your name again, at least in my mind.  
13           Excuse me. Ms. Mayo, I believe you also indicated that you  
14           could get useful information about all QBRM users from the  
15           RPW system, is that correct?

16          A     I said I could get volume information, what I know  
17           to be the total volume of QBRM.

18          Q     And does that capture volume by customer or by  
19           account, by post office, by -- how is that data arranged or  
20           compiled or massaged or produced?

21          A     It captures total volume and it is broken out into  
22           subcategory of QBRM and BRM, nonadvance deposit account and  
23           advance deposit account QBRM and advance deposit account  
24           non-QBRM, and also the nonletter size.

25          Q     To be clear, my questions are only going to QBRM



1 so that is the only information I consider relevant because  
2 that is the only information I have considered asking for in  
3 connection with either the PERMIT system or the CBCIS  
4 system.

5 So what is the input source for the RPW data? In  
6 other words, how does the RPW system know that it's got all  
7 volumes?

8 A I guess you would have to ask somebody -- I think  
9 there were a couple of RPW witnesses that have appeared  
10 already. I am not an expert on RPW.

11 Q So in other words, if I wanted that information,  
12 if I wanted to know how relevant that information was, if I  
13 wanted to know what percentage of the total QBRM universe in  
14 terms of volumes it was capturing and what the other  
15 capabilities in terms of search and/or production of  
16 information or sorting of information I should seek that  
17 through witnesses that have already come or witnesses that  
18 are yet to come?

19 A Well, as far as the volume total, like I had  
20 stated, and that is the only thing I am aware of, the total  
21 volume that we used is in the RPW.

22 With respect to how the RPW collects the data,  
23 that sort of thing, and anything relative to how they  
24 present the numbers I believe Witness Hunter and Witness  
25 Pafford have already testified. I don't think there is



1 anybody else coming up to speak to RPW systems, but I am not  
2 sure, but I don't think so.

3 MR. HALL: Mr. Chairman, perhaps we will reserve  
4 our right to a suitable answer informally, and I will  
5 reserve, nonetheless, my right to seek by appropriate motion  
6 of I believe May 8th, to request either an institutional  
7 witness to give the appropriate responses, or if the other  
8 witnesses who have already come and gone can do so, to  
9 recall them briefly.

10 CHAIRMAN GLEIMAN: You have got that right.

11 BY MR. HALL:

12 Q Let's go back to your response to KeySpan  
13 Interrogatory 6(e), please.

14 COMMISSIONER LeBLANC: I am sorry, Mr. Hall, what  
15 was that?

16 MR. HALL: Oh, I'm sorry, that was KeySpan  
17 Interrogatory T-39-6, and I am going to examine the witness  
18 specifically about her response to part (e).

19 BY MR. HALL:

20 Q Now, in part (e), we asked you, quote, "Have you  
21 performed any marketing studies to test, justify or support  
22 your estimates regarding (1) the number of high volume QBRM  
23 recipients that will take advantage of the proposed QBRM for  
24 piece fee of 3 cents (with fixed quarterly charge); or (2)  
25 the average volume of letters received by high volume QBRM



1 recipients who do take advantage of this proposal? If such  
2 studies were performed, please supply those documents. If  
3 such studies were not conducted, please explain why not."

4 And your answer, could you read that?

5 A My answer was, "No, the Postal Service did not  
6 deem any marketing study for this issue necessary."

7 Q Okay. First, I would like to know who you mean by  
8 the Postal Service there.

9 A Well, I mean the Postal Service at headquarters  
10 specifically, where a decision of this type would have been  
11 made whether or not to conduct a marketing study.

12 Q So you don't mean you in this case?

13 A No, no, not me. It is a management level higher  
14 than my level.

15 Q Okay. Well, did you ask to conduct a marketing  
16 study?

17 A I personally did not, no.

18 Q Did you say, hey, we have got -- well, let me see,  
19 the information that could be pulled from the CBCIS, or now  
20 we know the PERMIT system, could provide you some, but  
21 perhaps you would say imperfect, data to conduct a marketing  
22 survey, wouldn't it?

23 A Uh-huh. Sure. You could conduct a market study  
24 based on, I guess, customers that use the CBCIS, although we  
25 wouldn't have all of the customers, but --



1 Q Okay. But now why don't you tell the -- in any  
2 event, you didn't suggest doing that?

3 A No, I didn't suggest doing it.

4 Q And nobody else, to your knowledge, suggested  
5 doing that?

6 A I am not sure. Not to my knowledge anybody  
7 suggested doing it. I am unaware of conversations that  
8 might have taken place at a level, a higher level than mine.

9 Q Well, are you aware that when the Commission was  
10 asked to consider nonletter size BRM, a marketing survey of  
11 sorts was done?

12 A I am vaguely familiar with that, yes.

13 Q And wouldn't it be customary to do something like  
14 that?

15 A Perhaps for a new service, a new product, so to  
16 speak, it could be. This is -- this QBRM proposal deals  
17 with the existing QBRM customer base, and also the  
18 recognition that some of these high volume users have --  
19 well, the reasons behind the proposal are in my testimony,  
20 but it deals with the specific current customer base of QBRM  
21 mailers, so it is not a new service, so to speak, it is just  
22 a new way of assessing fees for QBRM.

23 Q Well, you didn't have a specific rate for -- a per  
24 piece rate or a quarterly fee for high volume QBRM customers  
25 before, did you?



ND

1 A No, there is ~~not~~ quarterly fee in existence now.  
2 No.

3 Q So, but you still didn't think it was important to  
4 know who would take advantage of this new rate category, if  
5 we can call it that, I guess?

6 A Well, it would be a new fee category which is  
7 split from an existing fee category. But I think it is sort  
8 of pretty straightforward in <sup>that</sup> those high volume mailers could  
9 determine whether it would be to their advantage to take  
10 advantage of a lower fee, paying a lower fee, while still  
11 paying a quarterly fee, than just paying the per piece fee,  
12 a higher per piece fee.

13 Q Okay. Well, why don't you tell the Commission  
14 what numbers you used, for example, for -- or how you  
15 determined the number of potential customers for this new  
16 service? First, state the number if you will.

17 A Well, in my response to KeySpan Interrogatory  
18 T-39-6, I confirmed that I estimate 1,358 QBRM mailers would  
19 find it advantageous to pay the quarterly fee and 3 cent per  
20 piece fee.

21 Q And there you sort of cut off your answer. You  
22 said, as opposed to a 1 cent fee.

23 A Oh, well, yes, because in the interrogatory, it  
24 stated a 1 cent fee. But, actually, the correct proposed  
25 fee is 3 cents.



1           Q     Well, the 1 cent fee is for nonletter size BRM,  
2     isn't it?

3           A     The interrogatory asked to confirm that I estimate  
4     that 1,358 QBRM recipients will qualify for the reduced 1  
5     cent fee and will pay the fixed quarterly charges.

6           Q     Let me cut you off because I can admit when I have  
7     made a typo, and I have.

8           A     Okay.

9           Q     Well, then, okay, so there are, according to you,  
10    1,358 QBRM mailers who would find it advantageous to pay the  
11    quarterly fee. How did you determine that number?

12          A     Well, if you would turn to my workpaper 5, which  
13    is in Library Reference I-168, where I give the volume for  
14    test year after rates for the QBRM quarterly fee, the  
15    footnote 5 states, I calculated this by taking the QBRM  
16    volume, divided by the minimum annual breakeven volume for  
17    the quarterly fee of 113,333. The breakeven volume was  
18    calculated by dividing the fee, annualized quarterly fee by  
19    the 3 cents per piece in fee savings.

20          Q     So, you assumed then that if a customer had  
21    113,000, could we use that as a round number?

22          A     Right.

23          Q     113,000 pieces per year that it expected to  
24    receive, that it would be advantageous for it to switch over  
25    to this new category?



1           A     It appeared that that was the breakeven volume,  
2     and anything higher than that, at that volume or higher *it*  
3     would probably be advantageous for them to switch.

4           Q     Okay, well, certainly, but the 1358 was based on  
5     exactly the break-even volume; wasn't it?

6           A     Yes.

7           Q     Okay, so for anybody that has the break-even  
8     volume, except perhaps a Brooklyn Union or KeySpan Energy,  
9     which knows probably knows down to the half an envelope, how  
10    many it's going to get every year because it's been doing  
11    this for so long, for anybody else, that would be kind of a  
12    crap shoot; wouldn't it?

13          A     You mean as far as the volume goes?

14          Q     Yes.

15          A     Per year? Well, I really don't know. I mean, I  
16    imagine that -- I would hope that these QBRM mailers would  
17    have a pretty good idea of what they -- what volume they  
18    receive.

19          Q     Okay, well, let me try to do this on the basis of  
20    your own knowledge. When you're considering alternatives,  
21    you won't take, say, Alternative A out of Alternatives A and  
22    B, unless you can be sure that you will save a meaningful  
23    amount of money, and at least have a reasonable certainty  
24    that you will not end up spending more money than if you had  
25    chosen Alternative B; is that fair?



1           A     I'm not quite sure I followed you through the  
2 whole thing, but I think that it would be a prudent matter  
3 to assess expected volume, if it was close to -- If I were a  
4 QBRM mailer and had an expected return volume close to  
5 113,000, I would have to assess what the costs would be to  
6 me for both, even if it was, you know, close, and if -- and  
7 see if I'd be willing to take the risk, so to speak, of  
8 paying the quarterly fee.

9           Q     Well, certainly for somebody that had twice that  
10 volume, you'd agree that that would be much less riskier, if  
11 that's even part of the English language?

12          A     Well, sure, sure; it would be.

13          Q     Right. And as multiples of annual volumes go up,  
14 the question would become easier and easier; wouldn't it?

15          A     Correct.

16          Q     Okay, now, once again, you didn't consider it  
17 necessary to look at any sort of -- the real potential  
18 market that was out there; is that right?

19                I think we've agreed that 1358 is simply an  
20 interesting calculation, but it's not the real number of  
21 people that are going to take advantage?

22          A     I'd be surprised if it were the exact number, but  
23 it was the best estimate I could provide with respect to  
24 providing an estimated revenue from this in the test year.

25          Q     Well, you subsequently, in response to our



1     interrogatory T-39-12 -- and I guess this is where we were  
2     giving you, since we didn't have any data, we were giving  
3     you hypotheticals about, well, what if it were closer to 50  
4     than 1358, and you were telling us, I believe, in response  
5     to either that question or others, that that would be  
6     extremely hypothetical, pure speculation, you know, sort of  
7     out of the realm of the normal, right?

8             A     Well, in my response to 12(d), I said that I  
9     thought that a hypothetical volume of 50 was unrealistic,  
10    considering that even with our looking in the CBCIS, at  
11    least 486 business reply mail mailers have reported annual  
12    volumes exceeding the break-even volume.

13            That that would probably make that proposed  
14    quarterly fee and reduced fee per piece advantageous for  
15    them.

16            Q     But these are people, the 486, if I understand it  
17    correctly, those are the ones that get down right to that  
18    level.

19            At least some of them get right down to that level  
20    of 113,000 pieces a year, right?

21            A     It was right down to -- yes. It was right down to  
22    -- it was anything above, at or above 113, 333.

23            Q     Okay, now, based upon your answer there, which is  
24    now using information that you didn't use before when you --  
25    I take it you didn't have this information when you did your



1 testimony, right?

2 A I had access to the information, but I probably --  
3 well, I didn't look at it for this, and even still, I  
4 probably still would have gone with what I did, with what I  
5 used.

6 Q Well, would that be because you assumed that the  
7 CBCIS system, which you said doesn't capture everybody, but  
8 probably captures 95 percent, roughly, of all QBRM  
9 customers, that somehow outside of that system, would be  
10 another two times the 486 that you did find within the  
11 system?

12 A It's possible.

13 Q Is it logical or reasonable to make that  
14 assumption?

15 A I think it's reasonable to make the estimation  
16 that I did in my workpapers, without dealing <sup>with</sup> ~~the~~ CBCIS.

17 Q Well, because you didn't want to do it, because  
18 you didn't care to do it, because you didn't know about  
19 doing it?

20 A Well, no, because I just looked at -- I just  
21 formulated a calculation that I spoke of earlier, and that's  
22 why I did it.

23 Q Okay, but your calculation, can you agree --  
24 you've accused us here of exercising pure speculation or  
25 posing hypothetical situations, but, in fact, your



1 calculation was purely hypothetical; wasn't it?

2 A No. My estimate was based on numbers, test year  
3 numbers. I think it's a better estimate than just pure  
4 speculation.

5 I wouldn't say it is pure speculation at all.

6 Q What test year numbers, specifically, are you  
7 referring to? Are you referring to the 154 million,  
8 approximately, pieces that you say would migrate to the  
9 high-volume QBRM service?

10 A Right, based on the total BRM volume in the test  
11 year, exactly, based on the total broken down exactly.

12 Q And how did you get to that number?

13 A I used -- to the total number or to the QBRM high  
14 volume?

15 Q To the QBRM high volume determinant for the test  
16 year?

17 A Well, I used the assumption that one-third of  
18 First Class QBRM would shift out of QBRM into that.

19 Q Right. And the basis for that assumption was  
20 what, since this was much better?

21 A The basis for that was the assumption that was  
22 made in R97 for the migration of QBRM mailers to prepaid  
23 reply mail.

24 Q And there you were comparing a situation where the  
25 per-piece fee proposed by the Postal Service would have



1     been, but for the Commission's subsequent actions, six cents  
2     per piece, right, and the per-piece fee for PRM would have  
3     been zero; is that correct?

4           A     Let's see. Could you tell me how you got to that?

5           Q     I read the Commission's opinion.

6           A     To the fee? How did you calculate the zero fee?

7           Q     The zero fee is the fact that PRM didn't have any  
8     per-piece fee associated with it.

9           A     Right, and there was a postage discount; is that  
10    what you're saying?

11          Q     Well, okay. I'm sorry, you said you've used  
12    information based on the PRM proposal, so I assumed that you  
13    were familiar with it.

14          A     I was familiar with the proposal. I was just  
15    trying to figure out what the six cents versus the zero  
16    cents was that you were talking about.

17          Q     Well, that was the substance of your proposal, not  
18    you personally, but the Postal Service's proposal in R97-1;  
19    wasn't it?

20          A     Well, I didn't propose it, but I'm just wondering,  
21    what were you saying was six cents and what was zero cents?  
22    That's all I'm trying to --

23          Q     Okay, well, I could ask you to guess, but why  
24    don't I just tell you that it was the Postal Service's  
25    proposal that the newly instituted QBRM fee should be six



1 cents.

2 And it was the Postal Service's proposal that  
3 there would be no per-piece fee associated with PRM.

4 A Yes. But in real terms, there's a postage  
5 discount, too, applied here. I was the one who proposed  
6 that QBRM fee of six cents in R97-1, but I did not propose  
7 prepaid reply mail.

8 Q Okay, but nonetheless you relied on that  
9 relationship in that case, as the north star or guiding  
10 light for you in determining that one-third of QBRM would  
11 migrate to the new high volume QBRM service in this case.

12 A Correct.

13 Q Or was that just a convenient number because  
14 somebody had said one-third before?

15 A No, it was based on the same -- it was deemed that  
16 was a reasonable estimate -- assumption to make again in  
17 this case.

18 Q And who deemed it?

19 A Management.

20 Q Oh, so they told you what it should be?

21 A No, they advised me that it seemed like a good  
22 assumption to make again, absent any other information.

23 Q And that was because they said you didn't have any  
24 information or you shouldn't bother to get any information?

25 A No, it's just that was a reasonable assumption to



1 make again.

2 Q When you speak of management informing you of  
3 this, who specifically informed you of this?

4 A Well, let's see. My office, the Acting Manager  
5 for Pricing --

6 Q Is -- I'm sorry, did I miss something?

7 A No.

8 Q Who is that?

9 A Oh, Don O'Hara.

10 Q Okay, and he is the Acting --

11 A Manager for Pricing.

12 Q And he was at the time you prepared your  
13 testimony?

14 A Yes.

15 Q Okay, and so who was Managing Director before  
16 that?

17 A Ashley Lyons is the Manager of Pricing.

18 Q So you mean the two of them?

19 A No, actually I don't believe Ashley was involved  
20 in that. It was Don.

21 Q So you only spoke with Mr. O'Hara about it?

22 A Yes, I spoke with Mr. O'Hara and I also spoke with  
23 Witness Fronk. The three of us met.

24 Q And it was just their opinion that that would be  
25 reasonable?



1           A     They were definitely more knowledgeable about the  
2 prepaid reply mail proposal in R97 than I was and so I,  
3 after conferring with them it was agreed that that was a  
4 reasonable assumption to use in this case.

5           Q     But what factors did they bring to light for you  
6 that convinced you? I mean you are the witness here.

7           A     Right.

8           Q     Unfortunately I can't drag them up here. You  
9 probably wish that I could, but I can't drag them up here  
10 today so it is unfortunately you and I that are going to  
11 knock heads.

12          A     Sure. Well, I hope we are not going to knock  
13 heads but --

14          Q     Only in the most --

15               [Laughter.]

16               BY MR. HALL:

17          Q     Only in the most hypothetical sense.

18          A     Well, after conferring with them I felt this was  
19 similar enough to the prepaid reply mail assumption that  
20 there wasn't any reason not to question that this wouldn't  
21 be a good estimate of migration.

22          Q     And what specific points that they brought up or  
23 that you considered were the most salient to you?

24          A     You know, I actually can't recall.

25          Q     Okay. Well, let's see. Do you know now that we



1 have received some information about actual volumes, again  
2 maybe incomplete, but actual volumes of real world QBRM  
3 users?

4 A That Keyspan has?

5 Q Yes.

6 A No.

7 Q So you have not reviewed and nobody has told you  
8 about the Postal Service Witness Campbell's -- I'll get this  
9 right yet -- response to Keyspan Energy Interrogatory  
10 T29-49?

11 A I don't believe I am familiar with that  
12 interrogatory response.

13 Q Have you been furnished by your attorneys with a  
14 copy of a cross examination exhibit that we sent to them  
15 yesterday or at least to one of them?

16 A No. No, I have not.

17 Q They didn't show it to you?

18 A Nope.

19 Q Well, gee, I don't want to break the news terribly  
20 much now, but would it surprise you or would you accept  
21 subject to check -- first, let me back up. Let me lay a  
22 little foundation here.

23 Do you know that what we asked for in that  
24 interrogatory was information relating to the top 75 QBRM  
25 customers that were captured in the PERMIT system?



1           A     No. I am not familiar with the interrogatory.  
2     That went to Witness Campbell, 49?

3           Q     Yes.

4           A     I don't recall seeing that.

5           Q     Okay. Well, just accept it subject to check, if  
6     you will, that it deals with the top 75 QBRM users, high  
7     volume recipients, as captured by the PERMIT system.

8           CHAIRMAN GLEIMAN: Mr. Tidwell, did you have  
9     something you wanted to say at this juncture?

10          MR. TIDWELL: I was just helping counsel's  
11     characterization of the document.

12          MR. HALL: I would welcome any help that he could  
13     offer.

14          CHAIRMAN GLEIMAN: I don't know whether you are  
15     trying to help him with identifying the document, T29-49 or  
16     whether you are trying to help him with his  
17     characterization.

18          Are you suggesting that he is laying an inaccurate  
19     predicate?

20          MR. TIDWELL: No. He cleaned it up with the last  
21     few words of his characterization. I was going to help me  
22     add those words if he had not uttered them.

23          CHAIRMAN GLEIMAN: Thank you.

24          BY MR. HALL:

25          Q     Okay. Well, would you accept subject to check for



1 the purposes of my questions that the total volume  
2 associated with those 75 users for the period Fiscal Year  
3 '99 AP6 through Fiscal Year 2000 AP6 was approximately 183  
4 million pieces?

5 A The total volume for the 75 mailers, approximately  
6 183 million, is that what you said?

7 Q Yes.

8 A Subject to check, sure, I'll accept that.

9 Q Well now, are you at all concerned about how  
10 reasonable your one-third estimate might have been in light  
11 of this new information that you have accepted subject to  
12 check?

13 A No, I am not concerned actually. I would have to  
14 investigate what percent -- I mean what universe the PERMIT  
15 system would have. Is this -- I need to go through and just  
16 do a few calculations to see what maybe the average would be  
17 for each one of those 75 mailers, et cetera, but no, I am  
18 not concerned right now.

19 I haven't had time to review any of this.

20 Q Well, I mean here we have 75 people, and I am  
21 telling you that their volume is over 183 million or  
22 approximately 183 million pieces and you have come up with a  
23 number of 154 million for 1,358 users.

24 A Right.

25 Q They seem at least, would you agree that these are



1 sort of worlds apart?

2 A That 75 and 1358 are worlds apart? Is that what  
3 you mean?

4 Q Yes.

5 A Probably so, with respect to the two numbers they  
6 would be worlds apart.

7 Q And the volume numbers would be worlds apart too,  
8 wouldn't they?

9 A I would still -- like I said, I would really like  
10 to, I would really need to review this myself before I could  
11 suppose anything here.

12 Q Well, let me ask you this, you are aware, aren't  
13 you, first, that in R97-1 the Postal Service proposed PRM?

14 A I am aware of that.

15 Q And are you aware also that in its R97-1  
16 recommended decision the Commission approved, or recommended  
17 PRM exactly as the Postal Service had proposed it?

18 A Yes, that is my understanding.

19 Q And are you further aware of the fact that the  
20 Board of Governors then rejected the Postal Service's own  
21 proposal?

22 A Yes.

23 Q Okay. Well, I guess what I am trying to get some  
24 flavor for here is the numbers that we have come up with are  
25 -- I will characterize them, I won't ask you to characterize



1     them, they are worlds apart, they don't seem to bear any  
2     relationship to the total volume number or the total number  
3     of users that you have come up with. And I guess my  
4     question to you, I will try to refine it as we go along, but  
5     the basic question I am trying to ask you is, what is the  
6     importance of either the total volume number or the total  
7     number of users that is -- that you have a particular  
8     sensitivity to so that, if you found, for example, that the  
9     volumes were going to be much larger for whatever number of  
10    customers, potential customers there were going to be,  
11    and/or there were going to be many fewer customers than you  
12    had contemplated, how would that change your proposal, or  
13    would you now recommend that the Board of Governors, once  
14    again, reject the Postal Service's proposal? Assuming that  
15    the Commission once again were to carry that pail of water  
16    up the hill and recommend it exactly as the Postal Service  
17    had proposed it.

18           A     First of all, I am not -- I never would be the one  
19    to tell the Board of Governors what to accept or reject to  
20    begin with, and I am not really quite sure of that process.  
21    But I think what is important here, and if I can go back to  
22    try to recall the beginning of your question, I don't feel  
23    that I would have changed my proposal. The proposal is  
24    really based on a lower fee for high volume users who could  
25    take advantage of paying a quarterly fee and a lower per



1 piece fee, and when their volume exceeds a certain amount,  
2 it would be advantageous to them in terms of cost to take  
3 advantage of this.

4 The number of mailers that end up doing this, if  
5 it is proposed, I mean if it is recommended and approved,  
6 might vary from what I have, might vary from what you  
7 present, but I still feel that it shouldn't take -- the  
8 discussion we are having should not take away from the fact  
9 of the actual proposal itself. I am here really more to --  
10 I mean I can discuss that better than I can your numbers  
11 that I haven't seen yet or whatever.

12 Q So, for example, you wouldn't be troubled if it  
13 ended up that only 75 people could take advantage of this?

14 A Well, if they are not troubled, I think it is a  
15 really good -- I think it would be good for those mailers  
16 that could take advantage of it, be it one or 10,000, I  
17 don't know. I mean I would think for the mailers that could  
18 take advantage of paying less, I think they -- I think it  
19 would be great.

20 Q Okay. Do you also think it is important for the  
21 Commission to have actual numbers or -- well, let's call  
22 them actual numbers or actual information to base their  
23 decision upon?

24 A Well, I think the information I am giving them  
25 with respect to the breakeven volume, what would be cost



1 effective above a certain amount, and an estimate, just  
2 based on the best I have, but the best information or the  
3 information I felt most reasonable, I think is appropriate  
4 to present to the Commission.

5 Q Okay. And you don't feel any compunction or urge  
6 to sort of supplement your proposal with some real world  
7 numbers, to the extent you have them?

8 A I would need to see the numbers first. I can't  
9 tell you what I would do unless I could see, evaluate --  
10 evaluate something.

11 Q Well, I guess you are the person who is in  
12 possession and control of those numbers, are you not? You  
13 are the one who has access to the CBCIS system and we do  
14 not, is that correct?

15 A I am not -- I don't know. I don't know if you can  
16 access it or not. I know the Postal Service can access  
17 their own data, their own database, but I am not sure about  
18 someone other than the Postal Service.

19 Q Let's turn, well, it is just sort of a related  
20 topic, but a different one. Could you look at your response  
21 to KeySpan Interrogatory 1(g), please?

22 A Okay.

23 Q There we asked you to please explain why you  
24 believe that the Postal Service has proposed a 3 cent fee  
25 for QBRM letters and a 1 cent fee for BRM small parcels.



1 Are both consistent with criterion 7?

2 A I'm sorry. I thought you said 1(g).

3 Q I'm sorry. Now, I misread my own question.

4 Question (g)e asks you, please consider two situations  
5 wherein the Postal Service must count BRM pieces for rating  
6 purposes. In situation A there are 10,000 clean bar coded  
7 machineable letters. In situation B there are 10,000  
8 non-uniform, bulky small parcels. In your view, would it be  
9 less expensive for rating purposes to count the pieces in  
10 situation A or situation B?

11 And you responded, and this time I will  
12 paraphrase, that according to the information you received  
13 from Witness Campbell, it would appear to be less expensive  
14 for rating purposes to count the pieces in situation B,  
15 namely, the bulky small parcels, if weight averaging were  
16 used. And did you mean to compare weight averaging for both  
17 types of pieces?

18 A Yes.

19 Q Okay. And what information was it that Witness  
20 Campbell provided you?

21 A He provided me the cost per piece for nonletter  
22 BRM, which would be characterized by the bulky small  
23 parcels, and he also provided the per piece fee for the  
24 letters, which -- per piece cost, excuse me, for what would  
25 be characterized as the clean bar coded machineable letters.



1 Q Okay. And both were determined using just weight  
2 averaging techniques, is that right?

3 A That is my understanding.

4 Q Okay. So, in other words, you just accepted the  
5 numbers that Mr. Campbell gave you and you really didn't  
6 inquire beyond them at all?

7 A I accepted the numbers he gave me.

8 Q Please look at your response to --

9 CHAIRMAN GLEIMAN: Mr. Hall, if I may interrupt at  
10 this point.

11 MR. HALL: Certainly.

12 CHAIRMAN GLEIMAN: I think we would like to take  
13 our mid-morning stretch.

14 MR. HALL: Certainly.

15 CHAIRMAN GLEIMAN: Ten minutes.

16 MR. HALL: Thank you.

17 CHAIRMAN GLEIMAN: Thank you.

18 [Recess.]

19 CHAIRMAN GLEIMAN: When last we met, you were  
20 about to give us another interrogatory number.

21 MR. HALL: Yes.

22 BY MR. HALL:

23 Q If you could please turn to Interrogatory, KeySpan  
24 Energy T-39-2(a), and there we had referred you to page 25  
25 of your prepared testimony where you stated that the QBRM



1 unit cost is 2.05 cents, and the QBRM non-letter size unit  
2 cost is .58 cents.

3 And then we asked you if you performed any  
4 independent evaluation of these costs figures provided to  
5 you by other Postal Service witnesses, or did you simply  
6 accept them as they were given to you.

7 And you said, I accepted the cost figures provided  
8 by Witness Campbell.

9 And, so, once again, you did so without any  
10 independent inquiry of your own into whether or not this  
11 made sense; whether the costs of dealing with QBRM was  
12 really about four times the cost of dealing with these  
13 bulky, small non-letter-size QBRM packages?

14 A That's correct; I accepted the figures that  
15 Witness Campbell gave me.

16 And I would like to say that right before we took  
17 the break, I believe you asked me, and I misspoke about the  
18 weight averaging for letters, if that was used along with  
19 non-letters.

20 And I believe that it's weight-averaging that  
21 costing for the situation with the small parcels -- but I'm  
22 not -- I guess Witness Campbell would be the person to ask,  
23 costing method that he used for the letters.

24 But I think I might have answered yes to that it  
25 was weight-averaging for the letters, but I can't speak to



1 the costs. I can only speak to the two different cost  
2 figures I got from him and how I used them to design the  
3 fees.

4 Q Okay, and you got that information about the  
5 misspokenness of your former response, based on conferring  
6 with Witness Campbell during the recess?

7 A Well, I realized it right after I got off the  
8 stand, that I thought -- I think I just agreed to a costing  
9 characterization that I shouldn't have done, because I'm not  
10 familiar enough with all the methods that go into the  
11 costing for the letters.

12 Q Okay, and in -- let's move on then. In response  
13 to Question (b) you indicated that you weren't concerned at  
14 all about the relationship between the costs that you'd been  
15 given for clean letter-shaped uniform QBRM letter pieces,  
16 and the non-uniform small parcels; is that correct?

17 And you indicated that you weren't concerned at  
18 all; is that right?

19 A I wasn't concerned that the letters were more  
20 costly than the parcels or the non-letters, because they  
21 both use different rating methods.

22 Q Okay, are you familiar with a gentleman by the  
23 name of Grady Foster?

24 A Yes.

25 Q Are you familiar with or are you aware of the fact



1 that he testified basically in the capacity you're  
2 testifying today, approximately six years ago?

3 A In R94, yes.

4 Q Were you aware that he was presented, by his  
5 witnesses at that time, with some cost information that just  
6 didn't look right?

7 A I -- well, I'm aware that there was cost  
8 information presented in R94 that was definitely  
9 controversial, I guess; that some people probably didn't  
10 think it looked right.

11 Q Okay, well, the people that didn't think it didn't  
12 look right would include the Commissioners, right?

13 A I'd have to go back and check the recommended  
14 decision, but they probably had some concerns about it.

15 Q You're talking about BRM fees in that case, right?

16 A Well, the BRM costs. Based on the costs, I am  
17 familiar with R94, based on the costs that Witness Foster  
18 received.

19 Q Okay, well, are you aware of the fact that when  
20 confronted with those costs, that witness Foster indicated  
21 that he had sent the responsible witnesses back to  
22 double-check their information?

23 A I'm aware of that, yes. I was there.

24 Q But you didn't feel it was necessary for you to do  
25 any sort of check like that in this case, based upon the



1 cost figures that you were provided by Witness Campbell for  
2 letter-sized QBRM received in high volumes and high volume  
3 non-letter-size small package BRM parcels?

4 A No, I wasn't, not at all. In fact -- I mean, I  
5 still believe that with respect to my fee proposal, of  
6 course, the proposed fee I'm recommending -- the proposed  
7 fee I'm proposing is -- represents a 40-percent reduction in  
8 the current fee.

9 I think that it's a -- I think it's a very  
10 favorable proposal for QBRM mailers. Yes, I based the  
11 proposed fee, in part, on the cost I received from Witness  
12 Campbell for both the non-letter and the QBRM high volume.

13 But I had no reason to question the costs that  
14 Witness Campbell provided.

15 Q Okay, do you have it in mind, because you work  
16 over in headquarters, that there has been a big push on to  
17 add a lot of automated equipment over the last decade, say?

18 A I'm vaguely familiar with that. I'm not an  
19 operations person, but just from what I read here and there,  
20 I understand that the Postal Service is always moving more  
21 and more towards automation, more automation.

22 Q And do you have any sense of the concept that the  
23 percentage of, say, First Class mail -- and that would  
24 include, I guess, QBRM pieces -- that are -- well, certainly  
25 the percentage of First Class that is processed on



1 automation has been increasing over the years?

2 A Just in very general terms, I -- that's my  
3 understanding, that we're working towards processing more  
4 and more mail on automated equipment, versus manually.

5 Q And would the figure of about over 90 percent,  
6 maybe 94 percent processed on automation be something that  
7 you were aware of?

8 A No.

9 Q Okay. So, you wouldn't think that there was  
10 anything wrong, or would you, if you saw a number where  
11 there was an indication that perhaps there was a very low  
12 percentage of processing of that particular kind of mail,  
13 even though it was First Class, even though it was  
14 pre-bar-coded, even though it was, you know, pre-approved by  
15 the Postal Service?

16 A I'm not sure I'm following you. Could you --

17 Q Well, QBRM is prescreened by the Postal Service,  
18 isn't it, before recipients are allowed to include it in  
19 their outgoing envelopes?

20 A Prescreened?

21 Q Well, I'm sorry. I'm being imprecise. The  
22 Domestic Mail Manual, I believe, contains very specific  
23 requirements regarding the address quality, placement, the  
24 existence of a pre-bar-code and its placement on a business  
25 reply mail piece or now called a QBRM piece; is that right?



1           A     It's my understanding, yes, there are requirements  
2     for the design of the mail piece, yes.

3           Q     Okay, and so this would be certainly a piece that  
4     would be among all the -- well, let's back up.

5                     QBRM comes back through the mail system after it's  
6     put in place by the mailer who has received the piece from  
7     the recipient in another envelope.

8                     It's placed into the system as single-piece mail,  
9     right?

10          A     Correct.

11          Q     Now, you would expect, given the general quality,  
12     overall quality of all single-piece mail, that this type of  
13     mail which had been pre-approved, prescreened by the Postal  
14     Service, would attain some of the highest successful  
15     automation processing percentages; would you not?

16          A     I can't say for sure. I'm not an expert with  
17     respect to mail processing. Clearly, one could speculate  
18     that, but I certainly couldn't say for sure that that would  
19     be the case, necessarily.

20          Q     But ultimately all the of things we've been  
21     discussing are not matters that even occurred to you; is  
22     that correct?

23                     When you looked at the cost figures that were  
24     supplied to you by Witness Campbell for clean QBRM letter  
25     piece received in high volumes, versus non-letter-size BRM



1 bulky parcels, also received in high quantities?

2 A Well, I discussed the numbers with Witness  
3 Campbell, and he explained to me, somewhat -- like I said,  
4 I'm not a cost expert, so I can't answer the questions, or I  
5 can't speak to the methodology.

6 However, I can in a very basic -- in very basic  
7 terms, say that there were different methods used to rate  
8 the mail, and therefore they represent different costs.

9 So, upon hearing that, I accepted Witness  
10 Campbell's cost figures without any question or hesitation.

11 Q Could you turn now to KeySpan Energy's  
12 Interrogatory T-39-9? And there may be others, but the sort  
13 of general topic area I am interested in is the question of  
14 full integer rates versus -- or fees, versus fractional  
15 rates or fees. And we were asking you several questions  
16 about, you know, well, what would be wrong with, basically,  
17 having either the First Class portion of the fee for a QBRM  
18 customer be at a fractional rate, or even the per piece fee.  
19 And I think you have indicated that you don't think that is  
20 such a good idea. I would just like to ask you a couple of  
21 questions about that.

22 First, to bring it down to a personal level, you  
23 buy food, don't you?

24 A Yes.

25 Q Okay. And when you go into the supermarket, have



1 you ever seen the little signs on the shelves that quantify  
2 the price of items on a uniform per ounce or per pound  
3 basis?

4 A Yes.

5 Q And they are placed there so that normal consumers  
6 can compare what they are buying, one brand to another,  
7 aren't they?

8 A Yes.

9 Q Now, they often appear in fractions per cent,  
10 don't they?

11 A As far as the price per pound?

12 Q Fractions of a cent per ounce, for example.

13 A Yeah, like the price per ounce or per pound,  
14 whatever is -- yes. I mean they appear in decimal, you  
15 know, 10.9 cents per ounce or whatever, yes.

16 Q Okay. Now, does that information confuse you or  
17 stop you from buying foods in the supermarket?

18 A No.

19 Q Okay. Now, you also drive a car, don't you?

20 A Yes, I do.

21 Q And do you buy the gas or does somebody else buy  
22 the gas?

23 A Yes, I buy the gas.

24 Q Okay. Have you ever seen gallons of gas sold in  
25 whole cents?



1           A     I have never seen gallons of gas sold in whole  
2 cents, no.

3           Q     Okay. Now, does that fact, let's say it is,  
4 unfortunately, today, I guess -- I filled up and it was  
5 close to 176.9 cents or something.

6           A     Oh.

7           Q     Per gallon. Did I say .9?

8           A     Yeah.

9           Q     I hope I did. That fact that it may be stated  
10 that way on the pump doesn't confuse you or make it  
11 difficult for you to buy gas, does it?

12          A     I always round it up to the next cent. So it  
13 doesn't -- if it is 149.9, I see it as \$1.50. And I usually  
14 round off my gas purchases anyway, so it --

15          Q     As do we all, I am sure.

16          A     Yeah. So I don't even really -- and I don't know  
17 why I do it, I mean there is no reason really to do it, but  
18 I just do it because I think I, like probably most people,  
19 round up. For example, the 149.9 would be \$1.50 and I look  
20 at it as \$1.50 for a gallon of gas. That way it is easy to  
21 compute in my head, well, if I get, you know, 10 gallons, it  
22 should be \$15 approximately.

23          Q     Now, most of the people who distribute and receive  
24 back QBRM pieces are businesses, aren't they?

25          A     Yes.



1 Q And in most, if not all, cases, those businesses  
2 mail their outgoing pieces as presorted mail, don't they?

3 A I would assume so.

4 Q And presort rates are often expressed in fractions  
5 of a cent, aren't they?

6 A It is my understanding that that is true.

7 Q Now, so, you don't really believe that having a  
8 fractional cent for either the First Class postage or the  
9 per piece will confuse QBRM recipients or dissuade them from  
10 using the service, do you?

11 A Well, in response to my answer I said to the  
12 Interrogatory 9, subpart (1), nothing against the BRM  
13 mailers, it is the rates that they pay for the BRM, not the  
14 outgoing, but I am talking about the rates that they pay on  
15 the Business Reply Mail pieces themselves are in whole  
16 cents, they are whole cent rates. So, with respect to using  
17 fractions with BRM mail, I really don't know how easy that  
18 would be for the mailers or not.

19 Q Well, who computes the total postage? Is it the  
20 recipient?

21 A Well, the recipient could probably have something  
22 in mind as far as a certain number of pieces, probably get  
23 an idea of what it should be if they -- they could  
24 double-check what the Postal Service computes the rates and  
25 fees.



1           Q     Right. But it is the Postal Service clerks who  
2 are actually doing the calculations, isn't it?

3           A     They are doing the initial calculation to make the  
4 charge. The mailers themselves could probably double-check,  
5 I am not sure if they do, but perhaps they do.

6           Q     Well, when presort mailers bring their presorted  
7 mail in lots of, say, trays of 500 pieces, they may bring  
8 10,000 pieces or whatever number of pieces they bring, and  
9 they have been charged a fractional -- or they have applied  
10 a fractional rate of postage. The Postal Service clerks  
11 check to make sure that that is correct, don't they?

12          A     I assume so, yes.

13          Q     Okay. And, so, in that case, both the mailer and  
14 the Postal Service clerks have no problem dealing in  
15 fractions of a cent, right?

16          A     Well, it is for a different type of mail, sure.  
17 Like I said, with Business Reply Mail, there are no  
18 fractional postage rates for the Business Reply Mail return,  
19 the Business Reply Mail itself.

20          Q     So, is your objection to that simply the fact that  
21 it doesn't exist now, so it could never exist?

22          A     Oh, I never did say that. All of the fees past,  
23 and current, and proposed are in whole cent rounding  
24 constraints.

25          Q     So, but you know -- then you know of no reason



1     why, if it made sense to have it in -- let's say, for market  
2     based reasons, which I appreciate that you didn't study the  
3     market, but if the market is studied, and somebody were to  
4     conclude, for market based reasons, or other reasons, that  
5     it would make sense to have a fractional rate, then you  
6     would have no objection to that?

7           A     Well, maybe I didn't have to study the market, as  
8     you say, to propose a 40 percent reduction in the fee for  
9     QBRM. I still feel that the whole cent rounding constraint  
10    is reasonable.

11          Q     That is interesting. You proposed a 40 percent  
12    reduction in the fee. What are you speaking of?

13          A     I am speaking of the large volume QBRM. When you  
14    said that -- I believe you said that I wasn't interested in  
15    market studies, or studying the market, something like that,  
16    I figured you were referring to, earlier, when you asked me  
17    if I had done any market studies on high volume QBRM.

18          Q     That's right. We agreed you had done none.

19          A     Right.

20          Q     Okay.

21          A     So is that what you were referring to then?

22          Q     Yes. Exactly.

23          A     Yeah. Well, when you characterize that, I just --  
24    I don't think I need to study the market to say that I think  
25    mailers who could save money, high volume mailers, would



1 take advantage of it. I think it is a favorable proposal,  
2 like I have stated before.

3 Q Okay, and when you say it's a 40 percent reduction  
4 in the rate, you are comparing what two numbers?

5 A 5 cent and 3 cent fee.

6 Q Okay, although the Postal Service here is  
7 proposing what fee?

8 A 3 cents for high volume QBRM.

9 Q And for low volume?

10 A I believe I'm --

11 Q Let me save you the trouble of looking it up.

12 A I just want to make sure.

13 Q It is 6 cents. Will you accept that subject to  
14 check?

15 A Right, right. I am talking about the current 5  
16 cent fee though.

17 Q And you are aware, aren't you, also that the  
18 customer who would be getting this 40 percent reduction  
19 would also be paying a quarterly accounting fee?

20 A Yes, I am, but like I said, above a certain volume  
21 it is going to cost less.

22 Q Without that certain volume it will cost the same,  
23 won't it?

24 A Yes.

25 Q So to get back to the integer question, I am still



1 not certain I understand, do you object if somebody in their  
2 wisdom decided that either the First Class rate portion of  
3 QBRM service or the per piece fee, either for high volume or  
4 low volume or both, QBRM customers should be sent at a  
5 fraction of a cent rather than whole cents, you wouldn't  
6 have any objection to that, would you?

7 A Well, I would have to study the feasibility of a  
8 fractional fee.

9 I did not -- I have used, like I said,  
10 historically we have used, currently we use and propose to  
11 use fees in whole cents.

12 COMMISSIONER LeBLANC: Mr. Hall, excuse me just  
13 one second.

14 MR. HALL: Yes.

15 COMMISSIONER LeBLANC: Ms. Mayo, what do you mean  
16 there by feasibility of a half-cent or break in an integer?

17 THE WITNESS: Well, I mean if there was one piece  
18 that came back and the fee was 3.5 cents instead of three  
19 cents, how would we get a half cent from that -- you know --

20 COMMISSIONER LeBLANC: So the feasibility would be  
21 on the return side?

22 THE WITNESS: Right, on the return side. Yes, I  
23 mean I just never -- it's never been posited to me, so I am  
24 just not sure.

25 COMMISSIONER LeBLANC: Okay. Excuse me, Mr. Hall.



1 MR. HALL: Thank you.

2 BY MR. HALL:

3 Q Let me just follow up on that and we will save a  
4 little time.

5 When a presort mailer mails out mail and the  
6 10,000 pieces or 9,999 pieces end up with a fractional rate,  
7 he doesn't write a check or provide the Postal Service with  
8 a fractional amount, does he?

9 A I don't know.

10 Q Doesn't the Postal Service always end up with a  
11 penny, one way or another?

12 A I am not sure. Probably, but I am not sure.

13 Q But if there more than, certainly if there were  
14 more than one piece, as you were discussing with  
15 Commissioner LeBlanc, it would simply be a matter of  
16 rounding off. Say there were 300 pieces at -- he was saying  
17 3.5 cents so let's use that number on the return piece.

18 If it is 3.5 cents, and I assume that we are  
19 talking about low volume QBRM, then how many pieces did I  
20 give you? 300?

21 A Yes.

22 Q Okay. If 300 pieces come back, could you do the  
23 math for me?

24 A If 300 pieces came back at 3.5 cents, I have  
25 \$10.50.



1           Q     Ten dollars and fifty cents? Okay. Give me  
2 another -- I'm sorry, I miscounted. I was counting by hand  
3 and I didn't count correctly so I had one more piece, so  
4 \$10.50 -- now it is \$10.53 and a half, and do you think I  
5 would be happy to give you \$10.54 in the circumstance rather  
6 than giving you four times, four cents times 300 pieces or  
7 301 pieces?

8           A     I'm sorry, could you say that again?

9           Q     Well, do you think I would find any difficulty  
10 with you charging me that extra, rounding off that half cent  
11 and making me pay an even four cents for the last piece in  
12 view of the fact that I had gotten a fractional rate for the  
13 other 300 pieces?

14          A     I am really not sure. I really don't know. I  
15 have not considered fractional fees.

16                   I don't know enough about it.

17          Q     Could you look at your response to KeySpan  
18 Interrogatory T-33-8?

19          A     Wait, T-33-8?

20          Q     I'm sorry, T-39-8.

21          A     Okay.

22          Q     In Questions Parts (a) and (b), we asked you to  
23 confirm certain things, and in (c) we asked you a question,  
24 if you couldn't confirm either (a) or (b).

25                   And the thing that puzzles me is, you redirected



1 the questions (a) and (b) to Mr. Campbell, correct?

2 A Yes, I did.

3 Q But then you went ahead and answered Part (c).

4 A Well, Part (c) deals directly with Criterion 7 of  
5 the Act, Fee Simplicity, which I discuss in my testimony,  
6 the pricing criteria.

7 And Subparts (a) and (b) deal with sampling time  
8 and the amount of sacks to weigh, to estimate a quantity,  
9 which are part of what goes into Witness Campbell's costing  
10 methodology.

11 So I really can't speak to those, but I could  
12 speak to (c) which discussed the pricing criteria.

13 Q Okay, well, I guess I was getting to the point  
14 that you filed your answer before Witness Campbell filed his  
15 answers to (a) and (b).

16 And I think what you've just told me is, it's sort  
17 of the answers, whatever they were going to be to (a) and  
18 (b), you didn't consider important for you to answer what  
19 you wanted to answer in (c).

20 Is that right?

21 A I don't really see how (a) and (b) relate to (c).

22 Q Well, I guess you could look at it one way, and  
23 that is, if they were both confirmed, you wouldn't have to  
24 answer.

25 A Well, it says that if you cannot confirm either,



1 but I didn't answer (a) and (b), so if that first part of it  
2 is not applicable, I -- taking the rest of the  
3 interrogatory, I can answer that easily.

4 Q Okay, thank you.

5 MR. HALL: If you'll bear with me one minute, I  
6 think I've completed my cross, but I just want to check a  
7 few things.

8 BY MR. HALL:

9 Q Can you look at your response to KeySpan  
10 Interrogatory 39-10(d), please?

11 A Did you say (b)?

12 Q D as in David.

13 A Okay.

14 Q And there you answer, in part, is, I believe the  
15 Postal Service generally strives to use the most efficient  
16 methods possible in all operations, balancing competing  
17 considerations.

18 A Right.

19 Q And that is part of your job as a pricing witness;  
20 isn't it, that there has to be fair and honest and efficient  
21 management of the Service?

22 Isn't that what you base the rates and expect the  
23 costs to be based on?

24 A Well, they're based on the nine pricing criteria  
25 of the Act. And my response to (D) was a general statement



1     that the Postal Service strives to use the most efficient  
2     methods possible, wherever.

3             And that's just even the most general terms, and  
4     in all operations, I said, so --

5             Q     Right. Well, would it surprise you that in the  
6     case of QBRM, including high volume QBRM, that that's not  
7     necessarily the case?

8             A     That the Postal Service does not use the most  
9     efficient operations?

10            Q     Right.

11            A     It wouldn't surprise me if in certain instances,  
12     which would come under balancing competing considerations,  
13     in the interrogatory response, that maybe not all high  
14     volume QBRM is processed in the most efficient way or method  
15     possible, but maybe the most practical for whatever the  
16     situation is.

17            Q     Well, let's say that some portion of a particular  
18     kind of mail doesn't get processed in the most efficient  
19     manner because another portion of the mail has to get out,  
20     and it's deemed by the Postal Service that it's important  
21     that it be handled in that fashion, right?

22            A     Okay.

23            Q     So, for example, the mail that didn't get  
24     processed on, say, automation equipment, ends up being  
25     processed in a manual operation?



1 A Okay.

2 Q Now, do you think it's fair that the mailers who  
3 didn't get their mail processed on automation should pay  
4 some different and higher rate than mailers who were  
5 fortunate enough to have the Postal Service decide to  
6 process their mail on the automation?

7 A Well, I'd actually need to see the outcome. I  
8 mean, did the -- was the service performed equally as far as  
9 did they both receive the service that they had paid for?

10 Was one really faster than the other? I think it  
11 would just depend. I'd need to be able to -- I'd have to be  
12 able to view that with the considerations I have mentioned.

13 Q Well, if we're talking about both pieces or both  
14 types of pieces are First Class mail, right, what more would  
15 you need to know?

16 A And one is a BRM manually processed and one is  
17 processed on automated equipment; is that correct?

18 Q That's correct.

19 A Okay, were they both returned to the mailer at the  
20 same time, the recipient? I mean, like I said, I don't know  
21 what the --

22 Q Let's assume -- well, let's assume first that  
23 there was no other mail in the mail stream for the QBRM  
24 recipient that day.

25 A I don't know how a determination would be made



1 since I'm not an operations expert. So I really can't  
2 answer to why something would have been done.

3 I'm here to present proposals for the special  
4 service, which by all indications was performed.

5 So that's what I can answer to.

6 Q Okay, so you wouldn't inquire behind just the raw  
7 cost numbers that you receive and say, hey, wait a minute,  
8 if this reflects some anomaly here of the kind we've been  
9 describing, maybe there's something that I should take into  
10 account for pricing purposes?

11 A If it's relative to the pricing criteria, I  
12 haven't been -- it hasn't been demonstrated to me that it is  
13 relative to the pricing criteria.

14 Q Okay. Now, you've taken in the case of high  
15 volume QBRM, you've taken a unit cost of 2.05 cents that you  
16 received from witness Campbell, and increased it to three  
17 cents.

18 A Yes, proposed to increase it to three cents,  
19 exactly.

20 Q Now if it were shown that the correct cost or the  
21 appropriate cost was really, say, let's choose a number,  
22 ~~1.0~~<sup>1.7</sup> cents, what would you do in that case?

23 A I am not sure. I would still have to get to that  
24 situation and review it.

25 Q Well, I am Mr. Campbell and I am putting it in my



1 cost figures and here they are, and you don't want to know  
2 about them, right? If you are not going to ask me about  
3 them --

4 A Sure. He hasn't filed any errata to the cost  
5 numbers that I am aware of.

6 Q No, I am saying I am -- we are doing a  
7 hypothetical now. I am Mr. Campbell, although I am not half  
8 as handsome or anywhere near as young, and my eyes aren't as  
9 clear --

10 A Neither am I.

11 Q -- and I come to you. I have all of a sudden been  
12 fortunate enough to be hired by the Postal Service and they  
13 have assigned me the task, some might say thankless, of  
14 doing the special services costing, and I come to you and I  
15 say, okay, I have done everything I am supposed to do and  
16 here is my results, and for high volume QBRM, for which we  
17 all agree because we talked about it, we are going to be  
18 offering a different and separate rate, I have come up with  
19 a cost of 1.7 cents.

20 So now what do you do?

21 A Well, I'd first apply the contingency to it, the  
22 2.5 percent contingency, then I would review that cost along  
23 with the pricing, the rest of the pricing criteria again,  
24 applicable criteria, and I might probably come up with the  
25 same fee I proposed.



1 I am pretty sure I would, but --

2 Q I'm sorry, could you complete the tail end of your  
3 answer there?

4 A I'm pretty sure I would come up with the same  
5 proposal. I would still like to look at it again, but I  
6 don't see any reason why I wouldn't come up with perhaps the  
7 same thing.

8 Q Well, would your choice be between going up to 2  
9 cents or going up to 3 cents? Is that what you are saying?

10 A Yes. I would probably add the contingency if it  
11 is still under 2 cents, then I believe two options would be  
12 2 cents or 3 cents, reasonable options.

13 MR. HALL: Those are all the questions I have, Mr.  
14 Chairman. Thank you very much, Ms. Mayo.

15 THE WITNESS: Thank you.

16 CHAIRMAN GLEIMAN: That is for the entire day, of  
17 course, Mr. Hall, is that right?

18 [Laughter.]

19 CHAIRMAN GLEIMAN: No, I know you are scheduled to  
20 cross --

21 MR. HALL: On the advice of my counsel, Mrs.  
22 Tidwell, I respectfully decline to answer.

23 CHAIRMAN GLEIMAN: She keeps a lot of us out of  
24 trouble.

25 Next is the Office of the Consumer Advocate. Ms.



1 Dreifuss.

2 CROSS EXAMINATION

3 BY MS. DREIFUSS:

4 Q Good afternoon, Ms. Mayo. I am Shelley Dreifuss  
5 for the Office of the Consumer Advocate.

6 A Good morning.

7 Q Among your many proposals is a proposal for  
8 insurance fees.

9 Could you turn to your testimony at page 60,  
10 please.

11 A Okay.

12 Q For the category "unnumbered to \$50" you proposed  
13 a fee of \$1.35, is that correct?

14 A That's correct.

15 Q And that is a 59 percent increase from the current  
16 fee of 85 cents?

17 A That's correct.

18 Q I think the proposed fee is 50 cents higher than  
19 the current fee, is it not?

20 A Yes, that's correct.

21 Q You recently received errata for the unit costs  
22 that underlie that fee from Witness Davis, did you not?

23 A Yes, I did.

24 Q Do you happen to have your Library Reference 168  
25 with you today?



1 A I do.

2 Q Could we look at page -- this would be Work Paper  
3 33, page 1 of 4, both the older version and the revised  
4 page, please.

5 A I only have the revised page with me.

6 Q Well, I am just going to talk about two numbers,  
7 so that is pretty easy.

8 A Sure.

9 Q You can make a note on your copy if you need to  
10 keep those in mind.

11 For unnumbered insurance, previously Witness Davis  
12 had given you a unit cost of \$1.26. That is the number you  
13 don't have in front of you now.

14 A Right.

15 Q But the revised figure is 95 cents, is that  
16 correct?

17 A Correct. Yes.

18 Q So it appears that the unit cost went down 31  
19 cents, is that correct?

20 A Yes.

21 Q Are you proposing to reduce the fee for unnumbered  
22 insurance now by approximately that amount?

23 A Well, no, I don't believe I can change the  
24 proposal that was -- that these fees were approved by the  
25 Board of Governors.



1           Q     Would you think it advisable for the Commission on  
2     its own to incorporate this revised unit cost and then  
3     recommend to the Governors a reduction in that fee?

4           A     Oh, definitely. Yes.

5           Q     Would it be more or less of a flowing through the  
6     difference in the old number and the new one, would you say?

7           A     I am not quite sure I can answer that  
8     specifically. I would still -- I feel that probably a  
9     reduction is in order. I don't know if it should be the  
10    exact amount as the cost reduction.

11          Q     If it where of that size though, that doesn't  
12    sound improper to you, does it?

13          A     It might. I would have to see what the resulting  
14    cost coverage is, et cetera, and what the resultant fee  
15    increase would be, so I can't really say, but I would not be  
16    surprised or would not disagree with reviewing this new cost  
17    figure in terms of recommending a fee.

18          Q     The fee that you do propose is 59 percent higher  
19    than the current fee. That kind of increase is very, very  
20    large compared to other proposed rate and fee increases in  
21    this case, isn't it?

22          A     It is fairly large. It was done just pretty much  
23    to cover the cost of the service, yes.

24          Q     In fact, I checked Commission Order Number 1279  
25    where the Commission summarized the average rate increase.



1 They said it was 6.4 percent. Does that sound about right  
2 to you, that that was the overall level of rate increase in  
3 this case?

4 A I don't believe -- I thought it was 6.5 but  
5 actually, yes, that would be for the rates, <sup>F</sup>for the special  
6 services I believe it is a bit higher.

7 Q Now I did a back of the envelope calculation. If  
8 the Commission were to reduce your proposed fee of \$1.35 by  
9 approximately 31 cents I see that that fee would still be  
10 increased maybe on the order of about 20 percent or a little  
11 bit more. That would still be quite a bit higher than the  
12 average rate increase in this proceeding, wouldn't it?

13 A It would be quite a bit higher than the 6.5  
14 percent definitely.

15 With respect to the overall insurance though, I  
16 have 21 percent as the insurance total increased<sup>/</sup> proposed.

17 Q Right, so if we flowed through that that  
18 difference maybe we would wind up with the overall increase  
19 in insurance or perhaps, I guess it might bring that down a  
20 bit if we were to make that change.

21 A Well, yes, it probably would bring it down, but I  
22 don't -- here I hesitate to recommend myself that it be  
23 brought down in real terms, the exact amount of the cost.

24 Q Let's just look for a moment at the other unit  
25 costs that changed, the one for numbered insurance. Now I



1 know you have got the revised page in front of you.

2 A Right.

3 Q The unit cost for numbered insurance is \$1.79 on  
4 the revised page and I have it as \$1.99 before it was  
5 changed.

6 A Right.

7 Q Is that the basis for the proposed fee of \$2.10  
8 for \$50-100 of insurance?

9 A No, it's not. The basis for that proposed fee is  
10 the total cost, the total insurance cost that I got from  
11 incremental and volume variable from Nancy Kaye, Witness  
12 Kaye.

13 Q Do you know how the \$1.99 -- I'm sorry, the new  
14 \$1.79 unit cost figures into that total that you got from  
15 Witness Kaye?

16 A No, but I think Witness Davis would probably be  
17 the one to ask about that.

18 Q Okay. He may not thank you for that.

19 A Okay.

20 Q For that coming up later. There is another  
21 insurance issue that I wanted to mention or discuss with you  
22 this morning, and it relates to the fees that are charged  
23 for registered mail and those that are charged for  
24 insurance.

25 Registered mail is available in combination with



1 First Class or Priority Mail, is that correct?

2 A Yes, that's correct.

3 Q And insurance is available with Parcel Post, is it  
4 not?

5 A Insurance is available with Express Mail, Standard  
6 Mail B and Standard Mail that's <sup>paid at the</sup> First Class or Priority Mail  
7 rates.

8 Q And among those would be Parcel Post as part of  
9 Standard B?

10 A Correct.

11 Q Okay. What kind of service is provided to  
12 somebody who pays for registered mail?

13 A Well, registered mail, that is a secured service  
14 where it is signed for along every leg of the dispatch,  
15 transportation, delivery as it passes from employee to  
16 employee to employee along the way. It is signed for. It  
17 is kept in a secured area in processing centers and it is  
18 signed for by the delivery employee. Like if a carrier was  
19 taking it out on the street they would sign for it ahead of  
20 time, take it out and then have to come back with the  
21 delivery receipt signed, so it is accountable in that  
22 respect.

23 Q The fee that is paid by the mailer includes  
24 insurance, does it not?

25 A If it is valued at a penny or over, yes, it



1 includes Postal insurance.

2 Q So for example if this item were lost as it moves  
3 through the postal system, then the Postal Service would I  
4 guess reimburse the mailer for the value of the article, the  
5 declared value of the article?

6 A Right, after the -- through a claims process, yes.

7 Q And when a mailer purchases insurance, let's say  
8 in combination with Parcel Post, they would get more or less  
9 the same type of reimbursement, would they not?

10 A As far as the claims go, yes, the declared value  
11 of the article, it is my understanding.

12 Q I wanted to just give you a couple of examples  
13 that I have to admit don't make a lot of sense to me. I  
14 took a look at the purchase of Priority Mail service with  
15 registered mail, and just decided, for not particular  
16 reason, to look at a five pound parcel to Zone 8. And I  
17 will just ask you to accept these figures subject to check,  
18 unless you have resources that you would like to consult.

19 A Okay.

20 Q As we are going through, to correct me if I am  
21 wrong.

22 A Yeah.

23 Q But, anyway, what I found out was that a five  
24 pound parcel to Zone 8, Priority Mail, would pay postage of  
25 \$7.60 and a registration fee of \$12.75, if we were talking



1 about an article declared at \$5,000 in value. You could  
2 probably check me on the \$12.75 registration fee. I know  
3 you have those materials.

4 A Yeah, that would be over \$5,000 to up to \$6,000.

5 Q Right. So that mailer would pay \$12.75 for the  
6 registration fee, for this \$5,000 article.

7 A Right. For something over \$5,000.

8 Q Okay. Well, let's say it is a little over \$5,000.

9 A Yeah. Okay. Sure.

10 Q And that came to a total of \$20.35 when I added  
11 the \$7.60 to the \$12.75.

12 A Yes.

13 Q And then I said, well, I will go ahead and compare  
14 that to Parcel Post with insurance. And, again, I picked a  
15 \$5,000 article that I thought, it is a five pound parcel to  
16 Zone 8, and Parcel Post, and that would make it an inter-BMC  
17 parcel.

18 A Okay.

19 Q That would involve postage of \$7.10 and, in  
20 addition to that, these would be the insurance fees that I  
21 would have to pay, and these are the ones that you propose,  
22 I believe, \$2.10 for the first increment, plus a dollar for  
23 every hundred dollar increment above that, is that correct?

24 A Right, for every hundred dollar value level above.  
25 Sure.



1           Q     Okay. So, and since we are talking about a \$5,000  
2     item, I got \$52.10 worth of insurance that I had to add to  
3     the \$7.10 Parcel Post postage. Does that sound about right  
4     to you?

5           A     Subject to check, that sounds about right.

6           Q     And the grand total is \$59.20. And it seems to me  
7     that these services are out of line because I can get  
8     insurance by buying registered mail and I can save close to  
9     \$40 going that route. If I buy a combination of Priority  
10    Mail and registered mail to get my five pound parcel to Zone  
11    8, I would save almost \$40 over and above buying Parcel Post  
12    with insurance. Has there been any consideration given to  
13    try to somehow align these fees in a more sensible manner?

14          A     Well, when you consider the fact that the insured  
15    mail volume is growing, and the registered mail volume is  
16    declining, I don't know. I mean it seems like insurance is  
17    doing okay. I can speak to the fact that registered mail,  
18    being so secure, the very nature of it, we don't really have  
19    as many claims as we do in insurance. Therefore, the costs  
20    are considerably lower, and, hence, a lower fee.

21                I believe that there might be some mailers that  
22    would choose insurance over registered and pay more for the  
23    insurance because they can get it, maybe get it there  
24    quicker. They can use Express Mail, for example, which you  
25    can't use with registered mail. In fact, registered would



1 be a bit slower as it goes through the system. So, for  
2 whatever reasons, mailers would opt to use insurance. And,  
3 like I said, the volumes are increasing a lot and they are  
4 in, with respect to the higher value, insurance ever since  
5 the indemnity limit was raised.

6 Q Now, I know you are not the witness who addresses  
7 Parcel Post or Priority Mail, but from your general  
8 experience with the Postal Service, you are aware, aren't  
9 you, that Priority Mail travels at a -- is a faster service  
10 that Parcel Post, as a rule, isn't it?

11 A It can be, I guess. I don't know for sure, but I  
12 imagine you could probably get a Priority Mail package and a  
13 parcel to the same place at the same time perhaps.

14 Q Well, how about my example of a Zone 8 parcel, do  
15 you believe that a Priority Mail parcel going to Zone 8  
16 would get there any faster than a Parcel Post parcel going  
17 to Zone 8?

18 A I am really not sure. But if you attach  
19 registered to it, it is going to slow it down.

20 Q Okay. Well, let's just assume, I don't know that  
21 we have any firm figures in this record yet on how Priority  
22 Mail service compares to Parcel Post, but let's just assume  
23 for the sake of this series of questions that Priority Mail  
24 service is faster than Parcel Post. Now, you mentioned a  
25 moment ago that registration, or the registered service



1 might slow it down. Do you have any idea about how much  
2 registration tends to slow down mail as it moves through the  
3 system?

4 A No, I don't. I just know that it can't, due to  
5 the nature of the service, for example, it can't be used  
6 with Express Mail like insurance can.

7 Q Are you aware of any figures within the Postal  
8 Service that would reflect -- let me ask you first, any  
9 precise measurements of how much registered mail adds to the  
10 length of time for transportation delivery of an item?

11 A No, I don't know.

12 Q Do you know of any general information anywhere  
13 within the Postal Service that would give me any idea of how  
14 much longer it takes to move my item through the system if I  
15 purchase registered mail, compared to that same piece  
16 without it?

17 A Yeah. No, I don't know.

18 MS. DREIFUSS: Mr. Chairman, I would like to ask  
19 Mr. Rubin, and with your indulgence, to provide any  
20 information the Postal Service might have on any time that  
21 is added to the transportation and delivery of mail if it  
22 goes registered, if the Postal Service has such information.

23 CHAIRMAN GLEIMAN: Well, we ask Mr. Rubin to  
24 convey your request to the Postal Service. And do you  
25 understand --



1 MR. RUBIN: That is a very broad request. Now, I  
2 think we have --

3 THE WITNESS: Witness Kay was on, I think she  
4 dealt with the cost for registered mail. I don't know if  
5 she knows --

6 MS. DREIFUSS: I don't know if this is a cost  
7 question. Really, what I am asking for is more of a service  
8 question than a cost question. And it may not even be a  
9 witness in this proceeding, I would accept an institutional  
10 answer if the Postal Service could provide it in that form.

11 CHAIRMAN GLEIMAN: Well, I will ask the Postal  
12 Service to endeavor to determine whether there is any  
13 additional time that is added on as a consequence of that  
14 special service, and if not, they will let us -- if they  
15 don't know or can't find out, they will let us know. And if  
16 they can, we expect to have it, seven days.

17 MR. RUBIN: That's fine.

18 BY MS. DREIFUSS:

19 Q Do you know whether window clerks are instructed  
20 to inform customers when they express interest in purchasing  
21 insurance, that registration may be -- registration  
22 combinations --

23 Well, let me go back for a minute. Let's say a  
24 customer comes up to the window and is prepared to buy  
25 Parcel Post plus insurance.



1 Do you know whether window clerks are instructed  
2 to inform the customer that Priority Mail plus registry may  
3 be a much cheaper alternative?

4 A I'm not aware of the window clerk training.

5 Q Do you think it would be a good idea to inform the  
6 public that that is an option for them, if they're not well  
7 aware of it at the present time?

8 A Well, it's been my personal experience that window  
9 clerks are very helpful in offering alternatives, all types  
10 of alternatives, too.

11 So, I think not only is it helpful, I believe it's  
12 a practice, although I don't know what the specific training  
13 is, instruction in that.

14 Q Well, this is anecdotal, but have you ever  
15 purchased Parcel Post with insurance yourself?

16 A Oh, yes, I have.

17 Q Do you recall whether the window clerk mentioned  
18 to you that Priority Mail plus registry might be a good  
19 alternative for you?

20 A Well, considering that whenever I have purchased  
21 insurance it has been for lower value items, registered  
22 would have been more expensive at the time.

23 So I don't recall ever being offered that  
24 alternative.

25 MS. DREIFUSS: Mr. Chairman, I might as well ask



1 another question that is related to the first. Well, not  
2 quite related, but related to this subject.

3 Will the Postal Service inform the record, whether  
4 window clerks regularly make the public aware, whether they  
5 are trained to make the public aware that for high-value  
6 articles, Priority Mail or First Class mail plus registry  
7 may be a much cheaper alternative?

8 CHAIRMAN GLEIMAN: Will the Postal Service please  
9 provide a response to that question as to whether clerks are  
10 trained to advise customers in that particular regard?

11 MR. RUBIN: Yes, we can check into the training.

12 CHAIRMAN GLEIMAN: Same timeframe, thank you.

13 MS. DREIFUSS: Thank you.

14 COMMISSIONER GOLDWAY: Mr. Chairman, could I add  
15 that could we ask the Postal Service, as well, to indicate  
16 whether there anything on the POS-1 terminal that comes up  
17 on the relative costs of insurance and registration?

18 You know, the POS-1 says best value on various  
19 comparison?

20 CHAIRMAN GLEIMAN: I am reluctant to answer for  
21 the Postal Service, but having seen the POS-1, I don't think  
22 that it gives you a cost comparison, but I could be wrong.

23 If that's what you're asking for, if it actually  
24 gives a cost comparison?

25 COMMISSIONER GOLDWAY: I think it does, yes.



1     Okay, would you include that in your response, also, whether  
2     the POS-1 terminal provides the clerk with cost comparison  
3     information?

4             MR. RUBIN:  On the insured versus registered  
5     option?

6             COMMISSIONER GOLDWAY:  Yes.

7             MR. RUBIN:  Yes, we will.

8             COMMISSIONER GOLDWAY:  Thank you.

9             THE WITNESS:  Excuse me, Mr. Chairman.  I'd like  
10    to ask for just a brief break.

11            CHAIRMAN GLEIMAN:  Sounds like a good idea.

12            Ms. Dreifuss, could you tell me whether you have  
13    additional cross examination?

14            MS. DREIFUSS:  I have just a few more questions.  
15    It's a different line.  I'm going to ask about delivery  
16    confirmation next.

17            CHAIRMAN GLEIMAN:  You want to give me a  
18    timeframe?

19            MS. DREIFUSS:  I would think that this shouldn't  
20    take more than five or ten minutes.

21            THE WITNESS:  I can wait.

22            CHAIRMAN GLEIMAN:  We'll push it for five or ten  
23    minutes, but not beyond that.

24            MS. DREIFUSS:  Actually, this is a convenient time  
25    to take a short break, because I am ready to move on to



1 another line of questions.

2 CHAIRMAN GLEIMAN: All right, well, I was trying  
3 to move things along today, but that's okay with me. We can  
4 take a short break. We'll take a five-minute break.

5 THE WITNESS: Thank you.

6 [Recess.]

7 CHAIRMAN GLEIMAN: Ms. Dreifuss, for one line,  
8 five to ten minutes, fire away.

9 MS. DREIFUSS: I think I'll be able to stay within  
10 that. I'll be honest today.

11 CHAIRMAN GLEIMAN: You're honest every day.

12 MS. DREIFUSS: As I am every day.

13 CHAIRMAN GLEIMAN: Yes, every day, all the time,  
14 whether in or out of the hearing room.

15 [Laughter.]

16 MS. DREIFUSS: Thank you.

17 BY MS. DREIFUSS:

18 Q As part of your testimony, you propose to charge a  
19 fee of 40 cents for manual delivery confirmation; is that  
20 correct?

21 A Let me see. For manual Priority?

22 Q Yes, Priority Mail delivery confirmation.

23 A Yes, that's correct.

24 Q Now, are you the witness who proposes that no fee  
25 be charged for electronic Priority Mail delivery



1 confirmation or is that another witness?

2 A Well, I believe that was part of -- that was sort  
3 of part of Witness Robinson's testimony, that it's  
4 electronic Priority Mail is included in the base price of  
5 Priority Mail.

6 Q Do you know what it is that a purchaser of manual  
7 Priority Mail delivery confirmation gets that a purchaser of  
8 electronic confirmation would not get that warrants the  
9 40-cent fee?

10 A Oh, well, my 40-cent fee is based on the cost to  
11 the <sup>S</sup>service, plus addressing the other relative pricing  
12 criteria. They're a bit different.

13 As I have noted in my testimony in the description  
14 part on page 55, manual delivery confirmation is more geared  
15 toward the individual customers; electronic is geared  
16 towards business customers or high-volume mailers, because  
17 they apply their own bar codes, and they also produce  
18 electronic manifests to the Postal Service on the day of  
19 mailing.

20 Electronic delivery confirmation customers can  
21 only access the information electronically, and the manual  
22 delivery confirmation customers can use the Internet or  
23 toll-free number to call to receive the information.

24 Q If an electronic delivery confirmation customer  
25 had a question about a particular package, get on the



1 Internet, let's say, and find that it hasn't been delivered  
2 or there seems to be some information given on the Internet  
3 that doesn't seem right, would there be anything to prevent  
4 the electronic delivery confirmation customer from  
5 contacting the Postal Service and inquiring about that?

6 A Not that I know of.

7 Q So it is possible that such a customer could call  
8 your corporate call center, be routed there via telephone,  
9 and eventually speak to a live person and say, what's going  
10 on with my parcel? What I see on the Internet doesn't seem  
11 right.

12 A Well, I don't know if they would call the  
13 corporate call center, but I would actually probably call  
14 the office where the package was mailed or, you know, where  
15 it was entered into the mail stream.

16 I don't know if they'd know to call the corporate  
17 call center.

18 Q I see, but anyway, they might be able to speak to  
19 a live person at the entry office, for example, and get a  
20 little more information?

21 A Sure.

22 Q The unit cost that you use as a basis for the  
23 40-cent fee, did those come from Witness Davis?

24 A Yes, they did.

25 Q I don't know if you're familiar with his testimony



1 to this extent, but at page 7 of USPS-T-30, he sets out the  
2 cost differences between electronic and manual delivery  
3 confirmation for Priority Mail.

4 Are you at all familiar with that table?

5 A I have seen it. I don't have it with me, but,  
6 yes, I've seen the table you're referring to.

7 Q Let me just present this to you, subject to your  
8 checking it: He says that manual Priority Mail -- he calls  
9 it retail in this table -- incurs about 20 cents of  
10 acceptance costs.

11 Do you have any idea what kind of acceptance costs  
12 he had in mind?

13 A No, I don't. He probably would be a good one to  
14 ask about that, though.

15 Q Let's just assume for purposes of this discussion  
16 that what he may have had in mind -- I guess I'll establish  
17 this with him later when I get to speak to him -- but let's  
18 just assume for purposes of this discussion that what he had  
19 in mind was the purchase of delivery confirmation at a  
20 window.

21 Does that sound reasonable?

22 A It sounds reasonable.

23 Q Both electronic and manual Priority Mail both  
24 incur a delivery cost. Do you know what happens to the  
25 delivery cost for electronic delivery confirmation for



1 Priority Mail?

2 A No, I sure don't.

3 Q But you do know that there is no fee involved?

4 A Right, right, I know that it's part of the base  
5 price for Priority Mail.

6 Q Right.

7 A I don't even actually address it in my testimony.

8 Q Okay. There is a very small Postmaster's cost. I  
9 don't know what that is. It's less than a cent. I can talk  
10 to him about that later.

11 Then there's a 13-cent unit cost for corporate  
12 call management.

13 Do you have any idea what that might involve?

14 A No, I sure don't. Is that from Witness Davis?

15 Q That's also from Witness Davis.

16 A Yes, I guess I'd ask him.

17 Q Well, let's assume for purposes of this  
18 conversation, what that involves is somebody who doesn't  
19 have access to the Internet, calling the Postal Service to  
20 inquire about -- they use their delivery confirmation number  
21 to inquire about the status of that piece.

22 And then there are some other incidental costs  
23 that aren't worth discussing.

24 Did you give any serious consideration to making a  
25 no-charge electronic delivery confirmation service available



1 to individuals?

2 A No, I did not. The only consideration I gave was  
3 extending delivery confirmation to Standard Mail A, the  
4 electronic version to residual shape surcharge pieces.

5 Q Do you know, if individuals were to acquire -- I  
6 won't say purchase, because if it's free, there's no charge  
7 involved -- but if individuals were to order or require  
8 delivery confirmation over the Internet, does it sound like  
9 the window clerk cost, if there is any, would be avoided in  
10 that way?

11 A I'm not really sure. I guess it sounds plausible,  
12 but I would probably want to -- I'm not a costing expert.

13 You know, delivery confirmation is a really new  
14 service. I mean, it's been around for about a year, so in  
15 making my proposals, I pretty much stayed with what we had,  
16 and saw an opportunity for, easily, for Standard A  
17 electronic, but just kept what we had already in place.

18 I think that as we go along, we'll be able to see  
19 more about the product and how it performs and who  
20 potentially -- other potential users might be, but right  
21 now, it's still, I think, too early to tell.

22 Q Do you know whether, if one has access to the  
23 Internet, you can be kept abreast of the status of your  
24 delivery confirmation piece?

25 A I'm actually not familiar with that. I personally



1 don't have the Internet at home, and I haven't used delivery  
2 confirmation myself, either electronic or manual, so I  
3 wouldn't know.

4 Q Do you know whether, if one were to track -- or  
5 maybe track is not the right word; that's used for another  
6 service -- but if one were to keep oneself informed of the  
7 delivery status of a delivery confirmation piece over the  
8 Internet, do you know whether the corporate call management  
9 costs might be avoided in that way?

10 A I'm not sure. I guess I'd ask Witness Davis.

11 Q He'll have another thing to thank you for.

12 A Yes.

13 Q The OCA became aware of a service that I'm now  
14 going to make you aware of, and Commissioners, and everybody  
15 in this room, a service available at [www.smartship.com](http://www.smartship.com).

16 And I'll tell you a little bit about what we found  
17 when we went to that Internet site.

18 Smartship.com released -- made a press release  
19 that indicates that smartship.com users can produce a  
20 Priority Mail label online with delivery confirmation, and  
21 can print it on their standard laser printers using plain  
22 paper.

23 And a member of our office, Mr. Gerarden, as a  
24 matter of fact, tested it out. And, indeed, in signing up  
25 for this service, he was able to print out a Priority Mail



1 delivery confirmation label.

2 It appears to have a unique delivery confirmation  
3 number, and this was all done at no charge to him.

4 The label simply says affix \$3.20 postage here,  
5 which I believe is the Priority Mail postage, and does not  
6 reflect any additional charge for delivery confirmation.

7 Are you aware of any services like that on the  
8 Internet where one can acquire a delivery confirmation  
9 number and label for free?

10 A No. I know the Postal Service provides delivery  
11 confirmation labels for free. But I'm a little nervous when  
12 you say \$3.20.

13 I mean, what if it weighs more than whatever the  
14 two-pounds -- I guess that's the two-pound rate. I'm not  
15 that familiar with Priority Mail; that they would just  
16 assume.

17 I question the reliability, in other words,  
18 without seeing it.

19 Q Sure. As I understand it, when one uses this  
20 service, you would give details about the package that was  
21 -- to which this label would be affixed, for example, it's  
22 weight.

23 So I guess you would have to go to the effort of  
24 weighing it, which one would have to do in any event, or at  
25 least bring it to the Postal Service to make sure that it



1 was -- that the postage was correct.

2 A Right.

3 Q And then of course the Postal Service could affix  
4 the postage to it.

5 A Right.

6 Q There is no requirement that the customer do that.

7 MS. DREIFUSS: Mr. Chairman, just for the  
8 edification of those of the bench, the witness and Postal  
9 Service attorneys, I would like to just hand out some of the  
10 information we were able to obtain at that site, if you have  
11 no objection to it.

12 CHAIRMAN GLEIMAN: You are not asking anything go  
13 in the record? Because if you are not asking anything go in  
14 the record, you can hand out whatever you want in our  
15 hearing room, within reason.

16 MS. DREIFUSS: Well, first let me hand it out and  
17 then I may ask -- I will not be asking that it be moved into  
18 evidence. I do think it might be useful though to have it  
19 transcribed at this time so that anyone who is reading my  
20 oral cross examination would have a better understanding of  
21 what I was talking to the witness about.

22 If the Postal Service has no objection and you  
23 don't, then I would ask that that be done.

24 CHAIRMAN GLEIMAN: I would like to see what it  
25 is --



1 MS. DREIFUSS: Certainly.

2 CHAIRMAN GLEIMAN: -- because you have made  
3 reference to a press release and then you made reference to  
4 something that Mr. Gerarden obtained off of the Internet.

5 MS. DREIFUSS: Right. There are two different  
6 sheets of paper here. One is a press release and the other  
7 is an example of a Priority Mail label with delivery  
8 confirmation Mr. Gerarden printed.

9 [Discussion off the record.]

10 CHAIRMAN GLEIMAN: Let's mark it as a cross  
11 examination exhibit, okay>

12 MS. DREIFUSS: I will certainly do that. I will  
13 call the press release or label it OCA/Mayo-XE-1 and then I  
14 will label the printed Priority Mail with delivery  
15 confirmation label the same way but as number two.

16 CHAIRMAN GLEIMAN: Okay. Counsel, I see no reason  
17 not to have it transcribed into the record as a cross  
18 examination exhibit and I so order.

19 You have provided two copies to the court  
20 reporter?

21 MS. DREIFUSS: I am about to do that. I just need  
22 to label two copies and I will be doing that in just a  
23 moment.

24 [OCA/Mayo-XE-1 and OCA/Mayo-XE-2  
25 were marked for identification,



1 received into evidence, and  
2 transcribed into the record.]  
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**SMARTSHIP.COM GAINS APPROVAL FROM  
 UNITED STATES POSTAL SERVICE FOR INSTANT  
 PRINTING OF PRIORITY MAIL LABEL WITH  
 DELIVERY CONFIRMATION**

**Industry Leader in Web-Based Multi-Carrier Shipping First to  
 Offer USPS Priority Mail Product**

IRVINE, Calif. - March 30, 2000 - SmartShip.com, (www.smartship.com) a Web-based resource that provides fast, personalized shipping information and services to businesses and consumers, announced today that the company has received approval from the United States Postal Service (USPS) to electronically produce Priority Mail labels with Delivery Confirmation on the SmartShip.com Web site without time-consuming software downloads.

At SmartShip.com, users can accomplish several tasks associated with shipping a package via Priority Mail. By entering the zip codes of the departure and arrival cities of a package, users are able to compare Priority Mail service with other delivery services, including pricing, transit time, drop off locations and deadlines. They can also purchase excess shipping insurance with just a few mouse clicks.

SmartShip.com users can produce a Priority Mail label online with Delivery Confirmation and can print it on their standard laser printers using plain paper. Once they have affixed the indicated postage and shipped their package, users can send and receive email notifications about the status of the package. They can also keep a log of all their Priority Mail shipments.

"SmartShip.com customers now have access to a broader range of services designed to help businesses and consumers streamline their shipping process and thereby save time and money," said Mark Hawkins, vice president of marketing, SmartShip.com.

**About SmartShip.com**

SmartShip.com, located in Irvine, Calif., was incorporated in November 1997 with the goal of creating a sophisticated search engine for the shipping industry. Users of this resource are able to compare services, deadlines and prices that match their shipping requirements. Within the United States, SmartShip.com customers can now pay for packages online and arrange to have packages picked up and delivered, without having to use the telephone. For more information on SmartShip.com, interested parties may call 1-949-453-9669 or visit www.smartship.com.

**Company Info**

- About Us
- Press Room
- Employment
- Map & Directions
- Privacy Statement
- Security Statement

**Partner With Us**


- ClickRewards
- Integrate SmartShip into your Web site!

**➤ Refer A Friend!****➤ Register**



Save Time &amp; Money with SmartShip.com!

OCA/MAYO - XE#2  
<https://nt2.smartship.com/cgi-ezship/shipLabel.e>

PRIORITY MAIL		Affix \$3.20 Postage here	
TED GERARDEN [REDACTED] ARLINGTON VA 22207		TO : [REDACTED] [REDACTED] WEST HAVEN CT 06516	
		USPS DELIVERY CONFIRMATION	
			
		0180 5213 9070 4202 5065	
		Authorized for Delivery Confirmation Electronic option. Electronic file transmitted via USPS shipping online.	



Fold and Cut here

**Instructions:**

- 1) Print this airbill by pressing your browser's "Print" button.
- 2) Fold airbill in half or cut along above line.
- 3) Securely affix airbill to package with tape or other adhesive.
- 4) Affix the indicated postage in the space provided.
- 5) Drop off the package at any USPS drop box or Post office.
- 6) Press the "Continue" button on the bottom of this page.

Thank you for using SmartShip.com!

DO NOT PHOTOCOPY





1 BY MS. DREIFUSS:

2 Q Does it seem like it might be feasible for the  
3 Postal Service -- I know you have had just a moment to look  
4 this over and I can understand if you are not prepared with  
5 an answer right now but does it seem that it may be feasible  
6 for the Postal Service to offer a similar kind of delivery  
7 confirmation label at its Internet site along the lines of  
8 the SmartShip.com label that you have in front of you now?

9 A As you said, I really haven't had enough time to  
10 review this yet. In fact, I was trying to look for my  
11 own -- a copy of a delivery confirmation label, which I know  
12 I have got a copy of somewhere.

13 I am still a bit concerned about this. I mean for  
14 electronic -- did somebody provide like a manifest to the  
15 Postal Service of this, or I mean did it meet the  
16 requirements of electronic delivery confirmation?

17 Q What are the requirements of electronic delivery  
18 confirmation?

19 A Well, I just here you have to apply your own  
20 barcode and provide a manifest on the day of mailing.

21 Q To the best of my knowledge I do see a barcode.  
22 Now I have not -- on this cross examination exhibit I do see  
23 a barcode. I am not able to read barcodes. Some are. Some  
24 people amaze me and they can actually look at a barcode like  
25 that and they know what numbers they are seeing.



1           It appears that it may be the unique delivery  
2 confirmation code.

3           A     But again I am wondering about a manifest.

4           Q     Right. It appears that the press release, if you  
5 turn your attention a moment from the label to the press  
6 release.

7                     Now this is SmartShip.com's representation. I  
8 haven't asked the Postal Service to confirm this, although  
9 maybe I will in just a moment, but at any rate SmartShip.com  
10 makes the claim in its press release that it is gained  
11 approval from the Postal Service for instant printing of  
12 Priority Mail label with delivery confirmation, so I would  
13 suggest to you that whatever Mr. Gerarden printed here meets  
14 with the Postal Service's approval.

15                    Did you have any reason to believe differently?

16           A     Yes, I do actually. It says here "electronically  
17 produce the labels." Yes, I -- I don't have a problem with  
18 that, but I am not sure if it still is accurate to put on a  
19 piece of Priority Mail and assume that you can just send it  
20 out, because like I said I still don't know about the  
21 electronic manifest, but, you see, you have caught me here  
22 just giving me this right off the cuff. That's --

23           Q     I do understand that.

24           A     I don't -- I would like to -- actually, approval  
25 from the United States Postal Service, that's what they say.



1 Who did they -- the carrier came by and said "Would this  
2 look good to you?" "Yeah." Is that what they deem as  
3 approval? I really don't know what this means.

4 I would like to check it out a little bit further  
5 before I could verify the reliability or accuracy of this,  
6 but as far as labels go, it's probably fine as far as a  
7 label goes.

8 Can it be used without the electronic manifest? I  
9 don't think so, but then I need to check.

10 Q Your impression is that this label wouldn't be  
11 sufficient, that an electronic manifest would also be  
12 necessary?

13 A Well, that is my understanding of electronic  
14 delivery confirmation.

15 Q Do you know what information is contained on an  
16 electronic manifest?

17 A No, I sure don't but then I don't sponsor  
18 electronic delivery confirmation for Priority Mail in my  
19 testimony.

20 Q You do have a proposal for electronic delivery  
21 confirmation for Standard Mail, don't you?

22 A Right, for Standard Mail B and A both.

23 Q Is an electronic manifest necessary for Standard  
24 Mail B delivery confirmation?

25 A You know, I believe so. I believe so.



1 MS. DREIFUSS: Mr. Chairman, would you mind if I  
2 asked the Postal Service, make another request or two at  
3 this time?

4 One is to find out what is contained on an  
5 electronic manifest, because Ms. Mayo was not able to answer  
6 that at the present time.

7 The other is if the Postal Service could simply  
8 state whether SmartShip.com has truthfully and accurately  
9 reported that this service, an example of which is the label  
10 that Mr. Gerarden printed out, whether they have truthfully  
11 and accurately reported that the Postal Service did approve  
12 use of the service in the way described in their press  
13 release.

14 MR. HOLLIES: Mr. Chairman, with respect to the  
15 latter, the Postal Service is prepared to so stipulate.

16 The Commission itself has some familiarity with  
17 Shipping Online, stemming from Docket Number MC98-1. This  
18 is the self-same descendant of that Shipping Online, and we  
19 do indeed partner with the firm identified on the materials  
20 that have been circulated.

21 MS. DREIFUSS: Well, I am very grateful of course  
22 for the stipulation.

23 CHAIRMAN GLEIMAN: So now we only need one more  
24 bit of information from the Postal Service and that is what  
25 type of information is involved or is required or is on an



1 electronic invoice?

2 MS. DREIFUSS: And electronic manifest, I believe  
3 the witness called it.

4 CHAIRMAN GLEIMAN: Manifest.

5 MR. HOLLIES: To pick up again on that, that  
6 partnership involves a manifest that is ultimately shipped  
7 to the Postal Service electronically. That is the nature of  
8 the partnership. That does not yet tell us what the -- I  
9 was going to say physical but electronic components of a  
10 manifest are.

11 CHAIRMAN GLEIMAN: Mr. Hollies, let me interrupt  
12 at this point in time.

13 Inasmuch -- and I don't dispute any of the  
14 information that you are giving us. I know that you are  
15 very familiar with the area that we are talking about  
16 because of your involvement as counsel for the Postal  
17 Service in the Mail Classification docket that you cited and  
18 your other activities at the Postal Service.

19 However, you are not under oath and I think that  
20 the best thing to do is for the Postal Service to provide us  
21 information in an institutional response, if necessary, that  
22 explains just what goes on under the guise of the strategic  
23 alliance or partnership or however you might characterize it  
24 with SmartShip.com and if you believe that it is different  
25 than how it has been discussed herein the Commission



1 proceedings you can make those points or the Postal Service  
2 can make those points in its response.

3 So let's look for a written institutional response  
4 from the Postal Service within seven days.

5 I would note, in looking at this, that the press  
6 release does indicate that Smartship.com, and I don't know  
7 all the details, gory and otherwise, about this company and  
8 its relationship with the Postal Service, and I don't mean  
9 to suggest that there is anything untoward by use of the  
10 term "gory details," but it does indicate that, you know,  
11 the press release is aimed at parties in the shipping  
12 industry, and it is not aimed at individual private citizen  
13 mailers. And I think it is important for us to appreciate  
14 that.

15 But please provide -- have the Postal Service  
16 provide that additional information.

17 Ms. Dreifuss.

18 MS. DREIFUSS: Well, I appreciate your  
19 cooperation, Chairman Gleiman and the Postal Service. I  
20 have no further questions.

21 THE WITNESS: Thank you.

22 MS. DREIFUSS: And the witness, too, for that  
23 matter. Thank you.

24 THE WITNESS: Thank you.

25 CHAIRMAN GLEIMAN: Mr. Rubin.



1 MR. RUBIN: What items were asked at the end  
2 there?

3 CHAIRMAN GLEIMAN: We want, in effect, one item  
4 from the Postal Service. I mean you can make it more than  
5 one item if you wish. You can divide each page of the  
6 response into different items, I don't care exactly how you  
7 do it. But we would like some type of response from the  
8 Postal Service within seven days that describes electronic  
9 manifesting and also the relationship information that Mr.  
10 Hollies was gracious enough to attempt to offer us, not  
11 under oath.

12 MR. RUBIN: Thank you.

13 CHAIRMAN GLEIMAN: Thank you, and I appreciate  
14 your cooperation, too.

15 Ms. Dreifuss did I understand that that concludes  
16 your cross-examination?

17 MS. DREIFUSS: Yes, sir.

18 CHAIRMAN GLEIMAN: Is there any follow-up?

19 [No response.]

20 CHAIRMAN GLEIMAN: If there is no follow-up, that  
21 brings us to questions from the bench. Are there questions  
22 from the bench?

23 COMMISSIONER OMAS: Yes.

24 COMMISSIONER LeBLANC: Yes.

25 CHAIRMAN GLEIMAN: Stereo, it's great. The senior



1 member of the panel is going to defer to his colleague.

2 COMMISSIONER OMAS: To the junior.

3 CHAIRMAN GLEIMAN: Commissioner Omas, if you have  
4 questions, please proceed.

5 COMMISSIONER OMAS: Ms. Mayo, regarding the  
6 proposed rewrite of special services section of the Domestic  
7 Mail Classification Schedule, your testimony included the  
8 following statement on page 165, "The rewrite also proposes  
9 to eliminate the long listing of services that are available  
10 in conjunction with other services. Instead, for each  
11 special service, the list would be limited to ancillary  
12 services, that is, those services which have the first  
13 service as a prerequisite."

14 At page 166, you go on to say, "Instead of listing  
15 all the special services that are available together, a  
16 statement is added for each special service." That  
17 "Additional special services may be available as specified  
18 by the Postal Service. With the increased number of special  
19 services, the interaction between them, the Postal Service  
20 believes that listing of services that may be offered  
21 together should be done in the Domestic Mail Manual."

22 What concerns me is that some might think that the  
23 increased number of special services and interactions might  
24 cut the other way. That is, instead of eliminating lists,  
25 maybe we need to consider revisions that would make



1 availability and interactions more clear. And to do this in  
2 both the DMCS and the DMM. Do you see any reason why this  
3 information should not be included in the DMCS?

4 THE WITNESS: Well, I think I state here ~~is~~ <sup>it</sup>  
5 probably more a matter of simplicity, that if the DMCS notes  
6 that, yes, there are services available, there might be --  
7 you know, there are services available, and then the DMM  
8 would list the services. It is still the DMCS would be  
9 accurate, I feel, in stating that there are services, and  
10 then the DMM would allow for the specifics, which is why the  
11 suggestion is in here.

12 COMMISSIONER OMAS: Also, this proposal seems to  
13 mean that many possible future developments would have no  
14 direct or explicit recognition in the DMCS. Is this a  
15 correct assumption?

16 THE WITNESS: Well, I can see how you might view  
17 it that way, but I believe that they still would be listed  
18 in the DMCS -- or, I'm sorry, I meant they would still be  
19 listed in the DMM as far as under special services  
20 available. Yes, that might be available. And I think they  
21 would be listed, there would be sections, if appropriate, in  
22 the DMCS.

23 COMMISSIONER OMAS: What do you mean by "if  
24 appropriate"?

25 THE WITNESS: Well, I mean if there was a new



1 service. Let's say, if the proposal to extend delivery  
2 confirmation to Standard mail A were there in DMCS, it might  
3 list under delivery confirmation Standard mail A, electronic  
4 or whatever. Then that would be what I meant by if  
5 applicable.

6 COMMISSIONER OMAS: Right. Thank you.

7 THE WITNESS: You're welcome.

8 CHAIRMAN GLEIMAN: Commissioner LeBlanc.

9 COMMISSIONER LeBLANC: I may be senior in number  
10 of years here, but I am still the youngest guy on the bench.  
11 And better looking. I am just kidding with you. Oh, no, I  
12 am not either.

13 [Laughter.]

14 COMMISSIONER LeBLANC: One for me on that one.  
15 Okay.

16 In your colloquy with Mr. Hall, I want to clarify  
17 something for me here, please. You went from 5 cents to 3  
18 cents for what particular reason?

19 THE WITNESS: Well, based on a per piece cost that  
20 would go down for higher volume mail, and then a rating cost  
21 and a billing cost that would be included in the -- which is  
22 the premise for the quarterly fee, so, therefore, it is --  
23 right now, well, actually, if the proposal was recommended  
24 and approved, the QBRM mailers would have two options. I  
25 mean is a choice. They could always stay with the 5 cent



1 per piece, but based on the cost from Witness Campbell,  
2 there is -- I based a \$3 -- I'm sorry, a 3 cent proposed fee  
3 for QBRM high volume, along with a monthly -- excuse me, a  
4 quarterly fee to do the billing.

5 COMMISSIONER LeBLANC: But the quarterly fee  
6 wasn't based on anything, that was just a figure that you  
7 picked.

8 THE WITNESS: Well, actually, I mean he has got a  
9 cost.

10 COMMISSIONER LeBLANC: I mean that is my dilemma.

11 THE WITNESS: Sure.

12 COMMISSIONER LeBLANC: I wasn't sure when I was  
13 reading it how that came to be as part of that.

14 THE WITNESS: Sure. Because when you take the two  
15 side-by-side, I mean in terms of the fee itself, you could  
16 pay 40 percent less, but you would pay a quarterly fee also.  
17 But at some point above that breakeven, it would be cheaper  
18 for the BRM mailers to use the high volume.

19 COMMISSIONER LeBLANC: And when Mr. Hall asked  
20 you, towards the end of the colloquy there, about using  
21 actual numbers, I don't want to misconstrue what you said,  
22 but, basically, if I understood it properly, I probably  
23 wrote it down wrong, but, in effect, you just didn't have it  
24 available to you at the time. You weren't aware of it. And  
25 then, therefore, you used what you had available, but don't



1 want to go back, or it was too much -- I mean what was the  
2 rationale there?

3 THE WITNESS: Oh, I believe if we were talking  
4 about the number of mailers that would take advantage of the  
5 proposed quarterly fee.

6 COMMISSIONER LeBLANC: That's correct. That's  
7 correct.

8 THE WITNESS: Yeah. Yeah, I did that based just  
9 on calculations from the volumes I had. And then also I  
10 think another point of contention might have been the  
11 migration of how many mailers would be going, I mean how  
12 many pieces would be going.

13 COMMISSIONER LeBLANC: How many pieces would be  
14 moved.

15 THE WITNESS: Right. Right. And there again, I  
16 used what I felt at the time was the best assumption based  
17 on the Prepaid Reply Mail Proposal in R97, migration from  
18 that, the same -- assuming the same 1/3 - 2/3 split.

19 COMMISSIONER LeBLANC: So then the last part would  
20 be then, did I also understand you, when I asked you about  
21 the integer effect, that that was a management decision?  
22 Was that your decision not to go with a half or some median  
23 point integer, or it was just something that fell out, and  
24 you just either -- you went up or you went down based on the  
25 scenario that unfolded? Because what I am -- excuse me for



1 interrupting you, but what I am thinking about is the 1.7  
2 versus whatever it may be. In other words, if it goes to 2  
3 cents, then do you stay there? I mean who makes that  
4 decision? Is that an arbitrary decision on your part? How  
5 does that fall?

6 THE WITNESS: Right. Okay. Yeah, that would be  
7 the fee design, which is something that I did, and that  
8 would be, of course, based on looking at a new cost, at a  
9 suggested revised cost perhaps, balancing it with the other  
10 pricing criteria.

11 COMMISSIONER LeBLANC: But in that regard, you  
12 wouldn't go to a half-cent or a quarter-cent integer, you  
13 would stay with the full integer?

14 THE WITNESS: Yes, I would stay with the whole  
15 cent rounding constraint.

16 COMMISSIONER LeBLANC: For what reason?

17 THE WITNESS: Well, because there have never been,  
18 historically, presently, and proposed any fractional fees  
19 for the special services.

20 COMMISSIONER LeBLANC: Okay.

21 THE WITNESS: And it still with the whole cent  
22 gives, in this case, the cost coverage is still quite a bit  
23 below the system-wide average for the QBRM.

24 COMMISSIONER LeBLANC: Thank you for that  
25 clarification.



1 Thank you, Mr. Chairman.

2 THE WITNESS: You're welcome.

3 CHAIRMAN GLEIMAN: I am a couple up on you because  
4 I have the Internet at home and I have used delivery  
5 confirmation, and sometimes it works real well. Sometimes  
6 you get odd results.

7 Ms. Dreifuss asked you a question earlier on about  
8 if you were concerned and you wanted to check on the  
9 delivery status of a parcel and the exchange that went on  
10 had to do with whether you called the corporate call center.  
11 And my recollection is that you said that you would  
12 recommend that people call the entry office where they took  
13 the parcel?

14 THE WITNESS: Yes.

15 CHAIRMAN GLEIMAN: Can you tell me where you get a  
16 phone number of an entry office? Because my phone book has  
17 a bunch of 800 numbers for every Post Office in the  
18 metropolitan area that I live in, and it directs me to the  
19 call center.

20 THE WITNESS: It is frustrating. Yeah, the only  
21 reason why I said that, just logically, in my mind, I would  
22 go with where I entered the mail piece into the mailstream.  
23 Just for me, with the last place I saw is where I would  
24 start investigating. But I can understand your frustration  
25 because I don't know how to --



1 CHAIRMAN GLEIMAN: It is not a matter of  
2 frustration, I just check on my -- you know, I get up on the  
3 Internet and check whether things have been delivered or  
4 not, or if I am sending an Express Mail package, where they  
5 are in the system. But I was just kind of curious and  
6 wanted to make clear that, to the best of my knowledge, it  
7 is nigh impossible these days to call directly to your local  
8 Post Office or substation or whatever, unless you have a tin  
9 can, a couple of tin cans and a string that you have  
10 stretched from the last time you were there.

11 THE WITNESS: Yes.

12 CHAIRMAN GLEIMAN: So I just was kind of curious  
13 if there was something I didn't know and others didn't know  
14 that they ought to know.

15 I have no further questions. Any follow-up  
16 questions from the bench?

17 [No response.]

18 CHAIRMAN GLEIMAN: If not, that brings us to  
19 redirect. And Mr. Rubin, I am not going to ask you if you  
20 want any time, I am going to give you until quarter to 2:00,  
21 not that I think you are going to have any redirect at all,  
22 or that it is going to take that much time, but I thought  
23 that we would double-up on the time we give you for  
24 redirect, or preparing your witness for redirect and lunch.

25 But let me just say that when we do finish with



1 this witness, if we can determine that there is a witness  
2 who is scheduled for today for whom there will be no oral  
3 cross, we will then move to that witness. There is one  
4 potential witness, I think, in question here, and that is  
5 possibly Witness Kaneer, and I don't know, my assumption is,  
6 based on what I have heard this morning, that there will be  
7 some cross-examination for Witness Davis. But it does not  
8 appear at this point, at least that I am aware of, that  
9 there will be any oral cross for Witness Kaneer.

10 If someone is interested in oral cross for Witness  
11 Kaneer, please let us know when we get back from lunch.  
12 Otherwise, when we finish, when Witness Mayo completes her  
13 appearance, we will move to Witness Kaneer, get his  
14 testimony into the record, and then proceed with the regular  
15 order to Witness Campbell, and then Witness Davis.

16 And with that, I have one more comment, and that  
17 is that Commissioner LeBlanc is clearly the youngest. He  
18 also, clearly, as you noted from my gesture, has the least  
19 hair. However, I want to note that we all know that grass  
20 does not grow on a busy lawn, and it appears that my  
21 colleague has the busiest lawn around here. I know he  
22 doesn't mind a little jesting, he does it himself sometimes.

23 But enjoy your lunch, and we will see you back  
24 here at quarter to 2:00.

25 [Whereupon, at 12:45 p.m., the hearing was



1 recessed, to reconvene at 1:45 p.m., this same day.]

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## AFTERNOON SESSION

[1:48 p.m.]

CHAIRMAN GLEIMAN: Before I ask you the magic question, Mr. Rubin, during the break, it was determined that there is no cross examination for Witness Kaneer, and that there is but a very little bit of cross examination for Witness Davis from one party, the OCA. At least that is my understanding.

If my understanding is incorrect, if there is anybody else in here that wants to or plans to or would like to cross examine either Witness Kaneer or Witness Davis, please speak up.

[No response.]

CHAIRMAN GLEIMAN: Having not heard from anyone else, here is the gameplan for the rest of the day:

Once we excuse Witness Mayo, we will move to Witness Kaneer and get his testimony into the record. Then we will move to Witness Davis, and we will do whatever cross, which we hope is minimal.

Ms. Dreifuss told us this morning that she was honest, and I believe her when she says it's only a couple of minutes. It depends on how you define "couple," and it doesn't necessarily mean two.

And after we finish with those two witnesses, then we will move to Witness Campbell, and I will leave it up to



1 the three parties who are here, at least I believe are here,  
2 and who have indicated at a desire to cross examine that  
3 witness as to whether they want to change the regular; that  
4 is, alphabetical order.

5 I think that one party has indicated they have  
6 extensive cross examination, KeySpan Energy, and if my  
7 recollection is correct, without looking at my cheat sheet,  
8 they are in the middle of the three.

9 So maybe there will be some arrangements to allow  
10 the other party to proceed first.

11 MR. HALL: We would be happy to do that, for any  
12 party.

13 CHAIRMAN GLEIMAN: Well, when we get there, I'll  
14 let you all confirm that that's what we're going to do.

15 Mr. Rubin, you've had an hour, and I'm sure that  
16 you thought up lots of questions to ask on redirect.

17 MR. RUBIN: Not too many, but I do have a few.  
18 Whereupon,

19 SUSAN W. MAYO,  
20 a witness, having been previously called for examination,  
21 and, having been previously duly sworn, continued to be  
22 examined and continued to testify as follows:

23 REDIRECT EXAMINATION

24 BY MR. RUBIN:

25 Q Ms. Mayo, Mr. Hall asked about the possibility of



1 fractional cent fees for qualified business reply mail.

2 Was rounding to a whole cent a significant factor  
3 in your choice of a three-cent fee for the high-volume  
4 qualified business reply mail?

5 A No, it wasn't. Perhaps more important in my  
6 proposal was the cost coverage that the proposed three-cent  
7 fee leads to, which I think I had mentioned before was a bit  
8 below the systemwide average in this proceeding.

9 Q Near the close of his cross examination, Mr. Hall  
10 asked, in essence, why QBRM should pay higher fees because  
11 other First Class mail may have bumped QBRM from automated  
12 processing.

13 Would this type of resource allocation choice be  
14 unusual in the Postal Service?

15 A Well, I don't believe so, necessarily. It's my  
16 understanding that the Postal Service makes decisions based  
17 on the best order with which to process mail based on the  
18 situations, various situations and offices.

19 And with respect to available resources, that sort  
20 of thing, I mean, a decision can be made to defer something  
21 over something else.

22 But I guess probably most importantly is that my  
23 fees are based on, in part, in large part, on the costs  
24 which are measured as they are incurred, and not as they  
25 theoretically as something theoretically could be processed,



1 but actually how it does actually occur.

2 Q The OCA asked you about the effect of Witness  
3 Davis's 31-cent reduction in unnumbered insurance costs on  
4 your proposed fees.

5 Would that reduction support an equal 31-cent  
6 reduction in the unnumbered fee?

7 A No, I don't believe so. I'm not sure if I made  
8 myself clear on that, but I -- in absolute terms, I don't  
9 believe so, because when I designed the unnumbered insurance  
10 fee to begin with, I mitigated the fee increase, based on  
11 the cost being so much higher.

12 And now that the cost has been determined to be  
13 considerably lower, I don't feel that that type of  
14 mitigation would actually be necessary; that the other  
15 pricing criteria could be addressed, and a different cost  
16 coverage should be considered, I feel.

17 Q There was also some discussion about the choice  
18 between sending a parcel Parcel Post insured, versus  
19 Registered Mail Priority.

20 If a customer brings a package to the window to  
21 send as insured Parcel Post mail, will that parcel  
22 necessarily qualify for registered mail?

23 A No. At the window, there could be different  
24 determinations as to why it wouldn't. You can't just bring  
25 a package in and say I want to mail this registered, if



1 you've got --

2 For example, if there is a glossy surface on it,  
3 such as the glossy tape where they would need to put the  
4 stamp, that wouldn't be eligible for registered mail.

5 You couldn't use Tyvek packaging or even the  
6 Postal Service's Priority Mail packaging, for example, or,  
7 let's see --

8 Also, depending on how secure the package was, if  
9 it wasn't taped securely or secured in a fashion that would  
10 be --

11 Registered is fairly restrictive on what -- on the  
12 packaging requirements, so you can't just take any kind of  
13 parcel and just bring it in and register it at your whim.

14 Q Thank you. Commissioner Omas asked about your  
15 proposal to remove from the DMCS, the listings of  
16 combinations of special services that are currently there,  
17 at least to some extent.

18 Would that proposal remove any of the listSof  
19 special services from the classes of mail sections of the  
20 DMCS?

21 A I'm sorry, could you -- I keep hearing a beeping,  
22 and it's from the --

23 COMMISSIONER LeBLANC: Check your hearts,  
24 everybody.

25 [Laughter.]



1 THE WITNESS: I'm sorry. Could you just repeat  
2 that?

3 BY MR. RUBIN:

4 Q Yes. The DMCS has sections for the classes of  
5 mail, from 100 through 500, I believe.

6 And would your proposal make any changes to those  
7 sections of the DMCS?

8 A With respect to?

9 Q The special services that are listed in those  
10 sections.

11 A In those sections, yes, what my proposal is aiming  
12 to do is to shorten that possible combination of -- that you  
13 can see now of special services which might not be  
14 accurate.

15 There is a concern that the special services that  
16 are listed now as ancillary services are not fully  
17 representative of every possible combination.

18 Since there are 36 -- I believe 36 -- special  
19 services categories with other subcategories, there  
20 potentially are a whole lot of different combinations of  
21 ancillary services.

22 These would be addressed in the DMM, whereas the  
23 DMCS would list the special services themselves, and -- but  
24 as far as the various combinations, they would -- in order  
25 to simplify it, they would be then listed, the combinations



1 in the DMM.

2 Q And would that change be limited to the special  
3 service sections of the DMCS?

4 A Yes.

5 Q Right, so it would have no effect on the DMCS  
6 sections that pertain to the classes of mail?

7 A No, no, no, not at all, no.

8 MR. RUBIN: Thank you, I have no more questions.

9 THE WITNESS: Oh, sure.

10 CHAIRMAN GLEIMAN: Is there any recross?

11 [No response.]

12 CHAIRMAN GLEIMAN: If not, before I excuse you, I  
13 want to tell you that we've solved the mystery of the  
14 beeping that you heard. It's the Postal Service semi  
15 tractor trailer that's out in back of you in the alley.  
16 It's backing up to the building to unload all of the  
17 material that we requested the Postal Service provide at our  
18 hearing.

19 [Laughter.]

20 CHAIRMAN GLEIMAN: Including lobby displays of  
21 Priority Mail information.

22 If there's nothing further, then, Ms. Mayo -- and  
23 I think I called you by the right name all day today, unlike  
24 some other people in the room -- that completes your  
25 testimony, and we appreciate your appearance and your



1 contributions to the record. We want to thank you, and  
2 you're excused.

3 [Witness Mayo excused.]

4 THE WITNESS: Thank you.

5 CHAIRMAN GLEIMAN: I'm not sure which counsel is  
6 handling the next witness, but Mr. Rubin or Mr. Hollies,  
7 whenever you're ready, you can call the next witness, and  
8 that is the witness who has the least oral cross examination  
9 scheduled.

10 MR. RUBIN: The Postal Service calls Kirk Kaneer  
11 as its next witness.

12 Whereupon,

13 KIRK T. KANEER,  
14 a witness, having been called for examination and, having  
15 been first duly sworn, was examined and testified as  
16 follows:

17 DIRECT EXAMINATION

18 BY MR. RUBIN:

19 Q Mr. Kaneer, do you have two copies of a document  
20 titled "Direct Testimony of Kirk T. Kaneer on Behalf of  
21 United States Postal Service," and designated as USPS-T-40?

22 A Yes, I do.

23 Q And does this testimony include errata that were  
24 filed on March 31st?

25 A Yes.



1 Q Was this testimony prepared by you or under your  
2 supervision?

3 A Yes, it was.

4 Q And if you were to testify orally here today,  
5 would this be your testimony?

6 A Yes, it would be.

7 MR. RUBIN: Then I will have the two copies of the  
8 direct testimony of Kirk T. Kaneer on behalf of United  
9 States Postal Service given to the reporter, and I ask that  
10 this testimony be entered into evidence in this docket.

11 CHAIRMAN GLEIMAN: Is there any objection?

12 [No response.]

13 CHAIRMAN GLEIMAN: Hearing none, I will direct  
14 that the testimony of Witness Kaneer be received into  
15 evidence and not transcribed into the record.

16 [Direct Testimony of Kirk T.  
17 Kaneer, USPS-T-40, was received  
18 into evidence.]

19 CHAIRMAN GLEIMAN: Mr. Rubin, there are some  
20 Library 2 References at issue?

21 MR. RUBIN: Yes, there are.

22 BY MR. RUBIN:

23 Q Mr. Kaneer, are you prepared to sponsor into  
24 evidence Library Reference I-155 and those portions of  
25 Library Reference I-241 that have not been previously



1 sponsored by Witnesses Yezer?

2 A Yes.

3 MR. RUBIN: Thank you.

4 CHAIRMAN GLEIMAN: That being the case, I will  
5 direct that the two Library References, or the one Library  
6 Reference and the portion of the other at issue be included  
7 in the record as evidence.

8 [Library Reference I-155 and the  
9 portion of Library Reference 1-241  
10 were received into evidence.]

11 CHAIRMAN GLEIMAN: Mr. Kaneer, have you had an  
12 opportunity to examine the packet of designated written  
13 cross-examination that was made available to you earlier  
14 today?

15 THE WITNESS: Yes, I have.

16 CHAIRMAN GLEIMAN: And if those questions were  
17 asked of you today, would your answers be the same as those  
18 you previously provided in writing?

19 THE WITNESS: Yes, they would.

20 CHAIRMAN GLEIMAN: Are there any corrections or  
21 additions?

22 THE WITNESS: Yes, there are. There are two  
23 typos, that to correct the interrogatory designation number,  
24 DBP/USPS-7 and DBP/USPS-8.

25 CHAIRMAN GLEIMAN: Okay. And those corrections



1 have been made in the packet of material?

2 THE WITNESS: Yes, they have.

3 CHAIRMAN GLEIMAN: That being the case, counsel,  
4 if you would please provide the two corrected copies of the  
5 designated written cross-examination of the witness to the  
6 court reporter, the material will be received into evidence  
7 and transcribed into the record.

8 [Designation of Written  
9 Cross-Examination of Kirk T.  
10 Kaneer, USPS-T-40, was received  
11 into evidence and transcribed into  
12 the record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS KIRK T. KANEER  
(USPS-T-40)

Party

David B. Popkin

Office of the Consumer Advocate

Interrogatories

DBP/USPS-7-8, 90-91, 95, 112j-l, 113-114, 116,  
119a-j, 120 redirected to T40

DBP/USPS-7, 95, 113-114, 119a-j, 120  
redirected to T40  
OCA/USPS-T40-1-7

Respectfully submitted,



Margaret P. Crenshaw  
Secretary



INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS KIRK T. KANEER (T-40)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

DBP/USPS-7 redirected to T40  
DBP/USPS-8 redirected to T40  
DBP/USPS-90 redirected to T40  
DBP/USPS-91 redirected to T40  
DBP/USPS-95 redirected to T40  
DBP/USPS-112j redirected to T40  
DBP/USPS-112k redirected to T40  
DBP/USPS-112l redirected to T40  
DBP/USPS-113 redirected to T40  
DBP/USPS-114 redirected to T40  
DBP/USPS-116 redirected to T40  
DBP/USPS-119a redirected to T40  
DBP/USPS-119b redirected to T40  
DBP/USPS-119c redirected to T40  
DBP/USPS-119d redirected to T40  
DBP/USPS-119e redirected to T40  
DBP/USPS-119f redirected to T40  
DBP/USPS-119g redirected to T40  
DBP/USPS-119h redirected to T40  
DBP/USPS-119i redirected to T40  
DBP/USPS-119j redirected to T40  
DBP/USPS-120 redirected to T40  
OCA/USPS-T40-1  
OCA/USPS-T40-2  
OCA/USPS-T40-3  
OCA/USPS-T40-4  
OCA/USPS-T40-5  
OCA/USPS-T40-6  
OCA/USPS-T40-7

Designating Parties:

OCA, Popkin  
Popkin  
Popkin  
Popkin  
OCA, Popkin  
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Popkin  
OCA, Popkin  
OCA, Popkin  
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Interrogatory Number  
CORRECTED 4/28/00

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER  
TO INTERROGATORY OF DAVID B. POPKIN,  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-~~100~~-7.**

- a. Confirm, or explain if you are not able to, that the box rents for Englewood Cliffs, New Jersey 07632 were recently changed from Fee Group C to Fee Group B.
- b. What were the parameters utilized to determine whether to change Fee Groups for a specific facility [please provide all six scenarios for changes between A, B, and C].
- c. Please describe, in detail, how the calculations were made which resulted in the Englewood Cliffs change.
- d. Please provide the specific numbers utilized for that change.

**RESPONSE:**

A partial objection to this interrogatory has been filed.

As noted in 63 Fed. Reg. 71374-75 (copy attached to this response), Englewood Cliffs, NJ 07632 was reclassified from Fee Group C to Fee Group B effective January 10, 1999. There were only four sets of changes: up from Groups B and C and down from Groups A and B. The thresholds for change are identified in the attachment.

Space costs for specific facilities, including Englewood Cliffs, were drawn from actual leases. Post office box utilization rates (boxes in use divided by boxes installed) were based on the results of the Docket No. MC96-3 post office box study (see Docket No. MC96-3, USPS-T-4, Section II) as confirmed by telephone in 1998. The calculated cost per square foot for Englewood Cliffs was greater than \$30 based on total annual rent divided by total square feet. Post office box capacity utilization was also over 90 percent.

The purpose of this very limited change involving 29 offices whose costs and capacity utilization cried out for change was to gain operational experience with fee changes driven by location cost before proposing a more comprehensive nationwide change for over 30,000 locations.



*Interrogatory Number  
Corrected 4/28/00*

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
TO INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-~~733~~-8.** To enable me to better understand the changes in Fee Groups for Post Office Boxes, please advise both the present and proposed Fee Groups for each of the facilities with Post Office Boxes in the 076 ZIP Code area [07601 through 07675].

**RESPONSE:**

Physical ZIP Code	Current Fee Group	Proposed Fee Group
07601	GROUP C	GROUP C3
07603	GROUP C	GROUP C3
07604	GROUP C	GROUP C3
07605	GROUP C	GROUP C3
07607	GROUP C	GROUP C4
07620	GROUP D	GROUP D6
07621	GROUP C	GROUP C4
07624	GROUP C	GROUP C4
07626	GROUP C	GROUP C3
07627	GROUP C	GROUP C4
07628	GROUP C	GROUP C3
07630	GROUP C	GROUP C3
07631	GROUP C	GROUP C4
07632	GROUP B	GROUP B2
07640	GROUP C	GROUP C3
07641	GROUP C	GROUP C3
07642	GROUP C	GROUP C3
07643	GROUP C	GROUP C3
07644	GROUP C	GROUP C3
07645	GROUP C	GROUP C3
07646	GROUP C	GROUP C3
07647	GROUP C	GROUP C3
07648	GROUP C	GROUP C3
07649	GROUP C	GROUP C3
07650	GROUP C	GROUP C3
07652	GROUP C	GROUP C3
07656	GROUP C	GROUP C3
07657	GROUP C	GROUP C3
07660	GROUP C	GROUP C3
07661	GROUP C	GROUP C3
07662	GROUP C	GROUP C3
07666	GROUP C	GROUP C3
07670	GROUP C	GROUP C5
07675	GROUP C	GROUP C3



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-90** Please clarify and amplify Table 20-A on page 111 of USPS-T-39. [a] What percentage of the Group A facilities and what percentage of the number of individual boxes [regardless of size] will be transferred to Group B2? [b] Same as subpart a except Group A to C3. [c] Same as subpart a except Group B to B2. [d] Same as subpart a except Group B to C3. [e] Same as subpart a except Group B to C4. [f] Same as subpart a except Group C to C3. [g] Same as subpart a except Group C to C4. [h] Same as subpart a except Group C to C5. [i] Same as subpart a except Group D to D6. [j] Same as subpart a except Group D to D7. [k] Provide information on any other possible conversions.

**Response:**

[a] to [j] Averages may be obtained by simple division from data provided in Exhibit USPS-40B, page 2.

[k] Ten pages of such data were filed (see USPS-LR-I-155, pp. 38-47, the last 10 pages of section B).



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-91** Confirm, or explain and discuss if you are not able to confirm, that the proposed box rent for Englewood Cliffs, NJ 07632 will be in the highest category box rent in the country.

**Response:**

Confirmed that Englewood Cliffs, NJ 07632 is proposed to be placed in Group B2, which has the highest fees of the proposed groups.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-95** [a] Explain why the cost factor was chosen to divide box rents into groups rather than some other method such as availability to the box or number of days of delivery to the box. [b] What options were considered and what were the reasons for their dismissal?

**Response:**

[a - b] See my testimony at pages 4-6, especially footnote 8, which quotes the Commission encouraging the Postal Service to develop information to align box costs and fees. Costs reflect the value of the resources utilized by consumers; other options would not reflect this primary consideration, and unduly complicate the fee structure during the proposed alignment of fees and costs. The only other alternative that was directly considered was capacity utilization. However, due to concerns about fee structure complexity, capacity utilization was rejected as a factor at this time. Please see my response to OCA/USPS-T40-3.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-112 [j]** Please provide, in detail, the procedure that will be utilized to determine the rental fee for space located in buildings that are privately owned. **[k]** Please confirm, or explain and discuss if you are not able to confirm, that, for the purpose of box rent calculations, there are only two categories - those facilities that are located in buildings owned by the US Government whether it is the Postal Service or GSA or some other federal agency and those facilities which are not located in buildings owned by the US Government. **[l]** If you are not able to confirm subpart k, please provide, in detail, the procedure that will be utilized to determine the rental fee for each of the other categories.

**Response:**

**[j]** Please see witness Yezer's response to DFC/USPS-T31-1 and 2.

**[k-l]** Not confirmed. In estimating rental costs, the types of facilities you list were treated similarly. See witness Yezer's response to DFC/USPS-T31-3.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-113** The ~~response to~~ DBP/USPS-7 indicated that the purpose of changing only 29 offices was to gain operational experience with fee changes driven by location cost. [a] Please provide, in detail, any operational experience that was gained by studying the 29 offices. [b] Please provide the operational experience that was gained by studying Englewood Cliffs.

**Response:**

[a] Please see my testimony, page 11, lines 6-20. Location based fees were established at 21 locations (not 29). Our operational experience was that location-based fees are viable, which supported plans for the fee groups proposed in this case

[b] The experience at Englewood Cliffs was not unusual, and thus supports the conclusions I discuss in Part C of my Testimony.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-114** The response to DBP/USPS-8 indicated the proposed fee group for all of the 076 offices. [a] The listing does not provide a response for 07606 and 07663. Please provide. [b] Was Tenafly 07670 calculated before or after the major renovation that was completed recently? [c] How often and under what circumstances will offices be reevaluated for potential changes of their Group? [d] Provide any insight as to why 81% of the Group C facilities will become Group C3, the highest of Group C. [e] Explain why Alpine 07620 is a Group D office rather than a Group E office. [f] If a resident of another area which has city delivery service goes to a Group E office, what Group rate is paid. [g] Same as subpart f except for rural/HCR delivery only. [h] Same as subpart f, except for a resident who does not have access to delivery service.

**Response:**

[a] Available data were filed under protective conditions in LR-I-241, disk 3.

[b] Base year 1998 costs were used by witness Yezer.

[c] The plans for re-estimation of economic rental values, and related re-evaluations, have not been determined.

[d] I do not know the source of your 81 percent figure, and believe it is not accurate. Group C facilities were assigned to Group C if their economic rental value was greater than \$10 per square foot.

[e] It is a non-delivery location. Group E is a customer based designation and does not apply to any particular post office (see DMM D910.5.1b).

[f-g] Group E eligibility is based on the delivery status of individual postal customers. Thus, Group D fees apply to a customer who is eligible for either city or noncity carrier delivery and obtains post office box service at a non-delivery office.

[h] This customer would generally be eligible for a Group E fee.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-116** Please provide the Box Group and whether or not the building located at 1675 7th Street, Oakland CA with box section using a ZIP Code of 94623 is government owned.

**Response:**

The proposed box group is C4. The Building at 1675 7<sup>th</sup> Street is not owned by a government entity.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-119** Refer to the Proposed Classifications shown on page 13 of USPS-T-40. [a] Please provide a similar table that makes the distinction between the present Groups A, B, and C. [b] Is the dollar value representing cost the same in both the table on page 13 and the response to subpart a? [c] If not, explain the difference. [d] How were the specific dollar values chosen in both the existing rates as well as the proposed rates? [e] Are they arbitrary dollar values or do they represent a specific distinction in type of facility? Please explain. [f] Were they chosen to allow for a certain total increase in box rent income? [g] Are there any present Group A boxes with a cost of < \$10.00? [h] If so, why are they proposed for Group C3 rather than C4 or C5? [i] Are there any present Group B boxes with a cost of < \$7.50? [j] If so, why are they proposed for Group C4 rather than Group C5

**Response:**

[a] Please see Exhibit USPS-40C, Table 1, column C.

[b] No.

[c] The current fee groups are not defined by rent ranges.

[d] For current fee groups, see [c]; for proposed groups, please see USPS-T-40, pages 7-10, "Constructing Cost Homogeneous Groups".

[e] See response [d] above. The dollar values represent ranges which begin the move toward homogeneous groups, with the largest groups, in terms of number of ZIP Codes, in the middle rent ranges.

[f] No.

[g] Yes. See Exhibit USPS-40C, page 1, table 1, line 5.

[h] The goal was to keep all fee changes as moderate as practicable. See witness Mayo's response to DBP/USPS-119(k).

[i] Yes.

[j] The goal was to keep all fee changes as moderate as practicable. See witness Mayo's response to DBP/USPS-119(k).



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE

**DBP/USPS-120** [a] Please provide an explanation that a distinction between post office box rates at offices that have city delivery service compared to those that have only rural/HCR service is appropriate. [b] Please provide an explanation that determining post office box rents based on the cost of the facility is appropriate? [c] Are there any other criteria utilized, either for the present system or the proposed system? [d] If so, enumerate and explain why they are appropriate. [e] Please enumerate the criteria that were considered and rejected and provide reasons why they were not appropriate. [f] Was the availability of access to the box section [this means both the greater access on a given day - such as 24 hour a day access - and the limitation of access to only 5 or 6 days rather than 7] evaluated as a potential rating factor? [g] If so, why was it rejected?

**Response:**

[a] This distinction has existed in the fee groups for many years; the current fee groups are an understandable outgrowth of their development.

[b,e] See my testimony, pages 26-29.

[f] No.

[c, g] The existing fee group assignments are utilized in order to avoid fee shock. In light of the degree of complexity involved in aligning cost and fees, considerations of other such factors are unreasonable at this time. Also see my response to DBP/USPS-95.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T40-1. Please refer to your testimony at pages 9 and 10, lines 19-23, and lines 1-2 respectively, and Figure 1.**

- (a) Please explain why you chose to classify average rental cost per square foot into seven cost groups.**
- (b) Did you consider classifying average rental cost per square foot into less than or more than seven groups? If so, please explain fully why you rejected less than or more than seven cost groups. If not, please explain why you did not consider alternatives.**
- (c) Please explain why you chose to use mean of the cost distribution rather than median to center cost group IV.**

**RESPONSE:**

- (a) The seven proposed cost groups reasonably mirror the underlying cost distribution as depicted in Figure 1.**
- (b) Yes. The seven cost groups reasonably reflect facility space cost estimates and distributions, fee schedule simplicity, and judgments regarding fee impact on current box customers, as well as administrative burden (see my response to interrogatory 2 below). Given that the current classifications contains four fee groups, five cost groups would not ultimately provide a sufficient number of fee groups to differentiate among all four of the current groups, especially given the fee "gap" between current fee Groups C and D. This consideration alone requires one group to act as a "bridge". In the future, an odd number of cost groups will allow for a central "mid" cost range from which higher and lower groups can vary for classification purposes. Nine and eleven fee groups were rejected at least at this time, as a first step towards cost homogeneity (see my response to interrogatory 5 below).**
- (c) Means are commonly used as measures of centrality.**



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T40-2. Please refer to your testimony at page 10, lines 14-17, and Figure 1. In the absence of "fee shock mitigation," do you view the seven cost groups in Figure 1 as the ideal fee groups for post office boxes? Please explain why or why not.**

**RESPONSE:**

No. The seven cost groups constructed in Figure 1 rely on facility space cost estimates and distributions projected to the test year, fee schedule simplicity, judgments regarding fee impact on current box holders, as well as administrative burden. As circumstances change, it is likely that these cost groups' specifications will need adjustments.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T40-3. Please refer to your testimony at page 11, lines 14-17.**

- (a) Please explain why you decided not to propose capacity utilization as a factor determining post office box fees at this time.**
- (b) Do you intend to propose capacity utilization as a factor determining post office box fees in a future Commission proceeding? In your answer, please identify the information needed or issues to be considered when deciding to propose capacity utilization as a factor determining post office box fees.**

**RESPONSE:**

- (a) As stated at page 11, lines 14-17, "to keep the new classification schedule simple" (see Section 3622(b) pricing criteria 7, "simplicity of structure"). An additional factor might likely require more groups and greater administrative burden, especially as location-based fee groups as proposed in this docket are promulgated.**
- (b) Current capacity utilization patterns reflect the current classifications presently in effect – including the current fee group cost heterogeneity conditions. Therefore, it is premature to consider utilization as a factor in post office box fee determination in light of the changes to box fee classifications being proposed in this docket. For this reason, the Postal Service has not fully developed the issues, nor information, needed to propose capacity utilization as a factor determining post office box fees at this time.**



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T40-4. Please refer to your testimony at page 12, lines 13-15, where it states that "average rent in column (e) [of Exhibit C, table 2] declines uniformly from Cost Group I to Cost Group VII."**

- (a) Please confirm that the difference in average rent between Groups I and II, Groups II and III, Groups III and IV, Groups IV and V, and Groups V and VI, and Groups VI and VII is \$6.75, \$2.99, \$2.24, \$1.79, and \$1.70, respectively.**
- (b) Please explain what you mean by "declines uniformly."**
- (c) Please confirm that uniformity of decline in the average rent from Cost Group I to Cost Group VII was a goal in selecting your cost groups. If you do not confirm, please explain.**

**RESPONSE:**

- (a) Confirmed.**
- (b) In this instance, I was indicating that the averages for the cost groups decline from the highest to the lowest across all seven groups; i.e., Group I is higher than Group II, Group II is higher than Group III, etc.**
- (c) Uniformity of decline, as defined in my response to part (b) of this interrogatory, was a goal. Uniformity, as measured by the listed differences between group cost averages given in part (a), was not a goal.**



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T40-5. Please refer to your testimony at page 12, lines 19-23.**

- (a) Please explain why you chose to assign "post office box service ZIP Codes to [ ] six location cost-based groups."**
- (b) Did you consider assigning post office box service ZIP Codes to less than or more than six location cost-based groups? If so, please explain fully why you rejected less than or more than six location cost-based groups. In your answer, please explain why you specifically rejected seven location cost-based groups. If not, please explain why you did not consider alternatives.**

**RESPONSE:**

- (a) The primary consideration was to be conservative in the number of new fee groups proposed in light of the new location-based allocation of space provision costs. Also see my testimony page 14 lines 10-13, as well as footnote 14 appearing on page 15.**
- (b) Yes. Given that current postal box locations fall into four Fee Groups (A through D), the degree of cost overlap between these groups, the fact that some fees are also increasing, and the need to consider fee shock on current box holders, six groups provide a reasonable first step towards developing cost homogeneous groups. Fewer than six fee groups would not mirror the underlying location cost distribution as well as does six. Seven or more fee groups are not needed at present, especially given the degree of heterogeneity of the current four groups. Also, see my response to part (a).**



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T40-6. Please refer to your testimony at page 13, lines 6-7. Please explain and give examples of how "the cost groups can become increasingly cost homogeneous as ZIP Codes are appropriately reassigned."**

**RESPONSE:**

The complete sentence at page 13, lines 6-7 begins with the phrase "Over time," to indicate a progression of increasing cost group homogeneity being achieved in future proposals. For a hypothetical example: please refer to page 13, lines 10-29 "Proposed Classifications". Hypothetically, Groups C5 and D6 might be re-specified in a future proposal to include both former Group D and C locations. Thus these two groups would be more cost homogenous. Over time, through careful, controlled, re-specification of the box group classifications proposed in this docket, carrier delivery type can be eventually eliminated as a factor in determining post office box fees — since it is a poor indicator of box costs — without subjecting box holders to undue "fee shock".



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T40-7. Please refer to your testimony at page 17, lines 5-8.**

- (a) Please provide the proportion of individual and business boxholders for each box size.**
- (b) Please provide any data to support your assumption about the tendency of individual customers to use size 1 boxes.**

**RESPONSE:**

- (a) The only data I currently have is survey data from Docket No. MC96-3, USPS-LR-SSR-111, page 57 (attached).**
- (b) Box size one has the highest proportion of individual use of the three box sizes, one through three – the only sizes surveyed (see Docket No. MC96-3 USPS-LR-SSR-111 page 57). Also see LR-I-155, pages 71-72.**



Attachment to Response  
To OCA/USPS-T40-7, page 1 of 2

**USPS Library Reference SSR-111**

**Market Research On Post Office Box Price Sensitivity**

**OPINION RESEARCH CORPORATION**  
Princeton NJ 08542-0183



MARCH 1996

## USPS P.O. BOX RATE STUDY -- CURRENT BOX RENTERS

OAC 3086 51887

## Question 1

Do you rent this box for ...

	Total Sample	Total Tier1	Tier 1 Box Size			Total Tier2	Tier 2 Box Size		
			1	2	3		1	2	3
			-----				-----		
Total unweighted	1206	600	200	200	200	606	202	203	201
Total weighted	149929	72519	46579	19456	6484	77411	51413	20650	5340
Personal Use	78798	38671	25362	4144	566	46726	36661	10501	1564
	53%	41%	54%	21%	9%	63%	71%	51%	29%
Business Use	29400	22931	10476	8253	4202	6469	2181	2533	1755
	20%	32%	22%	42%	65%	9%	4%	12%	33%
Both Personal And Business Use	41467	19231	10497	7018	1716	22216	12571	7617	2028
	28%	27%	23%	36%	26%	29%	24%	37%	38%
DK/Refused	284	284	244	41	0	0	0	0	0
	0	0	1%	0	0	0	0	0	0



1 CHAIRMAN GLEIMAN: Is there any other written  
2 cross-examination for this witness?

3 [No response.]

4 CHAIRMAN GLEIMAN: If not, it brings us to oral  
5 cross. Two parties, the Office of the Consumer Advocate and  
6 David B. Popkin requested oral cross. It is my  
7 understanding that the Consumer Advocate does not wish to  
8 cross-examine.

9 MS. DREIFUSS: That is correct.

10 CHAIRMAN GLEIMAN: And Mr. Popkin, unfortunately,  
11 was unable to be here today, so he won't be doing any oral  
12 cross today.

13 Is there any other party that wishes to cross  
14 Witness Kaneer?

15 [No response.]

16 CHAIRMAN GLEIMAN: If not, then, Mr. Kaneer, that  
17 completes your very brief appearance here today. I am sorry  
18 that we had to disappoint you by not having a lot of  
19 cross-examination. Nevertheless, we appreciate your  
20 appearance and your contributions to the record. Thank you,  
21 and you are excused.

22 THE WITNESS: Thank you. I am very happy with the  
23 outcome.

24 [Witness excused.]

25 CHAIRMAN GLEIMAN: Those of us who are going to be



1 here for a while this afternoon, and perhaps evening, are  
2 happy with the outcome also.

3 Counsel, whenever you are ready to call the next  
4 witness.

5 MR. RUBIN: The Postal Service calls Scott J.  
6 Davis as its next witness.  
7 Whereupon,

8 SCOTT J. DAVIS,  
9 a witness, having been called for examination and, having  
10 been first duly sworn, was examined and testified as  
11 follows:

12 CHAIRMAN GLEIMAN: Counsel, you can proceed when  
13 you are ready.

14 DIRECT EXAMINATION

15 BY MR. RUBIN:

16 Q Mr. Davis, do you have two copies of a document  
17 titled "Direct Testimony of Scott J. Davis on Behalf of  
18 United States Postal Service," and designated as USPS-T-30?

19 A Yes, I do.

20 Q And does this testimony include the corrections  
21 that were filed on April 17th?

22 A Yes, it does.

23 Q Was this testimony prepared by you or under your  
24 supervision?

25 A Yes, it was.



1           Q     And if you were to testify orally here today,  
2     would this be your testimony?

3           A     Yes, it would.

4           MR. RUBIN:  Then I will provide two copies of the  
5     direct testimony of Scott J. Davis on behalf of United  
6     States Postal Service to the reporter, and I ask that the  
7     testimony be entered into evidence in this docket.

8           CHAIRMAN GLEIMAN:  Is there any objection?

9           [No response.]

10          CHAIRMAN GLEIMAN:  Hearing none, I will direct  
11     that the direct testimony of Witness Davis be received into  
12     evidence, and, as is our practice, not transcribed into the  
13     record.

14                                 [Direct Testimony of Scott J.  
15                                 Davis, USPS-T-30, was received into  
16                                 evidence.]

17          CHAIRMAN GLEIMAN:  Mr. Rubin, does Witness Davis  
18     have any Library 2 References, Category 2 Library References  
19     that he wishes to sponsor?

20          MR. RUBIN:  Yes.

21          BY MR. RUBIN:

22          Q     Mr. Davis, are you prepared to sponsor Library  
23     Reference I-108 into evidence in this proceeding?

24          A     Yes, I am.

25          CHAIRMAN GLEIMAN:  Thank you.  The reporter will



1 please enter the Library Reference I-108 into evidence. It  
2 will not be transcribed into the record.

3 [Library Reference I-108 was  
4 received into evidence.]

5 CHAIRMAN GLEIMAN: Mr. Davis, have you had an  
6 opportunity to examine the packet of designated written  
7 cross that was provided this morning?

8 THE WITNESS: Yes, I have.

9 CHAIRMAN GLEIMAN: And if those questions were  
10 asked of you today, would your answers be the same as those  
11 you previously provided in writing?

12 THE WITNESS: Yes, they would.

13 CHAIRMAN GLEIMAN: Any corrections or additions at  
14 this time?

15 THE WITNESS: Yes. I have one correction,  
16 Chairman Gleiman. The packet did not contain my revised  
17 response filed on April 26 to Interrogatory DBP/USPS-79. I  
18 have replaced my original response with my revised response  
19 accordingly.

20 CHAIRMAN GLEIMAN: Counsel, if you would please  
21 provide two copies of the corrected designated written cross  
22 of the witness to the reporter, I will direct that the  
23 material be received into evidence and transcribed into the  
24 record.

25 [Designation of Written



1 Cross-Examination of Scott J.

2 Davis, USPS-T-30, was received into  
3 evidence and transcribed into the  
4 record.]

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS SCOTT J. DAVIS  
(USPS-T-30)

Party

David B. Popkin

Douglas F. Carlson

Office of the Consumer Advocate

Interrogatories

DBP/USPS-41, 46, 52e-f, 63, 68, 79, 106c-e,  
117j-k, 118h-i, 121a-i, l-t redirected to T30

DFC/USPS-T30-1-5, 8-9, 10c, f, 11d-e, 12-14, 16-  
18, 20-76

DFC/USPS-56, 74 redirected to T30

DFC/USPS-T39-38e redirected to T30

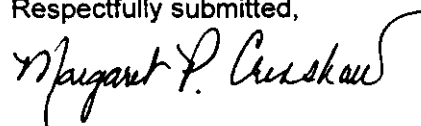
DBP/USPS-117j-k, 118h-i redirected to T30

DFC/USPS-T30-11e

OCA/USPS-T30-2-5

OCA/USPS-T39-3, 4a, 18a redirected to T30

Respectfully submitted,



Margaret P. Crenshaw  
Secretary







DFC/USPS-T30-2	Carlson
DFC/USPS-T30-3	Carlson
DFC/USPS-T30-4	Carlson
DFC/USPS-T30-5	Carlson
DFC/USPS-T30-8	Carlson
DFC/USPS-T30-9	Carlson
DFC/USPS-T30-10c	Carlson
DFC/USPS-T30-10f	Carlson
DFC/USPS-T30-11d	Carlson
DFC/USPS-T30-11e	Carlson, OCA
DFC/USPS-T30-12	Carlson
DFC/USPS-T30-13	Carlson
DFC/USPS-T30-14	Carlson
DFC/USPS-T30-16	Carlson
DFC/USPS-T30-17	Carlson
DFC/USPS-T30-18	Carlson
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DFC/USPS-T30-73	Carlson
DFC/USPS-T30-74	Carlson
DFC/USPS-T30-75	Carlson
DFC/USPS-T30-76	Carlson
DFC/USPS-56 redirected to T30	Carlson
DFC/USPS-74 redirected to T30	Carlson
DFC/USPS-T39-38e redirected to T30	Carlson
OCA/USPS-T30-2	OCA
OCA/USPS-T30-3	OCA



OCA/USPS-T30-4	OCA
OCA/USPS-T30-5	OCA
OCA/USPS-T39-3 redirected to T30	OCA
OCA/USPS-T39-4a redirected to T30	OCA
OCA/USPS-T39-18a redirected to T30	OCA



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN,  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-41** [a] Confirm, or explain if you are unable to do so, that the delivery records for accountable mail are filed manually at the delivery unit or at some locally centralized location. [b] Confirm, or explain if you are unable to do so, that these records must be checked in order to process any requests for duplicate return receipts or return receipts requested after mailing of the original article or for processing indemnity claims. [c] To what service are the costs of manually filing this delivery receipt allocated? Are they allocated to the basic service, such as Certified Mail, or are they charged to both Certified Mail and Return Receipt service? How are these charges allocated? [d] Are there plans to implement some form of electronic signature capture to reduce or eliminate the necessity of manually filing these records? If so, please explain and indicate the time frame for instituting it and the percentage of offices that will utilize it? [e] If the price for Return Receipt after mailing is being cut in half because of the reduced costs in obtaining this data, to what extent is the cost of Certified Mail, Insured Mail, Registered Mail, Return Receipt, etc. being reduced to cover this same reduction in costs? If not, why not?

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. It is my understanding that the costs of manually filing this delivery receipt, PS Form 3849, are institutional costs. The cost study for return receipt service does not allocate the costs of manually filing PS Form 3849 to return receipt service.
- d. Yes, there are plans to implement electronic signature capture to reduce or eliminate the necessity of manually filing these records. Please refer to USPS-T-30, p. 13, for an explanation of electronic signature capture. Implementation is planned for spring 2000. Under current plans, virtually all delivery offices will utilize the electronic signature capture process.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN,  
REDIRECTED FROM THE POSTAL SERVICE**

**DBP/USPS-41, Page 2 of 2**

- e. Please refer to USPS-LR-I-108, pp. 56-61, for the estimated test year cost differentials arising from the planned electronic signature capture process.

The corresponding electronic files are named:

"elec sign capt - before rates.xls"  
"elec sign capt - after rates.xls"  
"elec sign capt - unit cost deltas.xls".



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**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.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE  
DBP/USPS-46, Page 2 of 2**

- 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.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**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.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DAVID B. POPKIN  
REDIRECTED FROM THE POSTAL SERVICE**

**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.



REVISED April 26, 2000

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- n. I have been informed that there is no explicit authorization for a non-USPS recipient to enter into such an agreement for return receipt service. I note that with return receipt for merchandise service, the *sender* can elect to waive the signature requirement (as permitted in DMM Issue 55, S917.2.2(f)).
- m. N/A.
- n. 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].



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**DBP/USPS-106** [c] Confirm, or explain and discuss if you are not able to confirm, that had the changes been implemented, it would have resulted in a cost savings. [d] Quantify the cost savings noted in response to subpart c. [e] How are these costs related to the costs provided to the Postal Rate Commission?

**RESPONSE:**

- c. I am not able to confirm because I have not specifically studied the extent to which additional costs or cost savings would have resulted from such changes. Please see my response to DBP/USPS-79(k-m).
- d. Please refer to my response to subpart [c].
- e. Please refer to my response to subpart [c].



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**DBP/USPS-117.** ☐ Is the cost of processing a claim independent of the value? If not, why not? ☐ What is the cost of processing a claim?

**RESPONSE:**

j-k. I am not aware of any studies of the cost of processing a claim and its relationship to the value of the item.



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**DBP/USPS-118.** [h] Is the cost of processing a claim independent of the value? If not, why not? [i] What is the cost of processing a claim?

**RESPONSE:**

h-i. I am not aware of any studies of the cost of processing a claim and its relationship to the value of the item.



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**DBP/USPS-121** On page 20 of USPS-T-30 reference is made to a special study that was conducted to determine the costs for post office box key and lock changes. [a] What method was utilized to determine the 30 offices that participated in the survey? [b] How many facilities are there in the country that provide box service? [c] What level of confidence does the choice of a sample of 30 provide when evaluating the costs at the entire universe of facilities provided in response to subpart b? [d] Justify that your level of confidence was appropriate and provide the calculations utilized to determine your response to subpart c. [e] Please provide the raw data of your survey in a similar manner as you did for the response to DFC/USPS-T30-12[a]. [f] Provide a copy of USPS-LR-I-108, pages 68 through 71. [g] Provide data or an estimate of the number of additional post office box keys are requested each year and the number of lock changes made - specify the source of the data for your response. [h] You indicated that the source for lock changes is the post office's preexisting inventory. Are all replacements of key operated locks made by removing the lock mechanism from the box by removing one or more screws and then replacing it with another lock mechanism? If not, please explain. [i] Confirm that all post office boxes are either opened by means of a key or by dialing a combination. If not, explain. [j] Does your proposal for a lock replacement fee also apply for the change of combination to the lock? [k] If not, what will the charge be to change the combination? [l] Please describe the method utilized to change the combination to a combination lock. [m] What percentage of the boxes in the country have key-operated locks, combination locks, and any other method listed in your response to subpart i? [n] What is the source of duplicate or replacement keys? [o] If a customer replaces his lock on the box, how many new keys are provided and what fee, if any, is charged for them? [p] Will there be a different cost for key duplication or replacement based on whether the extra key was already in inventory at the office as opposed to whether one must be obtained? [q] What procedure is followed if the extra key is not in inventory? [r] Provide separate data for key replacements for these two separate conditions listed in subpart p. [s] Provide an estimate of the range of costs for a normal key duplication at a hardware store. [t] Are all post office box keys marked DO NOT DUPLICATE or words of a similar import? [u] Provide any insight as to the comparison of your \$4 fee for key duplication with the value provided in response to subpart s.

**RESPONSE:**

- a. I ensured that the sample selection was representative of the population by stratifying the population of postal facilities and randomly selecting offices



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from within each stratum. I utilized a recently updated database of all postal facilities with box section delivery that was stratified by fee group. Selection within each stratum was conducted using the Microsoft Excel random number generator function. The sampling process resulted in a national sampling of large, medium and small offices.

- b. In FY 1998, there were approximately 32,000 facilities that provided box service.
- c-d. I am confident that the data from this national study serve as a reasonable and sufficient basis for determining the costs associated with post office box key and lock changes. The summary data and cost calculations are presented in USPS-LR-I-108, Section F, pp. 69-70 (electronic file name: "po box lock & key.xls") and Section G, p. 75 (electronic file name: "po box lock & key survey data.xls").
- e. Please see attachment.
- f. These pages are available from the Postal Rate Commission and can be accessed from the PRC's web site, <[www.prc.gov](http://www.prc.gov)>. Select Docket No. "R2000-1", then "Library References", then "USPS", then "USPS-LR-I-108". Then select electronic file "I-108.exe". Pages 68 and 71 are cover pages, which are contained in the electronic file named "covers for USPS-LR-I-108.doc". Pages 69 and 70 correspond to electronic file name "po box lock & key.xls", which is contained in the folder labeled "Section F".



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- g. I am not aware of any such data or estimates.
- h. That is my understanding.
- i. Confirmed to the best of my knowledge.
- j. Redirected to witness Mayo.
- k. Redirected to witness Mayo.
- l. The method utilized for changing the combination to a combination lock requires several steps. First, the clerk must access the post office box and then remove or loosen some of the box hardware (e.g., caps, screws, and plungers) to be able to access the combination lock. Once this has been performed, the clerk will rotate each lock wheel to change the combination. Then, the clerk will manually record the newly set combination. Finally, the clerk must reinsert and/or tighten the box hardware, restoring it to its original condition.
- m. While I am not aware that these percentages have been quantified, it is my understanding that most post office boxes utilize key-operated locks. Furthermore, the percentage of combination locks will become even less significant by the test year, as POM Section 141.423 states that only key-locking models of post office boxes be available for installation in new facilities or for expansion or replacement of existing post office box sections.



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- n. Facilities providing box service are required to maintain in inventory at least one key for each post office box. After issuing the spare key, the facility orders replacement keys from the Mail Equipment Shops.
- o. As proposed in DMCS Section 921.134, two keys would be available with the payment of a refundable deposit. The customer would be able to obtain additional keys with the payment of the proposed fee as described in witness Mayo's testimony, USPS-T-39.
- p. No, I do not believe the distinction is applicable. Postal facilities with box delivery service are required to order a replacement key after issuing the spare key maintained in inventory, so providing a duplicate key causes a replacement key to be produced.
- q. An extra key should always be maintained in inventory. Please refer to my response to subpart [n] above.
- r. Please refer to my response to subpart [p] above.
- s. I have not studied the costs for normal key duplication at a hardware store; this is beyond the scope of my testimony.
- t. That is my understanding.
- u. Redirected to witness Mayo.



		QUESTION #								
Facility #	Date	3A	3B	4A	4B	5A	5B	6A	6B newly c	6C
1	no activity reported									
2	7/9/99							3	0	6
3	6/28/99							9	0	99
3	6/30/99							5	0	56
3	7/1/99							3	0	25
3	7/2/99							2	0	22
3	7/8/99							3	0	32
3	7/10/99							25	0	275
4	6/30/99			1	4					
4	7/3/99			1	4					
5	7/6/99							1	0	5
5	7/8/99							4	0	28
6	no activity reported									
7	7/9/99							1	0	5
8	no activity reported									
9	no activity reported									
10	6/30/99							2	0	10
10	7/7/99							3	0	15
11	no activity reported									
12	no activity reported									
13	no activity reported									
14	6/28/99	3	2							
14	7/1/99	8	1					3	0	10
14	7/8/99	15	10	1	1			2	0	6
14	7/8/99	88	5					1	0	3
14	7/9/99	6	5							
15	no activity reported									
16	6/30/99	17	30							
17	7/7/99	1	10					2	0	20
17	7/10/99							2	0	20
18	6/29/99							1	0	6
18	7/1/99							3	0	15
18	7/1/99							2	0	10
18	7/8/99							2	0	10
18	7/8/99							5	0	25
18	7/9/99							2	0	10
19	6/28/99							1	0	7
19	6/29/99							1	0	7
19	6/30/99							3	0	21
19	7/1/99							2	0	14
19	7/2/99							4	0	28
19	7/3/99							3	0	21
19	7/8/99							2	0	14
19	7/7/99							6	0	35
19	7/8/99							6	0	36
19	7/9/99							1	0	7
19	7/10/99							3	0	21
20	7/1/99							2	0	22
20	7/2/99							13	0	78
20	7/9/99							1	0	4
20	7/12/99			10	10			2	0	18
21	7/7/99	2	2					1	1	5
22	7/1/99							1	0	3
22	7/8/99							1	0	3
22	7/9/99							1	0	5
23	6/29/99							1	0	6
23	6/30/99							1	0	1
24	6/30/99	9	20							
24	7/1/99	6	15							
24	7/2/99	6	20							
24	7/7/99	3	15							
24	7/8/99	3	15							
25	6/28/99							2	0	30
25	6/30/99							4	0	45
25	7/2/99							3	0	45
25	7/8/99							7	0	120
26	7/20/99	10	30					4	0	25
27	7/2/99							11	0	90
27	7/8/99							14	0	75
28	no activity reported									
29	no activity reported									
30	6/30/99							16	0	75
30	7/2/99							25	0	125
TOTAL		177	180	13	19	0	0	227	1	1897
UNIT			1.017		1.462					7.476
			minutes		minutes					minutes



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**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.



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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.



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**DFC/USPS-T30-5.** Please explain all differences, including differences in methodology, between the cost study for certified mail conducted for Docket No. R2000-1 and the cost study conducted for Docket No. R97-1.

**RESPONSE:**

In my testimony, I provide a cost differential for certified mail caused by the electronic signature capture process. For a discussion of the cost impact of electronic signature capture on certified mail and other accountable mail services, please refer to my testimony, USPS-T-30, p. 13. For development of the cost differential, please refer to USPS-LR-I-108, Section D, pp. 56-61.

Please see witness Meehan's response to DFC/USPS-T30-6 for a discussion of other differences between the costs for certified mail in Docket No. R2000-1 and the costs in Docket No. R97-1.



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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.



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**DFC/USPS-T30-12.** Please refer to your response to DFC/USPS-T30-1.

- a. Please provide, for both Docket No. R97-1 and Docket No. R2000-1, the raw data of the labor time per return-receipt transaction for clerk and carrier review functions, clearing-clerk time, and window-clerk time.
- b. If the times described in (a) have increased in Docket No. R2000-1 compared to Docket No. R97-1, please explain why.
- c. Is the "new field study" to update clearing clerks' labor time different in methodology from the study conducted for Docket No. R97-1? If so, please explain the differences.
- d. Why does your response refer to return receipts showing "to whom, addressee's address, and date delivered" given that Docket No. MC96-3 changed return receipt to provide a single service, which provides a return receipt showing to whom and date delivered, plus the addressee's address *if it is different*?
- e. In the electronic version of USPS-LR-I-108, why does the Excel file titled "return receipt" appear to differentiate between "whom and date delivered" and "whom, where and date delivered"?
- f. Please provide the percentage of all return receipts for which the Postal Service provides a new address on the return receipt.

**RESPONSE:**

- a. Please see the attached spreadsheet for the raw data used in Docket No. R2000-1 for the labor times for clearing clerks' review of carriers' PS Form 3811 cards. The window acceptance time for Docket No. R2000-1 is based on the time reported in the Docket No. R97-1 cost study. The raw data upon which Docket No. R97-1 costs are based are not available since the original field study was conducted in 1976.



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- b. The time for clearing clerk / carrier review as measured in the Docket No. R2000-1 cost study falls within the range of the two times (for whom and date delivered and for whom, where and date delivered) reported in the Docket No. R97-1 study. The difference between the new data and old data can be explained by differences between the two studies, including when the data were collected and the sampled facilities at which the data were collected.
- c. Yes, the new field study to update clearing clerks' labor time is different in methodology from the previous study. The new field study obtained data from 25 randomly selected post offices over a period of one week, while the previous study obtained data from 26 non-randomly selected post offices over a period of two weeks.
- d. My response refers to return receipts showing "to whom, addressee's address, and date delivered" because existing cost data must be weighted to reflect the single service, which provides the addressee's address for a portion of return receipt transactions .
- e. The Excel file titled "return receipt" differentiates between "whom and date delivered" and "whom, where and date delivered" because the cost study is based in part on data that were obtained prior to Docket No. MC96-3, before these two services were consolidated.



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- f. The exact percentage of all return receipts for which the Postal Service provides a new address on the return receipt has not been quantified. My cost study uses as a proxy 2.72 percent, which is the percentage of total mail volume that is undeliverable as addressed (UAA). Please refer to USPS-T-30, p. 12. Presumably, the Postal Service would provide a new address for all UAA mail. Therefore, the use of UAA mail as a proxy for return receipts for which the Postal Service provides a new address is both reasonable and appropriate.



## Attachment to response to DFC/USPS-T30-12(a)

Accountable Mail - Return Receipt Study: Field Survey Data  
Individual Site Data

FACILITY		DAY	DAY	DAY	DAY	DAY	DAY
ID#	QUESTION#	1	2	3	4	5	6
1	1	0	1	3	1	1	2
	2	0	1	1	1	1	1
2	1	3	2	2	3	3	2
	2	1	1	1	1	1	1
3	1	5	6	9	12	10	10
	2	2	2	2	5	5	5
4	1	1	0	0	1	1	0
	2	3	2	0	1	0	0
5	1	400	630	1000	0	600	1200
	2	45	55	65	0	50	115
6	1	5	11	10	1	4	1
	2	1	2	2	1	1	1
8	1	5	4	4	6	5	4
	2	5	4	4	6	5	4
9	1	0	3	3	2	2	2
	2	0	1	1	1	1	1
10	1	1	1	1	2	0	2
	2	2	1	2	2	0	2
11	1	16	13	6	10	18	8
	2	0.53	0.43	0.17	0.42	0.83	0.25
12	1	40	30	30	0	50	40
	2	20	15	15	0	25	20
13	1	63	51	31	12	123	47
	2	10	10	8	5	30	10
14	1	2	2	2	1	2	0
	2	1	1	1	0	1	0
15	1	56	38	54	53	56	35
	2	3	2	4	3	4	2
16	1	0	0	0	0	0	0
	2	0	0	0	0	0	0
17	1	33	39	41	29	24	37
	2	5	5	5	5	5	5
18	1	20	18	31	12	26	17
	2	1	1	2	1	2	1
19	1	21	15	35	20	46	21
	2	2	1	2	2	4	1.5
20	1	191	196	175	253	179	252
	2	20	25	20	30	15	20
21	1	53	49	23	16	72	28
	2	10	12	5	3	15	6
22	1	2	1	0	0	2	2
	2	1	1	0	0	2	2
23	1	6	4	6	0	6	5
	2	1	1	1	0	1	1
24	1	63	104	92	56	143	56
	2	10	13	12	3	16	10
25	1	209	255	167	362	308	221
	2	105	128	84	181	154	111

QUESTION #1: "How many PS Form 3811 ("Return Receipt") cards did you review today?"

QUESTION #2: "How many minutes did you spend reviewing PS Form 3811 cards today?"

NOTE: Data from Facility ID #7 excluded due to incomplete reporting.



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**DFC/USPS-T30-13.** These questions refer to the electronic version of USPS-LR-I-108 that is available at the Commission's Web site.

- a. For each section listed in the file named "contents for USPS-LR-I-108", please provide the name of the file that contains the section and page numbers associated therewith.
- b. Please provide the name of the electronic file that contains pp. 47-55 of USPS-LR-I-108.
- c. Please provide the name of each file that contains information relevant to costs for return receipt.
- d. Please provide the name of each file that contains information relevant to costs for return receipt for merchandise.

**RESPONSE:**

- a. Please see next page.



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**CONTENTS OF USPS-LR-I-108 ELECTRONIC FILES BY SECTION**

- CONTENTS / SUMMARY
  - "contents for USPS LR-I-108.doc"
  - "cost summary.doc"
- SECTION A: Delivery Confirmation Special Studies (pp. 1-9)
  - "del con special studies.xls" (pp. 2-9)
- SECTION B: Supporting Spreadsheets: Delivery Confirmation (pp. 10-23)
  - "del con input cost data.xls" (pp. 11-23)
- SECTION C: Supporting Spreadsheets: Signature Confirmation (pp. 24-40)
  - "sig con input cost data.xls" (pp. 25-40)
- SECTION D: Supporting Spreadsheets: Accountable Mail Cost Updates (pp. 41-61)
  - "certificate of mailing.xls" (p. 42)
  - "insured mail.xls" (p. 43)
  - "insured mail – bulk.xls" (pp. 44-45)
  - "restricted delivery.xls" (p. 46)
  - "return receipt.xls" (pp. 47-55)
  - "elec sign capt - before rates.xls" (p. 56)
  - "elec sign capt - after rates.xls" (p. 57)
  - "elec sign capt unit cost deltas.xls" (pp. 58-61)
- SECTION E: Supporting Spreadsheets: On-Site Meter Setting Services (pp. 62-67)
  - "on-site meter service.xls" (pp. 63-67)
- SECTION F: Supporting Spreadsheets: PO Box Key & Lock Change Svc (pp. 68-70)
  - "po box lock & key.xls" (pp. 69-70)
- SECTION G: Special Studies: Field Survey Data (pp. 71-75)
  - "on-site meter serv survey data.xls" (p. 72)
  - "on-site meter serv ddc data.xls" (p. 73)
  - "return receipt survey data.xls" (p. 74)
  - "po box lock & key survey data.xls" (p. 75)
- SECTION H: Special Studies: Field Survey Materials (pp. 76-86)
  - "ret rcpt data collection writeup.doc" (p. 77)
  - "instructions for ret rcpt survey.doc" (p. 78)
  - "return receipt survey.xls" (p. 79)
  - "instructions for osms survey.doc" (pp. 80-81)
  - "osms survey.doc" (p. 82)
  - "instructions for po box survey.doc" (pp. 83-84)
  - "po box lock & key survey.doc" (pp. 85-86)



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- b. The name of the electronic file that contains pp. 47-55 of USPS-LR-I-108 is "return receipt.xls".
- c. The following files contain information relevant to costs for return receipt:
- "cost summary.doc"
  - "return receipt.xls"
  - "elec sign capt – before rates.xls" [for return receipt after mailing only]
  - "elec sign capt – after rates.xls" [for return receipt after mailing only]
  - "elec sign capt unit cost deltas.xls" [for return receipt after mailing only]
  - "return receipt survey data.xls"
  - "ret rcpt data collection writeup.doc"
  - "instructions for ret rcpt survey.doc"
  - "return receipt survey.doc"
- d. The following files contain information relevant to costs for return receipt for merchandise:
- "cost summary.doc"
  - "return receipt.xls"
  - "elec sign capt – before rates.xls"
  - "elec sign capt – after rates.xls"
  - "elec sign capt unit cost deltas.xls"



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**DFC/USPS-T30-14.** Suppose a carrier is delivering a letter that was sent via certified mail, return receipt requested.

- a. Please confirm that the process of contacting the addressee (or agent) to obtain signatures (e.g., walking to the door, ringing the doorbell, waiting for a response) incurs a cost. (For this interrogatory, the process of contacting the addressee does not include obtaining the signatures.)
- b. Please confirm that the process of contacting the addressee is necessary for certified mail whether or not a return receipt is attached.
- c. To which service or service(s) are the costs described in (a) allocated — certified mail only, or both certified mail and return receipt? Please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. The costs described in (a) are allocated to certified mail only. It is my understanding that the data systems assign these costs to the certified mail delivery cost segment. The special study for return receipt costs excludes the costs described in (a), but includes carrier delivery-related costs such as obtaining a signature on the Form 3811, ensuring the appropriate sections of Form 3811 are completed, and detaching the Form 3811 from the mailpiece.



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**DFC/USPS-T30-16.** Please refer to your response to DFC/USPS-T30-10(f) and provide all evidence confirming that the explanations you provided that can or may explain the reasons why the costs for certified mail plus return receipt are higher than the cost for return receipt for merchandise *actually explain* the cost differential.

**RESPONSE:**

While I do not have quantitative measurements demonstrating the extent to which the explanations I provided in response to DFC/USPS-T30-10(f) actually explain the cost differential, I conclude that these explanations are reasonable and valid based on my knowledge of these services and discussions with personnel. Upon further review, however, I believe that the absence of the restricted delivery option for return receipt for merchandise most likely does not explain the cost differential.



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**DFC/USPS-T30-17.** Please refer to your response to DFC/USPS-T30-10(f) and, specifically, your discussion about costs associated with restricted delivery. Suppose a customer sends a letter via certified mail with return receipt and restricted delivery. Suppose, further, that the carrier must make a second delivery attempt because the addressee was not available to accept delivery, but another person at the addressee's residence or business was available. Under these circumstances, are the costs associated with a second delivery attempt or a call window attributed exclusively to certified mail or restricted delivery, or does return receipt bear some of these costs? Please explain fully the allocation of costs for a second delivery attempt or a call window under the scenario described in this interrogatory. If return receipt bears some of these costs, please explain the logic of this cost allocation given that, absent the restricted delivery, a person other than the addressee would have been able to sign for the item on the first delivery attempt.

**RESPONSE:**

Under the aforementioned circumstances, which I believe applies to less than 1 percent of return receipt volume, it is not clear exactly how the costs associated with a second delivery attempt or a call window would be attributed to certified mail or return receipt service. In measuring such second delivery attempt or call window costs, data collectors may not be informed that on the first attempt signatures could have been obtained from someone other than the addressee were it not for the restricted delivery requirement. To the extent that the original return receipt cost study did not observe return receipts fitting all the suppositions stated in this interrogatory (and only about 1 percent of return receipt transactions have restricted delivery, and in most of those cases either the restricted delivery recipient or recipient's agent would be available on the first visit, or no one would be available), such costs are not attributed to return receipt service. The cost study for restricted delivery, however, does reflect the costs for



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a second delivery attempt or a call window, including under the scenario described in this interrogatory.



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**DFC/USPS-T30-18.** Please refer to your response to DFC/USPS-T30-10(f). Please provide all data confirming that a window transaction for certified mail plus return receipt is, on average, longer than a window transaction for return receipt for merchandise.

**RESPONSE:**

Based on my knowledge of these services and discussions with personnel on this matter, I conclude that the explanations I provide in response to DFC/USPS-T30-10(f) are reasonable and valid. I do not, however, have quantitative measurements confirming this conclusion.



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**DFC/USPS-T30-20.** Please refer to your response to DFC/USPS-T30-8. Please provide copies of the pages from Docket No. R97-1 to which you referred that contain information responsive to my interrogatory.

**RESPONSE:**

It is my understanding that these materials were provided during Docket No.

R97-1. These materials are publicly available on the Postal Rate Commission's web site at [www.prc.gov](http://www.prc.gov). From the homepage, select "Link to Old Web Site".

Under "Docketed Cases", select "Rate", then select the "R97-1" link.

For USPS-LR-H-107, select the "Library References" link, then the "USPS" link, then the "H-101 to H-150" link, then the "USPS-LR-H-107" link. You can download this library reference in electronic format. The file named "Return~1.XLS" contains pp. 38-43.

For USPS-T-5 and USPS-T-15, select the "Testimony" link, then the "USPS" link, then the "USPS-T-5" and "USPS-T-15" links. You can download these testimonies in electronic format. If the exhibits are not accessible electronically, they are in the public domain and available from the Commission's Docket Room.



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**DFC/USPS-T30-21. Please refer to your response to DFC/USPS-T30-12(a).**

- a. Are the raw data that you provided the basis for the cost study presented in USPS-LR-I-108? If not, please explain the relationship of these cost data to this library reference.
- b. Do the data that you presented in response to DFC/USPS-T30-12(a) represent all the data that you used to calculate the time that postal employees spend completing and returning return receipts? If not, please explain and provide the missing data. For purposes of this question, please ignore mail-processing costs for returning the Form 3811.
- c. The original interrogatory asked for data on labor time for clerk and carrier review functions, clearing-clerk time, and window-clerk time. The data provided in your interrogatory response apparently were furnished in response to survey questions that asked "How many PS Form 3811 ('Return Receipt') cards did you review today?" and "How many minutes did you spend reviewing PS Form 3811 cards today?" Please explain the types of employees who completed the survey that asked this question (e.g., clearing clerk, carrier, etc.), and please provide any and all missing data necessary to provide a complete response to DFC/USPS-T30-12(a). Also, see response to part (b) above.
- d. For each facility, please discuss the extent to which the employees who participated in the survey processed all the return receipts for that office on each day of the survey. For example, might one office have had two clearing clerks, but only one clearing clerk participated in the survey, causing the return-receipt volume reported in the survey for that office to understate the facility's total volume?
- e. Please provide all raw data governing the window-clerk, carrier, and other time and costs associated with obtaining a signature on a return receipt.
- f. Please explain generally the differences in the results from the survey for Docket No. R2000-1 and the survey conducted for Docket No. R97-1.



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**RESPONSE:**

- a. The raw data provided in response to DFC/USPS-T30-12(a) are the basis for the clearance activity component of the return receipt cost study presented in USPS-LR-I-108.
- b. The data that I presented in response to DFC/USPS-T30-12(a) represent all the data used to calculate the time that clearing clerks spend performing clearance duties for return receipts. The data provided in response to DFC/USPS-T30-12(a) are used only to calculate the time incurred by clearing clerks for the clearance of Forms 3811 and the associated carrier waiting time resulting from this activity. 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.
- c. Clearing employees completed the survey. All data used for the study were included in my response to DFC/USPS-T30-12(a). The only data not provided were those from site #7, which reported volumes of 19,20,33,18,23, and 21 return receipts cleared for the six days of data collection. Since this site did not record the times spent in clearing these return receipts, these data were excluded from the study.



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- d. The survey instructions stated that "the survey should be completed by the clerk(s) responsible for clearing accountable mail". Please see LR-I-108, p. 78. Thus, if more than one clerk performed the clearing activity, then more than one clerk should have reported data. I do not know the extent to which the employees who participated in the survey actually processed all the return receipts for each office on each day of the survey. Your hypothetical example may or may not reflect what actually occurred. However, even if your example holds for a given site, then presumably both the volume and labor time would have been understated. Therefore, your hypothetical example – even if true – would not necessarily compromise the resulting productivities.
- e. Please refer to my response to DFC/USPS-T30-21(b).
- f. Please refer to my response to DFC/USPS-T30-12(b).



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

**DFC/USPS-T30-22.** For each of the 24 facilities listed in the attachment to the response to DFC/USPS-T30-12(a), please provide the following information: city and ZIP Code, CAG level, number of city carrier routes that the facility serves, number of rural carrier routes each facility serves, and post-office delivery statistics.

**RESPONSE:**

The Postal Service has filed a partial objection to this interrogatory. Please see the attachment for CAG level of each of the 24 facilities, number of city carrier routes that each facility serves, and number of rural carrier routes each facility serves. It is unclear what data are requested by "post-office delivery statistics".



## Attachment to response to DFC/USPS-T30-22

ID#	CAG LEVEL	# OF CITY	# OF RURAL
		CR RTs	CR RTs
1	K	0	1
2	G	0	0
3	E	22	0
4	A	130	0
5	A	15	0
6	J	0	2
8	B	21	0
9	K	0	1
10	K	0	0
11	G	0	5
12	A	0	0
13	B	3	0
14	J	0	1
15	D	17	9
16	J	0	0
17	A	28	0
18	G	2	3
19	B	14	8
20	A	55	0
21	A	20	0
22	K	0	2
23	J	0	2
24	B	27	0
25	C	120	0



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

**DFC/USPS-T30-23.** Please discuss the importance that you assigned to selecting a representative sample of postal facilities for estimating costs for return-receipt service.

**RESPONSE:**

In designing this cost study, I considered and recognized the value of selecting a representative sample of postal facilities and of developing a statistically valid study. I considered such characteristics as sample size, stratification, and random selection. I balanced the ideals of obtaining abundant data from many facilities against the importance of completing this study within a limited time frame, the demands that this study would place on the field during a period of field budget cutbacks, and my own need to devote time to various projects and initiatives.

To yield statistically valid survey results, a representative sample of postal facilities ideally reflects a random sample of the population of postal facilities, including small, medium and large offices. All of the sampled data points should belong to the population whose mean is being estimated, namely all postal facilities that perform the activities of delivering and clearing return receipts. The sample size ideally would be as large as possible, but must be balanced with existing resource constraints, such as the costs of conducting a survey (including the costs incurred by the field in participating) and the time limitations at hand. A statistically valid survey, in addition to incorporating elements as described above, should ideally have a low standard error.



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DFC/USPS-T30-23, page 2 of 2**

My study of return receipt costs sampled 30 postal facilities randomly selected from a stratified population of postal facilities performing delivery functions. The sample represents offices not only of different sizes but also of different geographic locations. Each Area Office in the nation was included in the sample selected. Facilities were sampled over a duration of one full delivery week.



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

**DFC/USPS-T30-24.** Please discuss the importance that you assigned to developing a statistically valid or statistically significant study of the costs for *return-receipt service*.

**RESPONSE:**

Please refer to my response to DFC/USPS-T30-23.



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

**DFC/USPS-T30-25.** Please describe the necessary characteristics of a representative sample of postal facilities that would lead to statistically valid survey results.

**RESPONSE:**

Please refer to my response to DFC/USPS-T30-23.



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

**DFC/USPS-T30-26.** Please describe the necessary characteristics of a statistically valid or statistically significant study of the costs for return-receipt service.

**RESPONSE:**

Please refer to my response to DFC/USPS-T30-23.



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

**DFC/USPS-T30-27.** Please provide a detailed analysis of the process by which you determined that your study of the costs for return-receipt service is reliable and statistically valid or statistically significant.

**RESPONSE:**

I ensured that the sample was representative of the population by stratifying the population of postal facilities and randomly selecting offices from within each stratum. Since I had no database of postal facilities listing volumes of return receipt deliveries by facility, I utilized a recently updated database of all postal facilities with box section delivery that was stratified by fee group. Selection within each stratum was conducted using the Microsoft Excel random number generator function. The sampling process resulted in a national sampling of large, medium and small offices (see response to DFC/USPS-T30-22). After receiving the data, I reviewed the data to make sure that the data were reported in a complete manner and discarded incomplete data. I reviewed individual survey reports with a qualitative check for reasonableness, with an aim to retain as much data as possible.



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

**DFC/USPS-T30-28.** Please discuss your education and training in designing surveys or cost studies to ensure that the results will be statistically valid or statistically significant.

**RESPONSE:**

Please refer to my autobiographical sketch at USPS-T-30, pages ii and iii. I have had academic coursework in statistics but I do not consider myself a statistician per se.



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

**DFC/USPS-T30-29.** Please discuss the cost studies that you have conducted in the past and the process by which you confirmed that your results were statistically valid.

**RESPONSE:**

Please refer to my response to DFC/USPS-T30-28.



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

**DFC/USPS-T30-30.** Please discuss your understanding of whether a study of the cost for return-receipt service that sampled only postal facilities that received an average of five or fewer return receipts per day would be representative or statistically valid for purposes of determining average costs for return-receipt service system-wide.

**RESPONSE:**

I believe that a study that sampled only postal facilities that received an average of five or fewer return receipts per day would be representative for purposes of determining average costs for return receipt service system-wide because such facilities are not out of line with the norm.



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

**DFC/USPS-T30-31.** Please discuss your understanding of whether a study of the cost for return-receipt service that sampled only postal facilities that received an average of 100 or more return receipts per day would be representative or statistically valid for purposes of determining average costs for return-receipt service system-wide.

**RESPONSE:**

My understanding is that such a sample design would not be representative or statistically valid for purposes of determining average costs for return-receipt service system-wide because facilities that received an average of 100 or more return receipts per day are beyond the norm of postal facilities involved with providing return receipt service.



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

**DFC/USPS-T30-32.** Please refer to your response to DFC/USPS-T30-12(a).

- a. Please confirm that facility 5 reported 400, 630, 1000, 0, 600, and 1200 return receipts for day 1 through day 6. If you do not confirm, please explain.
- b. With the exception of 630, please confirm that each quantity greater than zero at facility 5 is a multiple of 100. If you do not confirm, please explain.
- c. With the exception of day 4, please confirm that the time reported by facility 5 for day 1 through day 6 is, for each day, a multiple of five minutes. If you do not confirm, please explain.
- d. For facility 5, do you have any concern about the reliability of either the number of Forms 3811 reported or the number of minutes spent completing the Forms 3811? Please explain your answer.
- e. Do you wonder about the accuracy of the data from facility 5 given that facility 5 reported data for five days, and the quantity of return receipts for four of those five days was a multiple of 100? Please explain.
- f. Please comment on the likelihood that a postal facility, on four of five days, will process a quantity of return receipts that is a multiple of 100.
- g. Did facility 5 truly process zero return receipts on day 4? Please explain.

**RESPONSE:**

Facility 5 reported volumes of 400, 630, 1000, 0, 600, and 1200 for day 1 through day 6 and times of 45, 55, 65, 0, 50, 115 minutes for day 1 through day 6. These figures appear to be reasonable approximations. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe the reported data does represent reasonable approximations, the data should be incorporated into the study. I expect that any rounding up would be offset by rounding down. As for the



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
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reporting of zero return receipts on day 4, I only know that there was no reporting of volume or activity time on that day.



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

**DFC/USPS-T30-33.** Please refer to your response to DFC/USPS-T30-12(a).

- a. Please confirm that facility 12 reported 40, 30, 30, 0, 50, and 40 return receipts for day 1 through day 6. If you do not confirm, please explain.
- b. Please confirm that each quantity greater than zero at facility 12 is a multiple of 10. If you do not confirm, please explain.
- c. With the exception of day 4, please confirm that the time reported by facility 12 for day 1 through day 6 is, for each day, a multiple of five minutes. If you do not confirm, please explain.
- d. For facility 12, do you have any concern about the reliability of either the number of Forms 3811 reported or the number of minutes spent completing the Forms 3811? Please explain your answer.
- e. Do you wonder about the accuracy of the data from facility 12 given that facility 12 reported data for five days, and the quantity of return receipts for each of those five days was a multiple of 10? Please explain.
- f. Please comment on the likelihood that a postal facility, on five of six days, will process a quantity of return receipts that is a multiple of 10.

**RESPONSE:**

Facility 12 reported volumes of 40, 30, 30, 0, 50, and 40 for day 1 through day 6 and times of 20, 15, 15, 0, 25, and 20 minutes for day 1 through day 6. These figures appear to be reasonable approximations. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe the reported data does represent reasonable approximations, the data should be incorporated into the study. I expect that any rounding up would be offset by rounding down.



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

**DFC/USPS-T30-34.** Please refer to your response to DFC/USPS-T30-12(a). Please discuss the likelihood that a postal facility such as facility 16 would receive no return receipts for six days.

**RESPONSE:**

That a postal facility such as facility 16 would receive no return receipts for six days is well within the realm of possibility. In fact, that one respondent out of a sample frame of 30 facilities, including small and rural facilities, reported zero volume over the six days is not only within the realm of possibility, it is within the realm of reasonable expectation.



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

**DFC/USPS-T30-35.** Please refer to your response to DFC/USPS-T30-12(a). Please discuss all functions that an employee completing this survey form is required to perform for return receipts. For example, please describe all information that a clearing clerk must review on each Form 3811 to ensure that it is completed accurately.

**RESPONSE:**

According to the Postal Operations Manual, Section 822.112:

The clearing clerk must check all return receipts to make sure that they are properly signed and dated. If the mailer requested restricted delivery, the clearing employee should check to see that delivery was not made to an agent, except under 823.2. If delivery was improper, the addressee must sign a second return receipt. Prompt corrective action must be taken with delivery employees if return receipts are improperly handled or completed.



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

**DFC/USPS-T30-36.** Please refer to your response to DFC/USPS-T30-12(a).

- a. For facility 15, please confirm that the functions described in your response to DFC/USPS-T30-12(a) were completed on day 1 in an average of 3.2 seconds per return receipt. If you do not confirm, please explain.
- b. Do you believe that the employee can properly complete all necessary functions in an average of 3.2 seconds per return receipt at an acceptably low error rate? Please explain.
- c. Does an average of 3.2 seconds per return receipt suggest that the clerk is not making corrections on any Forms 3811? Please explain.

**RESPONSE:**

I cannot confirm since my response to DFC/USPS-T30-12(a) did not describe any functions, as your interrogatory states. If you are referring to functions described in my response to DFC/USPS-T30-35 above, then I cannot confirm because I did not witness the activities as performed. However, this productivity would not strike me as being unreasonable if all return receipts reviewed that day were completed accurately and the clerk was performing a quick review. This productivity suggests to me that the clerk did not need to make significant corrections to the return receipts.



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

**DFC/USPS-T30-37.** Please discuss the extent to which economies of scale exist in the time involved in performing the functions for return receipts that your cost study measures. For example, should the time per return receipt be lower if an employee is processing 10 return receipts versus one return receipt?

**RESPONSE:**

I have not specifically studied the extent to which economies of scale exist in the time involved in performing the functions for return receipts. However, I would expect some economies of scale to exist if, for example, an employee is processing 10 return receipts versus one return receipt.



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

**DFC/USPS-T30-38.** Please refer to your response to DFC/USPS-T30-12(a).

- a. For facility 25, please confirm that the time per return receipt is, for each day, within one return receipt (or one minute) of exactly 30 seconds (0.5 minutes) per Form 3811.
- b. Does the observation described in part (a) cause you to question the reliability of the data from facility 25 in any way? Please explain.

**RESPONSE:**

Facility 25 reported volumes of 209, 255, 167, 362, 308, and 221 for day 1 through day 6 and times of 105, 128, 84, 181, 154, and 111 minutes for day 1 through day 6. The time per return receipt is, for each day, within one return receipt of 30 seconds. While the volume counts are precise, this facility apparently reported times by estimating 30 seconds per unit. On a unit productivity basis, these figures are not necessarily unreasonable. Other facilities with precise measurements of volumes and times demonstrated productivities very similar to those of facility 25. Facility 25's times appear to be reasonable approximations, and their volumes appear to be precise measurements. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe the reported data does represent reasonable approximations, the data should be incorporated into the study.



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

**DFC/USPS-T30-39.**

- a. Please confirm that the employees who responded to your survey were aware that data was being collected on their work output and speed.
- b. Were the employees who performed the work responsible for completing the response form?
- c. Please describe the involvement, if any, of the employees' supervisors in measuring the quantity of return receipts or the time or in verifying the accuracy of the information submitted on the response forms.
- d. Please provide all facts and information that you have or the Postal Service has discussing the effect on the reliability of a cost study such as the one you conducted for return receipt of the awareness of employees that their work output and speed are being measured. Do employees generally work faster or slower than they normally do?
- e. Please discuss the process by which data were verified to ensure that the information each facility provided was true and accurate.
- f. Did employees include the time spent counting the number of Forms 3811 in the total number of minutes spent reviewing Forms 3811? Please provide the instructions that employees received concerning this issue.

**RESPONSE:**

Given that the respondents to the survey collected and reported data on volumes processed and the time needed to perform the activity, I would presume that they were aware that data were being collected on their work output and speed. The survey instructions, which are included in USPS-LR-I-108 (see p. 78), state that "the survey should be completed by the clerk(s) responsible for clearing accountable mail". While supervisors were not instructed to measure volume or to verify the reported information, I do not know the actual extent to which supervisors may or may not have been involved.



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As concerns the awareness of employees that their productivities are being measured, it is difficult to characterize how a workforce of approximately 800,000 might respond to a given survey. Presumably, responses could be affected if employees thought that a study was being used to evaluate their offices or their individual productivities. For this specific study, both the survey instructions and the accompanying letter to postmasters from Mr. Clarence Lewis, COO, were designed to mitigate potential bias and ensure objective reporting of data. Specifically, Mr. Lewis' letter (copy attached) stated:

*Finance will be conducting a cost study of Return Receipt Service for use in future rate case proceedings before the Postal Rate Commission...The data gathered will not be used to evaluate you or any of your personnel; additionally, the data will not be provided to any party except with the facility identifiers removed.*

The survey instructions (at USPS-LR-I-108, p. 78, electronic file name "instructions for ret rcpt survey.xls") explicitly state:

*Thank you for participating in this Accountable Mail – Return Receipt survey. Your participation is crucial to the success of this survey, which will be used exclusively to develop national costs in support of fees charged for accountable mail.*

These assurances help create an environment for objective data reporting. Therefore, I am comfortable with the integrity of these data.



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As for the measurement of activity time, the survey instructions specifically instructed employees to include the time required to review Form 3811 cards; employees were not instructed to record the time needed to count the cards. Please refer to the survey instructions at USPS-LR-I-108, p. 78.



CLARENCE E. LEWIS, JR.  
CHIEF OPERATING OFFICER,  
EXECUTIVE VICE PRESIDENT

Attachment to response to DFC/USPS-T30-39



July 13, 1999

**SELECTED POSTMASTERS**

**SUBJECT: Return Receipt Survey**

Finance will be conducting a cost study of Return Receipt Service for use in future rate case proceedings before the Postal Rate Commission. The last Return Receipt Service study was completed in 1979. The current data collection effort is intended to update the information from that investigation. The study will require the participation of accountable mail clerks who perform return receipt service. Your office has been selected to participate in this special data collection effort. The data you provide is important to the development of fees for Return Receipt Service.

Your support is very important to the success of this survey. The data gathered will not be used to evaluate you or any of your personnel; additionally, the data will not be provided to any party except with the facility identifiers removed. Your Area Operations office was allocated work hours earlier this fiscal year to support this cost study activity. If you have any questions or require additional information, please contact Scott Davis at (202) 268-7117 at Headquarters.

Thank you for your cooperation.

A handwritten signature in black ink, appearing to be "C. E. Lewis, Jr.", written over a circular stamp or seal.

C. E. Lewis, Jr.

cc: Vice Presidents, Selected Area Operations  
Managers, Finance, Selected Areas  
District Managers, Selected Districts  
Managers, Finance, Selected Districts



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

**DFC/USPS-T30-40.** Please refer to your response to DFC/USPS-T30-12(a).

- a. For facility 24, please confirm that the average time per Form 3811 ranged from 3.2 seconds (day 4) to 10.71 seconds (day 6). If you do not confirm, please provide the correct range.
- b. Does this wide range cause you any concern about the accuracy of the data that facility 24 reported? Please explain.

**RESPONSE:**

The average time from facility 24 ranged from 3.2 seconds (day 4) to 10.71 seconds (day 6). This does not cause concern about the accuracy of the data.

First, both times are comparable to certain data reported by other facilities.

Second, there are possible operational reasons that can explain the difference in times for the two days. For example, it is possible that all return receipts reviewed by the clerk on day 4 were complete and accurate, while the return receipts reviewed on day 6 included some that were incomplete or inaccurate and required further action by the clerk.



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

**DFC/USPS-T30-41.** Please refer to your response to DFC/USPS-T30-12(a).

- a. For facility 20, please confirm that the time reported for each day is a multiple of five. If you do not confirm, please provide the correct range.
- b. Do you wonder about the accuracy of the data from facility 20 given that facility 20 reported data for six days, and the time spent on each day was a multiple of five? Please explain.
- c. Please comment on the likelihood that a postal facility, on six of six days, will spend an amount of time on return receipts that is a multiple of five.

**RESPONSE:**

Facility 20 reported volumes of 191, 196, 175, 253, 179, and 252 for day 1 through day 6 and times of 20, 25, 20, 30, 15, and 20 minutes for day 1 through day 6. While the volumes appear to be precise measurements, the times appear to be reasonable approximations. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe that the reported data represent reasonable approximations, the data should be incorporated into the study. I expect that any rounding up would be offset by rounding down.



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

**DFC/USPS-T30-42.** Which percentage of total return-receipt volume does your cost study sample?

**RESPONSE:**

The cost study sampled 8,918 return receipts over a period of one delivery week, which is approximately 0.20% percent of total return-receipt volume over one delivery week.



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

**DFC/USPS-T30-43.** Does the percentage reported in DFC/USPS-T30-42 constitute a statistically valid, reliable, and representative sample? Please explain.

**RESPONSE:**

While the percentage reported in DFC/USPS-T30-42 does not in and of itself constitute a statistically valid sample, I believe that the 8,918 sampled return receipts provide reliable and representative data.



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

**DFC/USPS-T30-44.** Did you weight either your data or your sample so that, for example, the data from large post offices are given more weight than the data from small post offices since the large offices process a greater percentage of total return-receipt volume? Please discuss the wisdom of the weighting described in this interrogatory and the extent to which you performed weighting. Please describe your methods of weighting as well.

**RESPONSE:**

No, I did not perform weighting for the following reasons. First, we do not have return receipt volume data by office or by stratum for the population of delivery offices that perform activities related to return receipt service. Second, I did not weight the sample data because I did not calculate a straight arithmetic mean of each office's sampled productivity. Rather, I calculated a mean of total sampled volume over total sampled labor time across all sampled facilities; thus, there is implicit weighting inherent in the calculation.



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

**DFC/USPS-T30-45.** Please refer to your response to DFC/USPS-T30-12(a). Please provide a detailed, step-by-step explanation of the process by which you used the raw data to develop a cost for return receipt. Please include citations to library references.

**RESPONSE:**

Please see my response to DFC/USPS-T30-44 for an explanation of how I calculated the mean productivity for the clearing clerk activity. This mean productivity was used as the basis for the time required for the clearing clerk review of the return receipt and the carrier waiting time during the clearing clerk's review. The respective wage rates and piggyback factors for clerks and carriers are then applied to the clearing activity transaction time to develop the cost of the clearing activity. Please refer to USPS-LR-I-108, pp. 47-51 (see electronic file "return receipt.xls", worksheet "ret rcpt", rows 45-46,85-86). Other return receipt cost components are based on data not collected in this study. These cost components are detailed in USPS-LR-I-108, pp. 47-51.



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

**DFC/USPS-T30-46.** Please refer to your response to DFC/USPS-T30-12(c).

- a. Please explain how the 26 non-randomly-selected facilities were selected for the old cost study to which you referred.
- b. Please discuss the benefits and disadvantages of the method used for selecting facilities for the new cost study versus the method used for selecting facilities for the old cost study. In your answer, please discuss issues of reliability and statistical validity.

**RESPONSE:**

It is my understanding that the previous cost study selected facilities using a judgement selection from the Cost Ascertainment Probability Sample. I have no detailed analysis of what exactly that judgement selection involved. I can only infer that the previous study focused on relatively higher volume facilities. The benefit of such an approach relative to the approach used in the new study is that there were more sample observations from the old study, which is an advantage from the standpoint of statistical validity. The benefit of the approach used in the new study, on the other hand, is that the sample frame is randomly selected by strata and thus more representative of all facilities from a range of varying office sizes.



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

**DFC/USPS-T30-47.** Please refer to your response to DFC/USPS-T30-12(e). Please identify the parts of the current cost study that are based on data obtained prior to Docket No. MC96-3.

**RESPONSE:**

The transaction times for window acceptance, delivery, and handling duplicate requests are based on data obtained prior to Docket No. MC96-3.



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

**DFC/USPS-T30-48.** Please refer to your response to DFC/USPS-T30-12(f). Please confirm that mail sent with a return receipt attached is no more likely and no less likely to be UAA than mail sent without a return receipt. If you confirm, please provide facts and information supporting your confirmation. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. The percentage of return receipt mail that is UAA has not been studied.



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

**DFC/USPS-T30-49.** Please describe all circumstances that would cause a letter to be UAA.

**RESPONSE:**

According to the September 1999 Undeliverable As Addressed Mail Cost Study, the following are reasons for which mail may be considered undeliverable:

- The individual, business, or organization to which it is addressed has moved
- The address is incomplete, illegible, or incorrect
- The addressee is unknown or deceased
- The addressee refuses or fails to claim the mail
- Postage has not been paid



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

**DFC/USPS-T30-50.** Please confirm that a new address will not be written on a Form 3811 that is UAA and returned to sender. If you do not confirm, please explain.

**RESPONSE:**

To the best of my knowledge, confirmed.



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

**DFC/USPS-T30-51.** Please provide the percentage of UAA mail that is returned to sender without being forwarded.

**RESPONSE:**

According to the September 1999 Undeliverable As Addressed Mail Cost Study, in FY 1998, 24 percent of UAA mail was returned to sender without being forwarded.



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

**DFC/USPS-T30-52.** If the percentage of mail that is UAA is 2.72 percent, please confirm that a percentage of mail smaller than 2.72 percent is forwarded. If you do not confirm, please explain.

**RESPONSE:**

Confirmed, according to the September 1999 Undeliverable As Addressed Mail  
Cost Study.



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

**DFC/USPS-T30-53.** If the percentage of mail that is UAA is 2.72 percent, please confirm that 2.72 percent likely overstates the percentage of Forms 3811 on which a new address will be written. If you do not confirm, please explain and reconcile your answer with your response to DFC/USPS-T30-50 and DFC/USPS-T30-52.

**RESPONSE:**

Confirmed that the percentage may likely, but does not necessarily, overstate the percentage of Forms 3811 on which a new address will be written. However, even if this percentage is an overstatement, the effect on return receipt costs would be immaterial. A change from 2.72 percent to 0 percent, which would be the maximum possible reduction, decreases costs by substantially less than 1 percent.



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

**DFC/USPS-T30-54.** Please provide any standard deviations that you calculated for the time required to complete and review return receipts or the cost associated therewith. Please discuss the meaning of these standard deviations as they relate to the reliability of the study.

**RESPONSE:**

None was calculated for this study.



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

**DFC/USPS-T30-55.** Please explain in which way facility 7's data were incomplete.

**RESPONSE:**

While facility 7 reported volumes of return receipts reviewed, they reported no minutes for this activity.



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

**DFC/USPS-T30-56.** *Please explain all proposed fees in this case that are based, in whole or in part, on survey data you collected for Forms 3849.*

**RESPONSE:**

Please refer to my testimony, USPS-T-30 at p. 2 and p. 13. The survey data collected was used in part to develop the estimated cost effects of electronic signature capture. The costs of the following services – certified, COD, numbered insured, registry, return receipt for merchandise, and return receipt after mailing – are in part based on these estimated cost differentials.



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

**DFC/USPS-T30-57.** Please provide the raw data from your survey for Forms 3849.

**RESPONSE:**

Please see attachment. The data are provided in electronic form in the supplement to LR-I-108 being filed today.



## Attachment to response to DFC/USPS-T30-57

Accountable Mail - Return Receipt Study: Field Survey Data  
Individual Site Data

FACILITY ID#	QUESTION#	DAY 1	DAY 2	DAY 3	DAY 4	DAY 5	DAY 6
1	3	1	3	4	2	2	4
	4	1	1	1	1	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
2	3	3	2	2	3	4	2
	4	1	1	1	1	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
3	3	33	46	27	36	40	35
	4	5	5	5	5	5	5
	5	0	1	0	0	2	1
	6	0	3	0	0	3	2
4	3	7	5	12	6	5	0
	4	1	1	2	1	1	0
	5	1	0	1	0	0	0
	6	0	0	0	3	0	0
5	3	313	169	167	0	203	175
	4	30	20	20	0	25	25
	5	2	0	1	0	0	2
	6	15	0	20	0	0	20
6	3	6	11	15	1	10	2
	4	1	2	2	1	2	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
7	3	28	27	52	20	31	25
	4	3	3	5	2	3	3
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
8	3	0	0	0	0	0	0
	4	0	0	0	0	0	0
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
9	3	3	3	3	3	2	2
	4	1	1	1	1	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
10	3	0	0	1	2	0	2
	4	1.5	1.5	1	1.5	0	1.5
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
11	3	16	18	11	16	6	15
	4	1	1.33	1	1.5	0.5	1.5
	5	0	0	1	0	0	0
	6	0	0	0.83	0	0	0
12	3	10	5	5	0	10	5
	4	2	1	1	0	2	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
13	3	78	63	40	15	138	55
	4	12	10	8	5	20	10
	5	0	0	1	2	1	0
	6	0	0	10	25	12	0



## Attachment to response to DFC/USPS-T30-57

FACILITY ID#	QUESTION#	DAY 1	DAY 2	DAY 3	DAY 4	DAY 5	DAY 6
14	3	2	2	6	3	5	2
	4	1	1	1	1	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
15	3	52	67	71	36	96	56
	4	9	4	5	3	8	7
	5	0	0	0	0	0	0
	6	0	0	0	0	0	2
16	3	0	0	0	0	0	0
	4	0	0	0	0	0	0
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
17	3	47	54	51	43	39	48
	4	6	6	6	6	6	6
	5	7	5	8	9	4	6
	6	15	10	15	15	10	10
18	3	38	34	44	28	46	43
	4	2	2	3	3	3	3
	5	0	1	0	0	0	0
	6	0	2	0	0	0	0
19	3	45	54	59	30	55	25
	4	2	2.5	3	1.5	3	1.5
	5	2	0	0	0	0	0
	6	10	0	0	0	0	0
20	3	368	224	224	240	346	250
	4	25	18	15	20	30	20
	5	7	0	10	5	2	2
	6	10	20	20	20	5	1
21	3	104	82	84	26	53	45
	4	15	9	10	5	9	11
	5	7	3	6	4	8	12
	6	4	1	2	1	5	4
22	3	4	2	0	0	3	3
	4	1	1	0	0	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
23	3	6	8	11	0	7	10
	4	1	1	1	0	1	1
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0
24	3	85	100	75	48	100	110
	4	6	9	6	4	9	9
	5	5	4	3	1	3	8
	6	30	30	30	15	30	90
25	3	83	92	103	145	210	122
	4	42	46	52	73	105	61
	5	0	0	0	0	0	0
	6	0	0	0	0	0	0

QUESTION #3: "How many PS Form 3849 ("Delivery Receipt") cards did you file today?"

QUESTION #4: "How many minutes did you spend filing PS Form 3849 cards today?"

QUESTION #5: "How many PS Form 3849 cards did you retrieve today?"

QUESTION #6: "How many minutes did you spend retrieving PS Form 3849 cards today?"



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

**DFC/USPS-T30-58.** Suppose a clearing clerk processed two Forms 3811 on day 4, but the clerk processed the Forms 3811 30 minutes apart, as carriers returned from the street. The clerk spent 10 seconds reviewing each Form 3811. Might the clerk have recorded the time for each Form 3811 as one minute, for a total of two minutes?

**RESPONSE:**

While this hypothetical example may be within the realm of possibility, it is an unlikely scenario. The survey instructions (please see USPS-LR-I-108, p. 78) explicitly instructed the clerks as follows:

"For each day, please enter the total time (in minutes) that you spent reviewing PS Form 3811 ("Return Receipt") cards from carriers or window clerks."

Thus, in accordance with the instructions, clerks in your hypothetical example almost certainly would not have recorded 2 minutes time since that was not the total time they spent clearing return receipts that day.



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

**DFC/USPS-T30-59.** Please refer to your response to DFC/USPS-T30-12(a).

- a. Please explain how facility 4 could properly have spent two minutes reviewing a total of zero Forms 3811 on day 2.
- b. Please explain how facility 4 could properly have spent zero minutes processing one Form 3811 on day 5.

**RESPONSE:**

- a. It is possible that facility 4 reported two minutes and zero Forms 3811 on day 2 because the only Forms 3811 brought back to the facility on day 2 were incomplete.
- b. If facility 4 needed less than 30 seconds to review the one return receipt on day 5, the respondent may have reported 0 minutes as a rounded figure.



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**DFC/USPS-T30-60.** Please refer to your response to DFC/USPS-T30-12(a). For facility 17, the time always was five minutes, whether the quantity was 33, 39, 41, 29, 24, or 37. Do you trust this result? Please explain why or why not.

**RESPONSE:**

Yes, I trust this result. Based on the range of unit productivities reported by other facilities, 5 minutes is a reasonable time required to review each of the quantities listed above. The times reported above may be reasonable approximations.



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

**DFC/USPS-T30-61.** Please provide any confidence intervals or error margins that you calculated for any data used to develop a cost for return receipt.

**RESPONSE:**

None was calculated for this study.



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

**DFC/USPS-T30-62.** Please refer to your response to DFC/USPS-T30-12(a).  
Please provide the raw data in an Excel spreadsheet.

**RESPONSE:**

This Excel spreadsheet is being provided electronically, as a supplement to LR-I-  
108.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
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**DFC/USPS-T30-63.** Why does the Postal Service collect data on costs of return receipt using a method different from the method used to collect data on certified mail?

**RESPONSE:**

While the costs of certified mail are reported by the Cost and Revenue Analysis (CRA) report, the costs of return receipt are not. Therefore, a special study (as presented in USPS-LR-I-108) is required. Furthermore, there is only one service offering for certified mail; there are two service offerings for return receipt (requested at time of mailing, requested after mailing) so a special study is needed to provide two different unit volume variable costs to support the fee structure.



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**DFC/USPS-T30-64.** Please refer to your response to DFC/USPS-T30-12(a).

- a. Please refer to the data reported for day 6 by facility 5 and facility 25. Please confirm that facility 5 reviewed 1200 return receipts in 115 minutes, while facility 25 required 111 minutes to review only 221 return receipts. If you do not confirm, please explain.
- b. Does the observation in part (a) create any concern about the accuracy of the data being reported?
- c. Please discuss how the variation in time per return receipt discussed in part (a) affects the statistical validity and reliability of the survey results.
- d. How many facilities did you sample in the largest size stratum? Please identify each facility in the largest size stratum by number.
- e. Please confirm that the variation observed in part (a) requires a sample size of large offices larger than the sample size you used in order to obtain results that will be statistically valid, reliable, and significant. If you do not confirm, please explain.

**RESPONSE:**

Your observation in part (a) is confirmed. This does not necessarily create concern about the accuracy of the data. Some variance between facilities is to be expected; after all, the two facilities have different sizes, different volumes, and different clerks reviewing return receipts. It is possible that facility 5 had a more experienced clearing clerk(s) than did facility 25. It is also possible that facility 5 received a significantly higher percentage of return receipts that had been fully and accurately completed than did facility 25, resulting in a much more efficient clearing review process. To the extent that the variance between the two facilities is explained by underlying operational differences, such as those described above, this does not negate the reliability of the survey results. For a



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discussion of sampling, please refer to my response to DFC/USPS-T30-27. For a depiction of each facility's size (by CAG level, number of city carrier routes, and number of rural routes), please refer to the attachment in my response to DFC/USPS-T30-22. Given the number of facilities from CAG levels A, B, and C, I believe there is a sufficient representation of large offices in the sample to obtain statistically valid results.



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**DFC/USPS-T30-65.** Please refer to your response to DFC/USPS-T30-21(b).

- a. Please explain how the data provided in response to DFC/USPS-T30-12(a) are used to calculate "the associated carrier waiting time resulting from this activity."
- b. Please explain the meaning of Function 1.4, "Carrier Waiting for Review of Return Receipt," a cost item that appears in your cost study in USPS-LR-I-108.
- c. USPS-LR-I-108 indicates that "Carrier Waiting for Review of Return Receipt" is based on data from a 1999 study. Please provide the raw data for "Carrier Waiting for Review of Return Receipt" and all instructions and descriptions of the methodology associated with this data-collection effort. (This information should have been provided in response to DFC/USPS-T30-12(a) and 21(b). If it was, please identify the location of this information and how this information was converted into a cost estimate.)
- d. Please explain when and how data for Function 1.2, "Carrier/Driver Delivery & Call Window/Box Second Delivery," were collected.

**RESPONSE:**

- a. Using the data provided in response to DFC/USPS-T30-12(a), I calculated a mean time by dividing total sampled labor time by total sampled volume. This mean serves as the unit time for both the clerk reviewing the return receipt, and the carrier waiting in the clearing review process.
- b. Function 1.4, "Carrier Waiting for Review of Return Receipt," represents the time that the delivering employee waits while his or her return receipts are reviewed by the clearing employee.
- c. I provided these raw data in response to DFC/USPS-T30-12(a). Please refer to my response to part (a) above for how I used these data to develop the unit time for carrier waiting in the clearing review process. USPS-LR-I-



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108 at p. 48 (electronic file name: "return receipt.xls") shows how this unit time is then converted to a unit cost for the activity.

- d. As explained in my responses to DFC/USPS-T30-12(a) and DFC/USPS-T30-21(b), these data were collected in 1976. Study data were obtained from surveys conducted at 26 post offices nationwide.



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**DFC/USPS-T30-66.** For each of the 24 facilities listed in the attachment to the response to DFC/USPS-T30-12(a), please provide the following information, in one chart or spreadsheet: CAG level, number of city carrier routes that the facility serves, number of rural carrier routes each facility serves, and post-office delivery statistics. Please use the definition of "post-office delivery statistics" that the Postal Service uses in the "Post Office Delivery Statistics" section of the *National Five-Digit ZIP Code and Post Office Directory* (see, e.g., 1998 edition, Section 4).

**RESPONSE:**

Please see attachment.



## Attachment to response to DFC/USPS-T30-66

ID#	CAG LEVEL	# OF CITY CR RTs	# OF RURAL CR RTs	# OF BOX DELIVERIES	# OF RURAL DELIVERIES	# OF CITY CARRIER DELIVERIES
1	K	0	1	170	201	0
2	G	0	0	536	0	0
3	E	22	0	1251	0	11,504
4	A	130	0	3458	0	51,808
5	A	15	0	0	0	1982
6	J	0	2	626	911	0
8	B	21	0	451	0	8,248
9	K	0	1	198	282	0
10	K	0	0	284	0	0
11	G	0	5	841	3,044	0
12	A	0	0	222	0	0
13	B	3	0	897	0	337
14	J	0	1	333	329	0
15	D	17	9	3020	4118	6914
16	J	0	0	159	0	0
17	A	28	0	434	0	6,860
18	G	2	3	1080	1396	1224
19	B	14	8	1044	5648	8319
20	A	55	0	1322	0	10,465
21	A	20	0	963	0	9,856
22	K	0	2	244	236	0
23	J	0	2	812	731	0
24	B	27	0	794	0	12,205
25	C	120	0	8179	0	46,068



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
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**DFC/USPS-T30-67.** Please refer to your response to DFC/USPS-T30-23.

- a. Please explain the meaning and significance of a "low standard error."
- b. Do your survey results have a low standard error? Please explain and provide all pertinent numbers, calculations, results, and conclusions pertaining to this issue.
- c. Please identify the number of post offices you would need to survey in order to obtain statistically valid survey results. Please provide all pertinent numbers, calculations, results, and conclusions pertaining to this issue.
- d. Please confirm that the need to "balance[] the ideals of obtaining abundant data from many facilities against the importance of completing this study within a limited time frame, the demands that this study would place on the field during a period of field budget cutbacks, and [your] own need to devote time to various projects and initiatives" explains why you cannot provide assurance that these survey results are statistically valid or reliable. If you do not confirm, please explain.
- e. Please confirm that your survey would have produced results more statistically valid or reliable than the results you actually achieved if you had pursued the "ideal" of obtaining "abundant data from many facilities." If you do not confirm, please explain.
- f. Please confirm that limited time caused you or the Postal Service to produce survey results that may not be statistically valid or reliable. If you do not confirm, please explain.
- g. If the Postal Service had asked you to produce a statistically valid cost study and had given you the necessary time and resources, how many post offices would you have surveyed, and which steps that you did not take for this survey would you have taken in analyzing and using these data?

**RESPONSE:**

- a. A low standard error indicates a low level of uncertainty around the sample mean. In other words, the lower the standard error the tighter becomes the range around the sample mean in which the true mean lies.
- b. I did not calculate a standard error for my survey results, nor do I believe a meaningful standard error can be calculated for these results. Calculation



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of a standard error requires a standard deviation for the data, which I do not believe can be developed given the manner in which data were reported. Specifically, facilities reported data in the aggregate for each day. For example, on a given day, a site reported a total of 196 return receipts reviewed in a total of 25 minutes. Given this aggregate reporting, one cannot meaningfully evaluate the dispersion of data for individual return receipts reviewed that day at that facility.

- c. Given the lack of return receipt data (including return receipt volumes cleared) by facility within the universe of delivery offices, I cannot determine the number of post offices needed to survey in order to obtain statistically valid survey results.
- d. Not confirmed. While I do not make assertions regarding the "statistical validity" of this study (please refer to my response to DFC/USPS-T30-69), I do believe that this study is both reliable and useful in determining return receipt clearing activity costs. In support of my claim, I would point out that this study was national in scope, sampled offices of various sizes and geographic locations, and observed a total of 8,918 return receipts over a full delivery week.
- e. Not confirmed. While the results might have been more statistically valid, there is no guarantee that more observations would have produced materially different results, or that statistical validity would improve. For



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example, more data from only one type of facility might not improve statistical validity.

- f. Not confirmed. As explained in my response to DFC/USPS-T30-23, I took into account various constraints, including the demands on the field during a period of field budget cutbacks, in selecting a sample size.
- g. Please refer to my response to part (c) above regarding sample size. As for other steps I would have taken in a theoretical condition of ample time and the absence of cost concerns, I would have considered introducing data collection controls or training of personnel to collect data.



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**DFC/USPS-T30-68.** Please refer to your response to DFC/USPS-T30-28. To the best of your recollection, please provide the number of courses you have taken in statistics, the titles of those courses, and the level (graduate or undergraduate) of each course.

**RESPONSE:**

I have completed the following two courses in statistics:

1. Quantitative Methods (Graduate Level)
2. Basic Statistics (Undergraduate Level)



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**DFC/USPS-T30-69.** Please refer to your response to DFC/USPS-T30-27.

- a. Do you believe that calculation of the standard deviation of data is either an important or necessary step in evaluating the statistical reliability or validity of data or a study? Please explain.
- b. Do you believe that calculating the 95-percent confidence interval for data is either an important or necessary step in evaluating the statistical reliability or validity of data or a study? Please explain.
- c. Please provide any confidence intervals that you calculated in analyzing data on the cost of providing return-receipt service.

**RESPONSE:**

While I believe that calculations of standard deviations or confidence intervals are useful tools in evaluating the statistical reliability of a study, I do not believe that a study's usefulness necessarily hinges on the presence of such calculations. As stated in my response to DFC/USPS-T30-61, I did not calculate confidence intervals for this study. I do not believe that meaningful confidence intervals could have been developed because of the manner in which data were reported. Specifically, facilities reported data in the aggregate for each day. For example, on a given day, a site reported a total of 196 return receipts reviewed in a total of 25 minutes. Given this aggregate reporting, one cannot meaningfully evaluate the dispersion of data for return receipts reviewed that day at that facility. I also do not believe that an interest in computing confidence intervals would have justified the additional burden on the field of reporting data separately for each return receipt.



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**DFC/USPS-T30-70.** Please refer to your response to DFC/USPS-T30-32.

- a. Please define "reasonable approximation."
- b. Suppose the true number of return receipts processed at a facility was 537. Would 500 be a reasonable approximation of the true number?
- c. Suppose the *true number of return receipts* processed at a facility was 537. Would 600 be a reasonable approximation of the true number?
- d. Please provide all facts and information that confirm that the numbers of return receipts that facility 5 reported are, in fact, a reasonable approximation of the true number.
- e. Please provide all facts and information that confirm that the numbers of return receipts that facility 5 reported are not inaccurate by a sum of 50 or more return receipts per day.

**RESPONSE:**

[a]. I define a reasonable approximation as a quantity that is close in value to but not necessarily the same as a precisely measured quantity.

[b-c]. Under your assumption, I believe that 500 would be a reasonable approximation, and that 600, while less close to the true count than is 500, would not be inherently unreasonable. I also do not believe that an approximation off by 63 out of 537 would skew my results significantly, especially if rounding up in some cases is offset by rounding down in other cases.

[d-e]. While I do not know the precise number of return receipts processed by facility 5, I do believe that this facility has made an effort to provide as close an estimate as possible given the large volume processed and the demands to move the mail as quickly as possible.



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**DFC/USPS-T30-71.** Would it be reasonable to conclude that your study provides a reasonable approximation of the time that clearing clerks spend reviewing return receipts, rather than a statistically valid study or survey? If not, please explain why not.

**RESPONSE:**

It would be reasonable to conclude that my study incorporates certain data which represent reasonable approximations. I would not, however, dismiss the reliability of this study, which was national in scope, sampled offices of various sizes and geographic locations, and observed a total of 8,918 return receipts over a full delivery week.



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**DFC/USPS-T30-72.** For an office that completed one return receipt and whose actual time was less than 30 seconds, do you believe that this office would have rounded down to zero minutes? If yes, please explain the basis for your contention.

**RESPONSE:**

That depends. I believe that it is more likely that an office that spent 5 seconds reviewing one return receipt would round down than would an office that spent 29 seconds reviewing one return receipt.



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**DFC/USPS-T30-73.** *Please refer to your response to DFC/USPS-T30-38.*

- a. Where in your instructions did you authorize post offices to report reasonable approximations, rather than actual data?
- b. How do you know that facility 25 did not measure the time spent processing 10 return receipts, calculate 30 seconds per return receipt based on this sample, and use 30 seconds per return receipt as the time per return receipt for all return receipts reported during the survey week?
- c. How do you know that facility 25, in estimating 30 seconds per return receipt, sampled a statistically significant number of return receipts before dividing the number of return receipts by the number of minutes to arrive at 30 seconds per return receipt?
- d. How do you know that facility 25 performed any mathematical calculations whatsoever of the form quantity divided by time in estimating that the average time per return receipt was 30 seconds?

**RESPONSE:**

While my instructions did not explicitly authorize post offices to report reasonable approximations rather than precise measurements, I believe that reasonable approximations are useful data that should be included in this study. While I do not know exactly how facility 25 arrived at an approximation of 30 seconds per return receipt, I note that this unit time is consistent with unit times reported by several other facilities that precisely measured both volumes and times.



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

**DFC/USPS-T30-74.** Please confirm that the "norm" to which you refer in, e.g., DFC/USPS-T30-30, is, itself, based on reasonable approximations, not statistically valid calculations. If you do not confirm, please explain.

**RESPONSE:**

Not confirmed. I would say that the norm to which I referred is based on a combination of precisely measured data and data that were likely reasonable approximations.



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

**DFC/USPS-T30-75.** All else equal, please confirm that, generally, the wider the variation in data results (e.g., number of return receipts, number of minutes), the larger the sample size must be to ensure statistically valid and reliable results. (For purposes of this interrogatory and by way of example, a variation from 5 to 30 seconds is greater than a variation from 5 to 10 seconds.) If you do not confirm, please explain.

**RESPONSE:**

*Confirmed.*



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

**DFC/USPS-T30-76.** Please refer to your response to DFC/USPS-T30-43. Was your sample size sufficiently large to generate statistically valid or reliable survey results that can be used to estimate labor costs for return receipt? Please explain and provide any calculations supporting an affirmative response.

**RESPONSE:**

As stated in my response to DFC/USPS-T30-43, I believe that my sample size, which resulted in 8,918 return receipt observations, was sufficiently large to provide reliable and representative data to estimate the labor costs associated with the clearing activity. I do not know if the sample was large enough to generate statistically valid or statistically reliable data. See my response to DFC/USPS-T30-67[c].



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
REDIRECTED FROM THE POSTAL SERVICE  
(DFC/USPS-56)**

**DFC/USPS-56.** Please refer to the response to DFC/USPS-13(d) and explain why the length of a window transaction for certified mail is precisely identical to the length of a window transaction for return receipt for merchandise in this docket. Please explain why this identical length makes sense. Or is it just a coincidence?

**RESPONSE:**

Given the lack of available data regarding the length of a window transaction for return receipt for merchandise, an assumption has been made in this docket that the length of a window transaction for return receipt for merchandise is the same as that for certified mail. This is a reasonable assumption since each service is a single component window transaction (i.e., one service), not a multiple component transaction (i.e., two or more services) like certified mail plus return receipt service.



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

**DFC/USPS-74.** For each of the facilities appearing in witness Davis' response to DFC/USPS-T30-12(a), please indicate the Postal Service area in which that facility was located and whether that facility was a post office, a station, a branch, etc.

**RESPONSE:**

Please see attachment.



## Attachment to response to DFC/USPS-74

Accountable Mail - Return Receipt Study: Field Survey Data  
Individual Site Information

FACILITY		
ID#	AREA	UNIT TYPE
1	WESTERN	POST OFFICE
2	NORTHEAST	POST OFFICE
3	ALLEGHENY	BRANCH
4	MID-ATLANTIC	POST OFFICE
5	NEW YORK METRO	STATION
6	SOUTHWEST	POST OFFICE
8	NORTHEAST	BRANCH
9	GREAT LAKES	POST OFFICE
10	ALLEGHENY	POST OFFICE
11	SOUTHEAST	POST OFFICE
12	NORTHEAST	BRANCH
13	NEW YORK METRO	STATION
14	MIDWEST	POST OFFICE
15	ALLEGHENY	POST OFFICE
16	ALLEGHENY	POST OFFICE
17	NORTHEAST	BRANCH
18	PACIFIC	POST OFFICE
19	SOUTHEAST	STATION
20	NEW YORK METRO	STATION
21	NORTHEAST	STATION
22	MIDWEST	POST OFFICE
23	SOUTHWEST	POST OFFICE
24	MID-ATLANTIC	STATION
25	NORTHEAST	POST OFFICE



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(Redirected from Witness Mayo, USPS-T-39)**

**DFC/USPS-T39-38.** These questions concern Form 3800, Certified Mail Receipt.

- e. Please confirm that the length of the new number may increase window-service costs associated with certified mail and return receipt.

**RESPONSE:**

- e. Confirmed that the length of the new number *may* (but does not necessarily) increase window-service costs associated with certified mail and return receipt.



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

**OCA/USPS-T-30-2.** Please refer to your answer to OCA/USPS-T-39-4a.  
(redirected from witness Mayo).

You state that there was "an apparent error in the Docket No. R97-1 cost study for insurance" which understated test year CRA costs. Please provide the correct costs for insurance in that docket.

**RESPONSE:**

After further review, it appears that the cost study in Docket No. R97-1 used the correct input, although improper documentation for this specific input prevents me from confirming this. A revised response to OCA/USPS-T39-4(a), filed today, deletes mention of the "apparent error" as a reason for the increasing insurance costs. Errata to my testimony and library reference, to make them consistent with the Docket No. R97-1 approach, are being filed today.



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

**OCA/USPS-T-30-3.** Please refer to your answer to OCA/USPS-T-39-4a. (redirected from witness Mayo). You state that there was "an apparent error in the Docket No. R97-1 cost study for insurance" which understated test year CRA costs.

- a. Please confirm that the Postal Rate Commission used the appropriate level of costs for insurance when recommending fees in Docket No. R97-1. (See Appendix G, Schedule 1.)
- b. Please confirm that the cost coverage for insurance recommended by the Commission was 144.7%.

**RESPONSE:**

- a. Confirmed that \$47,223,000 (as presented in Appendix G, Schedule 1) is the correct attributable cost for purposes of determining the cost coverage for insured mail in Docket No. R97-1, given the Postal Rate Commission's methodology for volume variabilities.
- b. Confirmed.



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

**OCA/USPS-T-30-4.** Please refer to your answer to OCA/USPS-T-39-4a.  
(redirected from witness Mayo).

- a. Is the methodology that you used for insurance in this docket the same as that used by the Postal Service in Docket No. R97-1? Describe any differences.
- b. Is the methodology you used for insurance in this docket the same as that used by the Postal Service in Docket No. R90-1? Describe any differences.

**RESPONSE:**

- a. The methodology used for insurance in this docket, as revised today, is similar to that used by the Postal Service in Docket No. R97-1. I have employed the same general approach of determining a unit delivery cost for numbered insured mail, then developing a unit cost by type of insurance transaction. I have enhanced the determination of the unit delivery cost for numbered insured mail by replacing previous calculations, which relied on several assumptions regarding delivery, with CRA cost segment data. After developing costs that are net of indemnity costs, I then add the average indemnity cost per transaction (insured value of \$0 - \$50) to the cost of unnumbered insurance. I also add the average indemnity cost per transaction (insured value of \$50 - \$100) to the base cost of numbered insurance.
- b. The methodology used for insurance in this docket is similar to that used by the Postal Service in Docket No. R90-1. Since the cost study from Docket No. R97-1 appears to use the same methodology as the cost study from Docket No. R90-1, please refer to my response to part (a) above.



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

**OCA/USPS-T-30-5.** Please refer to your answer to OCA/USPS-T-39-4a. (redirected from witness Mayo). There you state that "it may be that the decentralization of claims processing has resulted in higher volume variable costs for insurance".

- a. Please explain in detail what "the decentralization of claims processing" entails.
- b. Please explain how this decentralization causes higher costs.
- c. Please explain the rationale for decentralization if it causes costs to increase rather than decrease.

**RESPONSE:**

- a. I understand that in FY 1998, responsibility for paying claims for unnumbered insurance was transferred from the St. Louis Accounting Service Center to the field. Specifically, DMM Issue 55, at S010.4.1, requires the adjudication and payment or disallowance of domestic non-bulk unnumbered insured claims at the local post office level as opposed to the St. Louis Accounting Service Center.
- b. I do not have specific information on the cost impact of decentralization of claims processing and am not aware that such information exists.  
  
Therefore, I cannot say with certainty that decentralization causes higher costs. Decentralization might lead to higher costs if economies of scale are lost.
- c. I believe that the rationale for decentralization is to provide faster service to customers filing claims for unnumbered insurance.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(Redirected From Witness Mayo, USPS-T-39)**

**OCA/USPS-T39-3.** Please refer to your workpaper InsuredMail.xls. Total test year CRA costs are reported as \$76,594. The stated source, USPS-T-14, WP H, contains the figure \$76,613. Please explain the apparent discrepancy.

**RESPONSE:**

InsuredMail.xls is in library reference I-108, providing my supporting materials, rather than in witness Mayo's workpapers. It is my understanding that the discrepancy is due to an update by witness Kashani to C/S-20, Other Accrued Expenses, for Insurance. While this update was performed prior to filing Docket No. R2000-1, there was not time to update my cost study, which uses as an input the total test year CRA costs for Insurance. Because it amounts to only 0.02 percent of total test year CRA costs for Insurance, this discrepancy has no material effect on either the costs or proposed fees for the Insurance special service.



REVISED April 17, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE  
(Redirected From Witness Mayo, USPS-T-39)**

**OCA/USPS-T39-4.** Please refer to your testimony at page 60.

- a. Please explain the reason for the large increase in costs for insurance which caused you to propose a 59% increase in the rate for Unnumbered Insurance up to \$50.

**RESPONSE:**

- a. The increase in costs for insurance is due to the following. First, I understand that the costs in C/S-3 and C/S-7 have increased due in part to methodological changes resulting in higher variability factors for insurance (please refer to USPS-T-12, USPS-T-15 and USPS-T-17). Second, it may be that the decentralization of claims processing has resulted in higher volume variable costs for insurance. Please refer to my revisions (filed April 17, 2000) to USPS-T-30 (p.14) and USPS-LR-I-108 (p.43, electronic file name: "insured mail.xls"), which result in lower increases to unit volume variable costs for unnumbered insurance.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS  
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE  
(Redirected From Witness Mayo, USPS-T-39)**

**OCA/USPS-T-39-18.** Please refer to your answer to OCA/USPS-T-39-6 where you were asked to justify an incremental fee of 95 cents per additional \$100 of insurance.

As a result of Docket No. MC96-3, Special Services, the indemnity limit for insurance was increased from \$600 to \$5,000. This was amply supported by market surveys and participants' testimony. However, the incremental fee was not.

The \$.90 incremental fee for each \$100 value level was chosen because it merely extends the current incremental insured mail fee of \$.90 per \$100 in value recommended by the Commission in Docket No. R94-1. No indemnity analyses were performed to arrive at this fee. No other fees were considered. . . .

Tr. 4/1107, witness Needham's response to interrogatory OCA/USPS-T8-30.

The principal interest of the participants (including the OCA) was that the Postal Service be required to collect data to support future adjustments in the incremental fee. PRC Op. MC96-3 at 119. The Commission agreed that the lack of support for the incremental fee was a concern but that the \$.90 fee would be appropriate for purposes of the MC96-3 decision. The Commission recommended that the Postal Service attempt to accurately determine all cost changes that were related to the change in indemnity limits. PRC Op. MC96-3 at 122.

- a. Has the Postal Service studied the costs as they relate to the incremental fee as instructed by the Commission? If so, provide the studies and describe how the studies were utilized in this case. If not, explain in detail why not.

**RESPONSE:**

- a. While I am not aware of cost studies regarding the processing of claims, the Postal Service has collected data on insurance indemnity costs by value increment. The analysis from FY 1998 was provided by witness Mayo in response to OCA/USPS-T39-5. I understand that witness Mayo used this analysis to aid in the setting of insurance fees.



1 CHAIRMAN GLEIMAN: Is there any additional written  
2 cross-examination for Witness Davis?

3 [No response.]

4 CHAIRMAN GLEIMAN: If not, that brings us to oral  
5 cross. Two parties, again, have requested oral cross of  
6 this witness, the Office of the Consumer Advocate, which  
7 based on the referral of questions this morning appears to  
8 have some cross this time, and Mr. Popkin again, who was  
9 unable to be here.

10 Is there anyone else who wishes to cross-examine  
11 Witness Davis?

12 [No response.]

13 CHAIRMAN GLEIMAN: If not, then, Ms. Dreifuss, you  
14 may begin with you are ready.

15 CROSS-EXAMINATION

16 BY MS. DREIFUSS:

17 Q Good afternoon, Mr. Davis. I am Shelley Dreifuss  
18 for the Office of the Consumer Advocate.

19 A Good afternoon.

20 Q I would like to ask you first about delivery  
21 confirmation. I discussed it earlier today with Ms. Mayo,  
22 and I think probably the right starting point is page 7 of  
23 your testimony.

24 A I have it.

25 Q There you set out the costs of various delivery



1 confirmation services, including Priority Mail base  
2 electronic, that is the first column.

3 A Yes.

4 Q And Priority Mail retail is in the second column.  
5 Now, for Priority Mail base electronic, you show zero costs  
6 for acceptance, but for Priority Mail retail, you show 20  
7 cents of costs. Can you explain the difference between  
8 those two figures, why it is that electronic has none and  
9 retail has 20 cents worth?

10 A Yes, I can. I will refer you to my testimony,  
11 USPS-T-30, at page 3, specifically, lines 7 through 10. In  
12 the electronic option, the mailer is required to apply a  
13 delivery confirmation bar code to the mail piece, submit an  
14 electronic manifest of the mailing of delivery confirmation  
15 items to the Postal Service, and receive information about  
16 delivery confirmation items electronically through the  
17 Internet. Because the mailer is required to perform these  
18 activities at acceptance, the Postal Service has no role,  
19 and, thus, incurs no cost for electronic.

20 Q Right. Actually, the receiving information about  
21 delivery confirmation items electronically through the  
22 Internet probably doesn't affect the acceptance cost, but  
23 makes us some other type of cost? Does that sound right?

24 A I'm sorry. Can you say that again?

25 Q Yes. You listed receiving information about



1 delivery confirmation items electronically through the  
2 Internet as one of the reasons for 20 cents worth of  
3 acceptance costs. Do you think it relates to acceptance or  
4 perhaps one of the other types of costs you list for  
5 Priority Mail retail?

6 A Well, if you are referring to the receiving costs  
7 with the electronic version, there is no volume variable  
8 cost there incurred by the Postal Service. The volume  
9 variable cost is in acceptance at the retail option, and  
10 that is because that item is scanned and a bar code is  
11 placed on that item, a bar coded label is place on the mail  
12 piece.

13 Q Right. I am trying to understand, though, how  
14 receiving information about delivery confirmation items  
15 electronically through the Internet avoids acceptance costs.

16 A And you are talking about for the electronic  
17 option?

18 Q Yes, and comparing it to the 20 cents that is  
19 incurred by retail.

20 A And may I ask for a clarification when you talk  
21 about receiving costs, are you talking about information  
22 being received by the Postal Service upon receiving the  
23 manifest or are you referring to information received by the  
24 customer as per the delivery confirmation information?

25 Q I am talking about your sentence at line 10 of



1 page 3 of your testimony. I am quoting back to you your  
2 language -- receive information about DC items  
3 electronically through the Internet. What did you mean by  
4 that part of the sentence?

5 A I mean that the mailer must receive the delivery  
6 confirmation information such as the date of delivery  
7 electronically as opposed to using the call center.

8 Q So actually that part of it doesn't really relate  
9 to acceptance costs, does it? -- it relates to one of the  
10 other cost items?

11 A That is correct.

12 Q And you said a little earlier in that sentence,  
13 "In the electronic option the mailer is required to apply a  
14 delivery confirmation barcode to the mail piece."

15 If an individual user were to apply a delivery  
16 confirmation barcode to the mail piece, either through a  
17 third party service -- I had mentioned one earlier today,  
18 SmartShip.com -- or perhaps if the Postal Service were to  
19 offer such an opportunity, would you agree that there  
20 wouldn't be any acceptance costs incurred in such a case  
21 where the barcode is applied by the mailer?

22 A That depends. In cases where the barcode is  
23 applied by the mailer but it is taken to a counter at an  
24 office and scanned by a window clerk the Postal Service does  
25 incur cost.



1           In cases where the barcode is applied by the  
2   mailer, but it is not taken to the counter and does not get  
3   a window scan, the Postal Service does not incur costs at  
4   acceptance.

5           Q     There was some discussion about what an electronic  
6   manifest consists of earlier today when I was cross  
7   examining Witness Mayo. Do you know what kind of  
8   information is contained in an electronic manifest?

9           A     It is my understanding that the electronic  
10  manifest would include data unique to each delivery  
11  confirmation mail piece, the mailer identification and the  
12  date of mailing, but beyond that I am not sure what  
13  information may be available.

14          Q     Do you see any reason that an individual user  
15  couldn't provide that information either through a third  
16  party provider like SmartShip.com or directly to the Postal  
17  Service, if the Postal Service were to make that option  
18  available?

19          A     There is no reason I can think of at this time.

20          Q     Okay. Let's go back to page 7, please. Oh -- I  
21  do have one more question about acceptance. If an  
22  individual user were to apply a prebarcoded Priority Mail  
23  label let's say at home, prior to coming to a window, and  
24  did have a clerk scan the label for acceptance, would you  
25  agree that whatever portion of time is ordinarily involved



1 in filling out any forms to purchase delivery confirmation  
2 would be avoided?

3 A Yes, I would agree to that.

4 Q Are you able to break down the acceptance costs in  
5 any way into its component parts for the units of time taken  
6 to perform various activities?

7 A Yes, I am and these components are broken down in  
8 my Library Reference USPS LRI-108, page 21.

9 Q Give me just a moment, please. I am going to turn  
10 to that page. I have the Library Reference with me.

11 [Pause.]

12 BY MS. DREIFUSS:

13 Q At page 21 I don't see anything that separately  
14 addresses time involved in filling out forms. I guess it is  
15 included within the activity that is listed at page 21 --  
16 that is "window clerk affixes delivery confirmation label to  
17 mail item and scans barcode."

18 A That is correct.

19 Q At any rate, if the label were affixed before  
20 coming to the window, whatever time that is involved there  
21 would be avoided by a customer who had, let's say, printed a  
22 label from the Internet and applied that label beforehand.

23 A Yes. But again just to clarify, that is only the  
24 time involved with filling out that form and applying the  
25 label. The time involved to actually scan the barcoded



1 label, assuming that that piece is brought to the counter,  
2 would still be incurred.

3 Q Right. Are you able to break down the figure on  
4 page 21 any more than we see it here?

5 A No, I am not. My understanding is that this data  
6 results from an original cost study for window acceptance  
7 that was done for the R97 study and I don't believe that  
8 cost study was disaggregated into the information you seek.

9 Q Now the other matter that we spoke about a few  
10 minutes ago was the receipt of information about a delivery  
11 confirmation piece electronically, not involving a call to  
12 corporate call management.

13 If a customer does receive that information  
14 electronically and does not make a call, make a telephone  
15 call to the Postal Service, then the 13 cents that you list  
16 in your table at page 7 would thereby be avoided, would it  
17 not?

18 A Yes, that's correct, if no call is made.

19 Q Let's turn to insurance now. I am done with  
20 delivery confirmation.

21 You provided errata I believe on April 17th to the  
22 parties and to the Commission. Could you tell me what  
23 occasioned those errata?

24 A Yes, during the discovery period while responding  
25 to an interrogatory, I believe the interrogatory asked for



1 information about my methodology versus the methodology in  
2 Docket Number R90 and upon examining this, I realized that  
3 there was an error in my study.

4 I researched it to confirm that and then corrected  
5 it.

6 Q Witness Mayo said earlier that even though the  
7 numbered insurance unit costs went down from \$1.99 to \$1.79  
8 that she was under the impression that it had not affected  
9 the total costs involved in providing numbered insurance.

10 Can you shed any light on that?

11 A I believe her statement is correct insofar as  
12 total cost as provided by the CRA are unaffected. My study  
13 deaverages costs provided in the CRA into two figures. One  
14 is the cost of unnumbered insured and the other is the base  
15 cost of numbered insured for a value of \$50.01 to \$100.

16 MS. DREIFUSS: I have no further questions.

17 CHAIRMAN GLEIMAN: Is there any followup?

18 [No response.]

19 CHAIRMAN GLEIMAN: Questions from the Bench?

20 [No response.]

21 CHAIRMAN GLEIMAN: Would you like some time to  
22 prepare for redirect?

23 MR. RUBIN: Just a few minutes.

24 CHAIRMAN GLEIMAN: All right, we'll give you a  
25 couple of minutes. Let us know when you're ready. I'll



1 assume that that will be less than five.

2 [Recess.]

3 CHAIRMAN GLEIMAN: Mr. Rubin?

4 REDIRECT EXAMINATION

5 BY MR. RUBIN:

6 Q Mr. Davis, on insurance, you talked about total  
7 CRA costs for insurance being unaffected by your correction.

8 Why did your correction for numbered costs show a  
9 cost reduction?

10 A Because my errata involved the exclusion of  
11 certain indemnity costs, and the revised cost for numbered  
12 is lower than I originally provided, because it represents  
13 the base cost for numbered, including indemnity costs only  
14 for the value increments from \$50.01 to \$100.

15 Q And your original presentation was for a different  
16 category of numbered?

17 A It was for numbered, which was not a base numbered  
18 cost so it reflected all indemnity values, all value  
19 increments.

20 MR. RUBIN: Thank you. That's all I have.

21 CHAIRMAN GLEIMAN: Is there any recross?

22 [No response.]

23 CHAIRMAN GLEIMAN: If not, Mr. Davis, that  
24 completes your testimony here today. We appreciate your  
25 appearance and your contribution to the record, and you are



1 excused, thank you.

2 [Witness Davis excused.]

3 CHAIRMAN GLEIMAN: And that brings us to the next  
4 witness, and last witness of the day.

5 MR. TIDWELL: The Postal Service calls Chris  
6 Campbell to the stand.

7 Counsel, you can proceed when you're ready.  
8 Whereupon,

9 CHRIS F. CAMPBELL,  
10 a witness, having been called for examination, and, having  
11 been first duly sworn, was examined and testified as  
12 follows:

13 DIRECT EXAMINATION

14 BY MR. TIDWELL:

15 Q Mr. Campbell, I have placed before you, two copies  
16 of a document entitled the Direct Testimony of Chris F.  
17 Campbell on Behalf of the United States Postal Service.

18 It's been designated for purposes of this  
19 proceeding as USPS-T-29.

20 Was that document prepared by you or under your  
21 supervision?

22 A Yes.

23 Q If you were to provide the contents of that  
24 document as your oral testimony today, would it be the same?

25 A Yes, it would.



1 MR. TIDWELL: Mr. Chairman, the Postal Service  
2 moves into evidence, the Direct Testimony of Mr. Campbell.

3 CHAIRMAN GLEIMAN: Is there any objection?

4 [No response.]

5 CHAIRMAN GLEIMAN: Hearing none, if counsel will  
6 provide two copies of the witness's direct testimony to the  
7 Reporter, I'll direct that the testimony be received into  
8 evidence, but not transcribed into the record.

9 [Direct Testimony of Chris F.

10 Campbell, USPS-T-29 was received  
11 into evidence.]

12 CHAIRMAN GLEIMAN: Mr. Tidwell, are we dealing  
13 with any Category II Library References here?

14 MR. TIDWELL: We are, indeed.

15 BY MR. TIDWELL:

16 Q Mr. Campbell, in Presiding Officer's Ruling Number  
17 13, there were three Library References identified as being  
18 associated with your testimony, Postal Service Library  
19 Reference Number I-110, which was the address correction  
20 service costs; I-160, documentation supporting USPS-T-29;  
21 and 172, electronic version of Campbell workpapers.

22 Are you sponsoring those Library References today.

23 A Yes, I am.

24 CHAIRMAN GLEIMAN: That being the case, those  
25 material are admitted into evidence, but will not be



1 transcribed into the record.

2 [Library References Numbered I-110;  
3 I-260; and I-172 were received into  
4 evidence.]

5 CHAIRMAN GLEIMAN: Mr. Campbell, have you had an  
6 opportunity to examine the packet of Designated Written  
7 Cross Examination that was made available to you earlier  
8 today?

9 THE WITNESS: Yes, I have.

10 CHAIRMAN GLEIMAN: And if those questions were  
11 asked of you today, would your answers be the same as those  
12 you previously provided in writing?

13 THE WITNESS: Yes, with three exceptions I'd like  
14 to note.

15 CHAIRMAN GLEIMAN: If you would give us those  
16 corrections?

17 THE WITNESS: In my response to KE/USPS-T-29-10,  
18 Part A, I'd like to insert the word, sorting and, before the  
19 word, counting, so it reads, my field observations confirmed  
20 the use of time consuming manual sorting and counting of  
21 individual BRM pieces in postage due units for both  
22 high-volume and low-volume BRM accounts.

23 CHAIRMAN GLEIMAN: Okay.

24 THE WITNESS: The second modification is for my  
25 response to KE/USPS-T-29-14, letter (e). The response



1 should read: I do not know how much the per-piece cost  
2 would change if the shape of the BRM pieces or letter size.

3 And the last revision is to my response to  
4 KE/USPS-T-29-23, letters (f) and (g), combined.

5 The first sentence should read: The Postal  
6 Service implements a weight averaging method as the primary  
7 method to distribute the QBRM reply letters of Brooklyn  
8 Union Gas Company, et cetera.

9 CHAIRMAN GLEIMAN: Before we go any further, I  
10 want to make sure, since some of those changes were -- two  
11 of the changes were somewhat extensive, not just a number or  
12 a word, that counsel for KeySpan Energy go the changes that  
13 were made?

14 MR. HALL: We received copies just before lunch,  
15 and as a matter of fact, I'm just inserting the changes now.

16 CHAIRMAN GLEIMAN: Those changes having been made,  
17 I assume they're made in the two packets that were provided.  
18 That being the case, counsel, if you would provide the two  
19 copies of the corrected Designated Written Cross of Witness  
20 Campbell to the Reporter, I'll direct that the material be  
21 received into evidence and transcribed into the record.

22 [Designated Written Cross  
23 Examination of Chris F. Campbell  
24 was received into evidence and  
25 transcribed into the record.]



BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS CHRIS F. CAMPBELL  
(USPS-T-29)

Party

Interrogatories

Douglas F. Carlson

DFC/USPS-T29-1

E-Stamp Corporation

E-Stamp/USPS-T29-1-2  
Stamps.com/USPS-T29-7-10

KeySpan Energy

KE/USPS-T29-1, 2a-d, f, 3a, 4, 6, 8-9, 10a-c, 11,  
13-20, 22a-b, d-f, 23a-i, 24-42, 44-47, 49-52  
OCA/USPS-T29-1, 4-6  
Stamps.com/USPS-T29-7

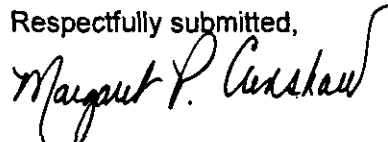
Office of the Consumer Advocate

E-Stamp/USPS-T29-2  
KE/USPS-T29-6, 15-18  
OCA/USPS-T29-1-5, 9, 13-19  
Stamps.com/USPS-T29-1

Stamps.com

Stamps.com/USPS-T29-2, 4-6

Respectfully submitted,



Margaret P. Crenshaw  
Secretary



INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS CHRIS F. CAMPBELL (T-29)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

DFC/USPS-T29-1  
E-Stamp/USPS-T29-1  
E-Stamp/USPS-T29-2  
KE/USPS-T29-1  
KE/USPS-T29-2a  
KE/USPS-T29-2b  
KE/USPS-T29-2c  
KE/USPS-T29-2d  
KE/USPS-T29-2f  
KE/USPS-T29-3a  
KE/USPS-T29-4  
KE/USPS-T29-6  
KE/USPS-T29-8  
KE/USPS-T29-9  
KE/USPS-T29-10a  
KE/USPS-T29-10b  
KE/USPS-T29-10c  
KE/USPS-T29-11  
KE/USPS-T29-13  
KE/USPS-T29-14  
KE/USPS-T29-15  
KE/USPS-T29-16  
KE/USPS-T29-17  
KE/USPS-T29-18  
KE/USPS-T29-19  
KE/USPS-T29-20  
KE/USPS-T29-22a  
KE/USPS-T29-22b  
KE/USPS-T29-22d  
KE/USPS-T29-22e  
KE/USPS-T29-22f  
KE/USPS-T29-23a  
KE/USPS-T29-23b

Designating Parties:

Carlson  
E-Stamp  
E-Stamp, OCA  
KeySpan  
KeySpan  
KeySpan  
KeySpan  
KeySpan  
KeySpan  
KeySpan  
KeySpan  
KeySpan, OCA  
KeySpan  
KeySpan  
KeySpan  
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KeySpan, OCA  
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KeySpan



KE/USPS-T29-23c	KeySpan
KE/USPS-T29-23d	KeySpan
KE/USPS-T29-23e	KeySpan
KE/USPS-T29-23f	KeySpan
KE/USPS-T29-23g	KeySpan
KE/USPS-T29-23h	KeySpan
KE/USPS-T29-23i	KeySpan
KE/USPS-T29-24	KeySpan
KE/USPS-T29-25	KeySpan
KE/USPS-T29-26	KeySpan
KE/USPS-T29-27	KeySpan
KE/USPS-T29-28	KeySpan
KE/USPS-T29-29	KeySpan
KE/USPS-T29-30	KeySpan
KE/USPS-T29-31	KeySpan
KE/USPS-T29-32	KeySpan
KE/USPS-T29-33	KeySpan
KE/USPS-T29-34	KeySpan
KE/USPS-T29-35	KeySpan
KE/USPS-T29-36	KeySpan
KE/USPS-T29-37	KeySpan
KE/USPS-T29-38	KeySpan
KE/USPS-T29-39	KeySpan
KE/USPS-T29-40	KeySpan
KE/USPS-T29-41	KeySpan
KE/USPS-T29-42	KeySpan
KE/USPS-T29-44	KeySpan
KE/USPS-T29-45	KeySpan
KE/USPS-T29-46	KeySpan
KE/USPS-T29-47	KeySpan
KE/USPS-T29-49	KeySpan
KE/USPS-T29-50	KeySpan
KE/USPS-T29-51	KeySpan
KE/USPS-T29-52	KeySpan
OCA/USPS-T29-1	KeySpan, OCA
OCA/USPS-T29-2	OCA
OCA/USPS-T29-3	OCA
OCA/USPS-T29-4	KeySpan, OCA
OCA/USPS-T29-5	KeySpan, OCA



OCA/USPS-T29-6	KeySpan
OCA/USPS-T29-9	OCA
OCA/USPS-T29-13	OCA
OCA/USPS-T29-14	OCA
OCA/USPS-T29-15	OCA
OCA/USPS-T29-16	OCA
OCA/USPS-T29-17	OCA
OCA/USPS-T29-18	OCA
OCA/USPS-T29-19	OCA
Stamps.com/USPS-T29-1	OCA
Stamps.com/USPS-T29-2	Stamps.com
Stamps.com/USPS-T29-4	Stamps.com
Stamps.com/USPS-T29-5	Stamps.com
Stamps.com/USPS-T29-6	Stamps.com
Stamps.com/USPS-T29-7	E-Stamp, KeySpan
Stamps.com/USPS-T29-8	E-Stamp
Stamps.com/USPS-T29-9	E-Stamp
Stamps.com/USPS-T29-10	E-Stamp



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL  
TO INTERROGATORY OF DOUGLAS F. CARLSON**

**DFC/USPS-T29-1.**

- (a) Please refer to Table 4 in your testimony. Please provide the stamped card printing costs for 1997, 1998, and 1999.
- (b) Please explain all steps that the Postal Service has taken to reduce the printing costs of stamped cards (including, but not limited to, single-color printing).

**RESPONSE:**

- (a) Please see the table below for stamped card costs during fiscal years 1997, 1998, and 1999.

	1997 <sup>1</sup>	1998 <sup>2</sup>	1999 <sup>3</sup>
<b>Stamped card cost (per thousand)</b>	\$12.00	\$13.00	\$14.00

Additionally, please note that the estimated test year cost presented in Table 4 of my testimony (i.e., \$14.00 per thousand) is a conservative estimate. This estimate is based on the assumption that printing costs will remain level through the end of the test year.

- (b) I have been informed that the Postal Service has not taken specific steps to reduce the printing costs of stamped cards.

<sup>1</sup> This printing cost was effective through 10/97.

<sup>2</sup> This printing cost was effective through 3/99.

<sup>3</sup> This printing cost will remain effective at least through fiscal year 2000.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**E-STAMP/USPS-T29-1.**

On page 40 of your testimony you state that the cost avoided by a QBRM piece is 3.36 cents, compared to a handwritten single-piece letter as a benchmark, citing USPS LR-I-160, Section L. Please provide the cost avoidance for a QBRM piece if the benchmark used is that of metered mail.

**RESPONSE:**

The cost difference between a QBRM piece and a metered mail piece is determined as follows:

CRA Proportional Adjustment		1.224 [1]
	<b>Model Cost (cents)</b>	<b>Total Worksharing Related Unit Cost (cents)</b>
Metered Mail	5.269 [2]	6.449 [3]
QBRM	3.840 [4]	4.700 [5]
Cost difference		<span style="border: 1px solid black;">1.750</span> [6]

[1] See USPS-T-24, Appendix I,  
page 4  
(nonautomation presort)

[2] See USPS-T-24, Appendix I,  
page 16

[3] [1] \* [2]

[4] See USPS LR-I-  
160, L-3  
(QBRM cost sheet)

[5] [1] \* [4]

[6] [3] - [5]



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**E-STAMP/USPS-T29-2.**

Your testimony, at page 38, states that a QBRM mail piece is defined as BRM letters and cards "which are automation compatible, have both a FIM C and a unique zip+4 barcode, and have qualified for BRMAS processing."

- (a) Please confirm that Information Based Indicia (IBI) First Class Mail, using the E-Stamp Internet postage solution, as approved by the Postal Service, also is automation compatible, has a FIM Code, a verified address, a current USPS approved nine-digit Zip Code, and a Delivery Point Barcode.
- (b) Please identify any features of E-Stamp Internet postage First Class letters or cards which have any characteristics different than QBRM which could cause the Postal Service to incur either greater costs or lesser costs than QBRM.
- (c) Based upon your responses to (a) and (b) above, please state your opinion as to whether the amount of QBRM cost avoidance, which you, on page 39, define as the difference in mail processing costs between a prebarcoded First-Class Mail piece and a handwritten First-Class Mail piece, would be at least no greater than the cost avoidance of E-Stamp Internet postage FCM. Please explain any negative answer.
- (d) Table 7 on page 39 of your testimony presents what you say are "simple assumptions" that adapt witness Miller's model so that you can model QBRM and handwritten mail flows. Would this comparison be equally applicable to E-Stamp Internet postage First Class Mail? Please explain any negative answer.

**RESPONSE:**

- (a) Not confirmed. While I am not an Information Based Indicia (IB) expert, it is my understanding that the E-Stamp product may not comply with all the standards in the Domestic Mail Manual for automation compatible mail. Specifically, a customer may use this form of postage for mail that exceeds size, shape, and weight limitations for automation compatible mail. Unlike QBRM where



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**Response to E-STAMP/USPS-T29-2 (continued)**

the contents for the mail has been predetermined (*i.e.*, 1-ounce letter, 2-ounce letter ,or card), mail bearing an IBI can contain anything the customer decides to mail that is acceptable for the class of mail being presented (e.g., several photographs in an envelope mailed at First Class rates). Consequently, we have no assurance that use of an IBI as postage on a mail piece will guarantee automation compatibility.

In addition, it is my understanding that the E-Stamp user has two options for printing postage. IBI postage can be (1) printed directly onto the mail piece with a FIM D or (2) applied to a label which is placed onto the mail piece. When the latter option is selected, two labels are generated. One label has the delivery address and postnet barcode. A second label has IBI indicia, but does not include the FIM. In lieu of a FIM, the E-Stamp user is required to use a florescent label for purposes of facing the mail piece. These mail pieces are held out at the AFCS and routed for handling with traditional meter mail. As a result, characteristics of an IBI mail piece, such as potential presence of a Postnet barcode, may not be recognized and capturable from our automation platform.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**Response to E-STAMP/USPS-T29-2 (continued)**

Another issue to consider is that since IBI mail pieces and labels are produced with personal computers and home or office printers, at times mailers may push their printer cartridges a bit too far, producing barcodes and indicia that Postal automation equipment may have difficulty processing. Or mailers may use an envelope that is the wrong size, which could result in a barcode or FIM being printed outside the acceptable read zones for automation processing.

As discussed in witness Frank's response to E-STAMP/USPS-T33-1, it is also important to recognize that all IBI vendor products are not the same. While the Simply Postage product prints the same kind of indicia (two-dimensional barcode) as the E-Stamp product, it does not incorporate its ability to check address hygiene and it does not print a delivery point barcode on the mail piece.

It is my understanding that the vision of the IBI program has been to enhance the convenience of the mail by bringing the Post Office to the people. A goal of the IBI program is to work with vendors to make a range of products available to mailers, thereby meeting different mailer needs. While producing mail pieces that meet the requirements of automation-compatibility is also a program consideration, initial



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**Response to E-STAMP/USPS-T29-2 (continued)**

program efforts have not been geared toward creating an IBI pool of mail homogeneous enough to qualify for a new discount.

(b) Again, please recognize that I am not an IBI expert. As discussed in my response to part (a) above, it is my understanding that IBI mail pieces could differ from QBRM mail pieces in a number of ways. First, a mail piece bearing E-Stamp IBI may exceed size, shape, and weight limitations that a QBRM mail piece must meet. Second, the label containing the IBI indicia will not contain a FIM. Third, an address label containing a Postnet barcode could be affixed to the mail piece so that the barcode was outside the read zone of our automation equipment.

Another consideration is that some personal computer and home office/small office users could print indicia and barcodes that are too faint to process successfully, either due to a depleted printer cartridge or to a printer malfunction. Or, mailers could use the wrong-sized envelope so that FIM D or postnet barcode was out of position for our automation equipment.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF E-STAMP CORPORATION**

**Response to E-STAMP/USPS-T29-2 (continued)**

- (c) It is premature to formulate an opinion regarding the cost avoidance of a mail piece bearing E-Stamp Internet postage. As discussed in parts (a) and (b) above, there are many issues to be considered before making any kind of cost avoidance determination. The Postal Service will continue to look at the issues presented above as well as new ones that may surface in the future.
- (d) At this point, it is premature to make the comparison that you are requesting. Again, as discussed in parts (a) and (b) above, there are several issues to be considered before comparing E-Stamp mail pieces with any other mail piece.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-1.**

On page 7 of your prepared testimony you indicate that, when BRM letters are held out after the incoming primary sort, they are sent either to the BRMAS operation or to a manual sortation operation that is usually performed in the postage due unit or box section.

- (a) On page 16 you note that the "1997 BRM Practices Study showed that 19.3% of QBRM pieces receive final piece counts from a BCS EOR report". Do these pieces receive their final piece counts in the BRMAS operation or the postage due unit or box section? Please explain your answer.
- (b) On Section B, p. 2 of USPS LR-I-160, you show four methods for the finest depth of sortation of BRM. Please explain fully what "Other" means and state where this "Other" sort takes place.

**RESPONSE:**

- (a) QBRM pieces that receive a final piece count from a BCS end-of-run report are transferred to a postage due unit or box section, where rating and billing activities take place based on the BCS EOR report.
- (b) The category designated as "Other" in LR-I-160 includes BRM pieces sorted to station/office only (9.0%), to section manually (3.3%), to section by BCS (7.6%), and other (2.6%), as presented in Docket No. R97-I-160, USPS LR-H-179, Table 8.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-2.**

On page 8 of your prepared testimony, you show the flow of advanced deposit BRM through the incoming facility. On page 9 of your prepared testimony, you state, "[a]t facilities without BRMAS operations, QBRM is counted, rated and billed using a variety of methods, both manual and automated" and identify the two most commonly used counting methods: manual and of end-of-run (EOR) report counts.

- (a) Please define "manual counts" and "end-of-run (EOR) report counts" as you have used those terms in your testimony.
- (b) Please identify and describe all the "variety of methods" used to count QBRM, indicate for each method whether it is used primarily for high volume QBRM recipients or low volume QBRM recipients, provide copies of all operating manuals, guidelines, or similar documents that describe how and under what circumstances the particular counting method is to be applied, and provide, for the Base Year in this case, the volume of QBRM counted by use of each counting method.
- (c) Do postal personnel ever weigh trays of QBRM for large recipients in order to facilitate the counting of pieces? Please explain.
- (d) If the reply letters of high volume QBRM recipients are weighed in order to facilitate the counting function, does this take place in the BRMAS operation, other barcode sorter operation, or the manual sort operation?
- (e) What operational factors or other considerations determine whether the QBRM reply mail is processed by a BRMAS operation, other barcode sorter operation, or the manual sort operation?
- (f) Have any studies or analyses been conducted to determine the typical processing method for high volume QBRM recipients in the delivery facility and how it might differ from the typical processing method for low volume QBRM recipients? If such studies or analyses have been performed, please provide copies of all such documents. If not, please explain why such studies or analyses were not performed.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-2 (continued)**

**RESPONSE:**

- (a) The term "manual count," as used in my testimony, is broadly defined as the BRM piece-count resulting from a person manually distributing and counting each BRM piece in a postage due unit or box section. The term "end-of-run (EOR) report count," as used in my testimony, is broadly defined as an EOR piece-count for each bin on a BCS and generated by BCS software.
  - (b) See Docket No. R97-1, USPS LR-H-179, Table 13 for a listing of the various methods used to count QBRM pieces. The specific items you requested for each counting method are not available.
  - (c) The Postal Service does not have standardized procedures for weighing trays of QBRM in order to facilitate the counting of pieces. However, as presented in Docket No. R97-1, USPS LR-H-179, Table 13, a small percentage of QBRM volume is counted using weighing methods.
  - (d) I do not know the answer.
  - (e) Redirected to USPS for response.
  - (f) No such study has been conducted to date on that subject.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-3.**

On page 10 of your prepared testimony, you state, "Rating and billing functions are typically performed manually or through the PERMIT system or other software."

- (a) Please fully describe the "PERMIT system" and "other software" that is used for the rating and billing functions.
- (b) What factors determine whether the rating and billing function is performed manually or through the PERMIT system or other software? Of these factors, what is most important?
- (c) What is the start-up cost for implementing the PERMIT system or other software at a Postal facility?

**RESPONSE:**

- (a) The PERMIT system is an on-line system, which gives authorized USPS employees rapid access to advance deposit account information. The system controls advance deposit trust fund deposits, withdrawals, and daily balances for each Post Office permit account. The daily tasks the PERMIT system accomplishes are record keeping, account tracking, postage calculation, withdrawal and deposit posting, data edits, fund verification, customer assistance information searches, daily trial balance calculations and associated mail volume information development. "Other software" packages are locally designed systems that accomplish billing and rating functions specifically for Business Reply Mail.
  - (b) Redirected to USPS for response.
  - (c) Redirected to USPS for response.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-4.**

On pages 12 and 13 of your testimony you state that the low volume QBRM cost methodology is similar to that provided by USPS witness Schenk in Docket No. R97-1, whereas the high-volume QBRM cost methodology "has been modified to reflect certain fixed costs associated with large QBRM mailer volume".

- (a) For low-volume QBRM, did you utilize the Schenk methodology for deriving the unit cost of counting, the unit cost of rating, or both?
- (b) Please describe exactly what changes you made to the Schenk methodology to reflect the USPS proposal for a reduced per piece fee and a quarterly fee for high volume QBRM.
- (c) Please confirm that you used the same breakout of counting techniques, i.e., 14.2% BRMAS, 19.3% BCS EOR and 66.5% manual, for high volume QBRM recipients and for low volume QBRM recipients. If you cannot confirm, please explain why not.
- (d) Please confirm that you assumed the Postal Service will incur the same unit cost for counting QBRM reply pieces delivered to high volume QBRM recipients that it will incur for counting QBRM reply pieces delivered to a low volume QBRM recipient. If you cannot confirm, please explain how your methodology differentiates between the unit costs incurred in counting high volumes of QBRM and those incurred in counting low volumes of QBRM.

**RESPONSE:**

- (a) For low-volume QBRM, I used a methodology very similar to the Schenk methodology for estimating the unit cost of counting and the unit cost of rating. For a direct comparison, please refer to USPS LR-I-160, Section B, page 3 (my methodology) and Docket No. R97-1, USPS-T-27, Exhibit USPS-27C (witness Schenk's methodology).
- (b) As described in my testimony at USPS-T-29, pages 16-17, the following changes were made to the Schenk methodology for per piece fees:



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-4 (continued)**

1. My methodology removes counting costs for QBRM pieces counted by the BRMAS software or end-of-run report, while the Schenk methodology includes these costs.
  2. My methodology subtracts an incoming secondary cost only for those QBRM pieces that are manually sorted and counted, while the Schenk methodology subtracts an incoming secondary cost for all QBRM pieces.
  3. My methodology incorporates data in the incoming secondary subtraction that specifies the method and finest depth of sortation of BRM, whereas the Schenk methodology does not incorporate these data.
  4. My methodology corrects an incorrect productivity in the Schenk methodology. More specifically, the Schenk methodology inadvertently included accounting activities (i.e., preparation of Forms 25, 3083, and 1412) in the sortation productivity calculation. The inclusion of these activities resulted in an understated sortation productivity.
  5. My methodology adjusts the volume variability for Postage Due unit activities to 100 percent, up from 79.7 percent in the Schenk methodology.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-4 (continued)**

The methodology used to support a quarterly fee is entirely new and does not reflect the Schenk methodology in any way.

(c) Confirmed.

(d) Confirmed.

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-6.**

On page 16 of your testimony you state that, for QBRM pieces received in high volume, "[t]he only incoming secondary cost subtraction incorporated into the methodology is for those QBRM pieces that are manually sorted and counted".

- (a) Please confirm that, when subtracting out the .88 cents "Cost avoidance (Inc. Secondary for manual pieces)," you assume that these manually sorted pieces incur the exact same cost as an average First-Class Basic automation-compatible letter? If you cannot confirm, please explain.
- (b) Do you assume that QBRM reply pieces will be sorted manually in the BRM processing sortation, but would have been sorted on barcode equipment in the incoming secondary if these same pieces were mail pre-paid with a stamp applied rather than as BRM? Please explain your answer.
- (c) What is the unit cost for sorting these high volume QBRM pieces manually in the incoming secondary?

**RESPONSE:**

- (a) Confirmed.
  - (b) No. I assume that 41.6 percent of the QBRM pieces receive a manual sortation to the customer level, based on the BRM Practices Study (see Docket No. R97-1, USPS LR-H-179, Table 8). If these same 41.6 percent pieces were mail pre-paid with stamps applied rather than BRM pieces, then I assume these pieces would reflect mail processing characteristics of a First-Class Automation Basic mail piece (see USPS-T-24, page I-24).
  - (c) The unit cost for sorting a QBRM piece manually in the incoming secondary operation is 4.32 cents.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-8.**

On page 15 of your testimony you determine a unit fixed cost for a high volume QBRM account, in part, by assuming an average of 15 transactions per accounting period.

- (a) What is the maximum possible number of transactions per account during any given accounting period and how is that number determined?
- (b) Assuming that the number of 15 transactions per accounting period is less than the maximum possible number of transactions you report in response to part (a), wouldn't it be reasonable in determining the fixed accounting costs per account to use the maximum possible number of transactions per accounting period for high volume QBRM recipients in view of your testimony (at page 14) that "[a] number of mailers consistently receive high QBRM volumes nearly everyday"? If you disagree, please explain.
- (c) Please confirm that 15 transactions per accounting period is based on the actual average number of transactions per account during the FY98 AP1 through AP9 accounting periods for offices which use BRMAS software for sorting QBRM and use the PERMIT system for rating and billing. If you cannot confirm, please explain.
- (d) For this period, what was the average volume per account transaction?
- (e) Did you make any attempt to obtain the average number of transactions per accounting period for just those QBRM recipients who receive "large" volumes? If you did so, please quantify what you mean by the term "large volumes," describe your efforts, and provide the results. If you did not do so, please explain why not.

**RESPONSE:**

- (a) There is no specific maximum possible number of transactions per account during any given accounting period. However, for those accounts reported to PERMIT in FY98 (APs 1 through 9), 99.7 percent of the accounts showed 60 or fewer transactions per AP, on average.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-8 (continued)**

- (b) While a number of mailers consistently receive high QBRM volumes nearly everyday, this does not mean that all high-volume QBRM customers receive high QBRM volumes nearly everyday. Further, other factors such as seasonal variations and consumer response may tend to lower the average number of transactions per AP. Therefore, it is reasonable to use an average of 15 transactions per accounting period in the fixed cost calculation.
- (c) Not confirmed. The 15 transactions per accounting period is based on the actual average number of transactions per QBRM account during the FY98 AP1 through AP9 accounting periods for offices which report to the PERMIT system. These offices may or may not use BRMAS software for sorting QBRM. It is reasonable, however, to assume that offices with high-volume QBRM customers are more likely to report to the PERMIT system than offices without high-volume QBRM customers.
- (d) For this period, the average volume per account transaction is 132 QBRM pieces.
- (e) No. The methodology that I have chosen to follow does not require these data.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**KE/USPS-T29-9.**

Please refer to Section B, p. 2 of USPS LR-I-160, where you determine the Per-Piece Costs for QBRM (high-volume).

- (a) Please confirm that the method of final piece count, indicating that 66.5% of the pieces are counted by manual/other means, was determined prior to your decision to propose a reduced per piece fee for QBRM recipients who receive large volumes.
  - (b) Please fully describe the manual/other processing technique for counting QBRM pieces received by large volume recipients.
  - (c) Please fully describe the manual processing technique that produced the 951 PPH productivity upon which you rely in your cost analysis provided in LR-I-160, Section B, pages 2 and 3. See 1990 BRM survey data, Docket No. R90-1, USPS-T-23, Exhibit USPS-23F.
  - (d) Does the Postal Service find it cost effective to hand count QBRM letters received by one recipient in large volumes? Please explain your answer.
  - (e) Does the Postal Service find it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes? Please explain your answer.
  - (f) Did you attempt to obtain the percentage of pieces processed by the three methods of final piece count separately for QBRM recipients who receive low volumes and QBRM recipients who receive high volumes? If you did attempt to obtain that information, please quantify "high volumes" and explain the results of that effort and provide all documents that discuss that effort. If you did not attempt to do so, please explain why not?
  - (g) Do field offices choose the method of counting QBRM pieces based on the anticipated volume received by particular QBRM recipients? If they do not, please explain why not.
  - (h) If your answer to part (g) is yes, then why didn't your analysis focus just on high QBRM volume recipients for the purpose of determining the method of final piece counts? If your answer to part (g) is no, please explain why the anticipated volume of QBRM received per recipient is not an important factor in determining the method of final piece counts for high volume QBRM recipients.
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**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**KE/USPS-T29-9 (continued)**

- (i) Focusing on "Method of final piece count" and "Method and finest depth of sortation of BRM", please confirm that the percentages shown for manual operations imply that 41.6% of the pieces were sorted manually to the end recipient, but 66.5% were actually counted manually? If you cannot confirm, please explain what the percentages imply.
- (j) Did you make attempt to independently study how many pieces of QBRM letters returned to a single recipient would be required in order to generate cost savings (compared to QBRM received in "low" volumes)? If not, why not?
- (k) Does the 2.0 cents unit cost reflected on the line entitled "Net direct and indirect weighted per piece cost of BRM processing" represent your estimate for the average unit cost to count QBRM letters? If not, please explain exactly what the 2.0 cents unit cost represents.

**RESPONSE:**

- (a) Confirmed.
  - (b) The "manual/other" category in Section B, page 2, refers to the source of the final piece count. The category includes the following sources:
    - 1. Manual counts (47.2%)
    - 2. Special counting machine (10.4%)
    - 3. Weighing of identical pieces (4.8%)
    - 4. Bulk weighing (4.1%)
  - (c) The 1990 survey that produced the 951 PPH productivity did not capture a description of each site's manual processing technique. The survey instructions state that "[t]he information on Manual BRM should relate to BRM pieces that are exclusively handled manually within the
-



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**Response to KE/USPS-T29-9 (continued)**

postage due unit" (see Docket No. R90-1, USPS-T-23, Exhibit USPS-23A, page 4). To my knowledge, manual processing techniques have not changed in any measurable way since the 1990 survey was conducted.

- (d) The Postal Service finds it cost effective to hand count QBRM letters received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs.
- (e) The Postal Service finds it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs.
- (f) No. These data are not readily available.
- (g) Many do. If one or more accounts receive sufficiently high volumes to provide an incentive to use BRMAS, or end-of-run (EOR) bin counts, or weight averaging, or counting machines, then these methods also might be employed on low-volume accounts. Some facilities with high-volume accounts may have available end-of-run bin counts, but find the EOR unreliable and end up relying on counting machines or manual counts, instead. Competition with other operations for bar code sorter utilization during early morning critical mail processing windows (such as delivery point sequencing) may drive an office to rely on manual counts or weight averaging, instead of BRMAS or EOR bin counts, irrespective of volumes. A lot also depends on whether the



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-9 (continued)**

volumes for a particular high-volume account are steady. Some have constantly high daily volumes; other high-volume accounts fluctuating on a daily, intermittent or seasonal basis. Also, see response to KE/USPS-T29-2(e).

- (h) As explained in part (g), many factors go into a site's decision to utilize one method over another for the purpose of determining a final piece count. In many instances, it is not the volume of a particular BRM account that determines the method of counting used, but rather the number and volumes of all BRM accounts across the entire facility. Again, in many instances, the same method is used to count all accounts at a particular site for both low and high-volume accounts. For this reason, it does not make sense to focus just on high-volume QBRM accounts when the same counting method is being used for low-volume accounts.
- (i) Not confirmed. The percentages shown for manual operations imply that 41.6% of the pieces were sorted manually to the end recipient, while 66.5% received a final piece count using a manual method (47.2%) or other method (19.3%). In some cases, BRM is sorted using one method, but receives a final count from another method. An example is when BRM is sorted on a BCS to the end recipient and is sent to the postage due unit for manual counting.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**Response to KE/USPS-T29-9 (continued)**

(j) No. I did not conduct such a study. These data are not readily available.

(k) The 2.0 cents unit cost on the line entitled "Net direct and indirect weighted per piece cost of BRM processing" represents my estimate for the average unit cost to sort and count QBRM letters.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-10.**

On page 16, footnote 5 of your testimony you note that "Field observations confirmed that manual distribution productivity has not changed significantly since 1989".

- (a) Please describe the manual distribution activity that the field observations confirmed.
- (b) Did the manual distribution activity include manual piece counts? If there were other manual techniques, please describe them fully.
- (c) Did the field observations take place in offices that received low volumes per recipient, high volumes per recipient, or both? If you do not know, please so state.
- (d) Has the Postal Service considered wider implementation of weighing techniques for QBRM pieces received in large quantities, in view of the newly implemented classification for nonletter-size BRM received in bulk? Please explain your answer.

**RESPONSE:**

- (a) My field observations confirmed the use of time-consuming manual <sup>sorting and</sup> counting of individual BRM pieces in postage due units for both high-volume and low-volume BRM accounts.
- (b) Yes. The manual distribution activity observed included manual piece counts. There were no other manual techniques observed.
- (c) Field observations were conducted in offices that received both low and high volumes per recipient.
- (d) Redirected to USPS for response.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY  
KE/USPS-T29-11.**

Please refer to Section B, p. 2 of USPS-LR-I-160 where you determine the Per-Piece Costs for QBRM (high-volume).

- (a) Please confirm that the percentages you show for "Method of final piece count", as determined from a study in Docket No. R97-1, are intended to be representative of all offices, independent of whether or not they process QBRM pieces received in large quantities for individual QBRM recipients. If you cannot confirm, please explain and provide all documents which discuss this topic.
- (b) Please confirm that the percentages you show for "Method and finest depth of sortation of BRM", as determined from a study in Docket No. R97-1, are intended to be representative of all offices, independent of whether or not they process QBRM pieces received in large quantities for individual QBRM recipients. If you cannot confirm, please explain and provide all documents that discuss this topic.
- (c) Please confirm your analysis assumes that the method employed by an office to determine the QBRM final piece count is not dependent on whether the volume received by an individual recipient is large? If you cannot confirm, please explain and provide all documents that discuss this topic.

**RESPONSE:**

- (a) Confirmed.
  - (b) Confirmed.
  - (c) Confirmed.
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-13.**

In Docket No. MC99-2, USPS witness Ellard performed a special study to "determine the level of interest in new accounting methods and fees for nonletter-size Business Reply Mail (BRM)". See USPS-T-4, p. 1. In that study, he attempted to find out what mail recipients would be interested in such a classification and how much mail could be expected to be returned under the newly proposed BRM nonletter fee. Did you perform any similar study with respect to QBRM received in high volumes? If yes, please provide the results of your study? If not, please explain why you did not perform such a study?

**RESPONSE:**

To my knowledge, the Postal Service did not perform any similar study with respect to QBRM received in high volumes.

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-14.**

Please refer to LR-I-160, Section K, where you derive the unit cost for weighing and counting nonletter-size BRM.

- (a) Please describe how you obtained an average daily volume of 8,288 pieces.
- (b) Is the average daily quantity of 8,288 pieces representative for the entire universe of nonletter-size BRM? Please explain your answer.
- (c) If the average daily volume fluctuates considerably on the high side, say to 25,000 pieces per day, will the derived per piece costs go down? Please explain your answer.
- (d) If the average daily volume fluctuates considerably on the low side, say to 100 pieces per day, will the derived per piece costs go up? Please explain your answer.
- (e) Will the per piece costs change if the shapes of the BRM were letter-size? If so, why? If so, how? Please explain your answer.
- (f) Does the average number of pieces weighed per hour productivity of 7,272.3 (line 4) assume that labor costs vary 100% with volume? Please explain your answer.

**RESPONSE:**

- (a) See Docket No. MC99-2, USPS-T-3 for an explanation of the data collection procedures.
- (b) The average daily quantity of 8,288 pieces is based on data collection at three sites, which had more than six month's experience with weight averaging. For purposes of estimating weight averaging costs, the three data collection sites were assumed to be representative of the entire universe of nonletter-size BRM.
- (c) This question cannot be answered without knowing the daily weighing time for those 25,000 pieces.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-14 (continued)**

(d) This question cannot be answered without knowing the daily weighing time for those 100 pieces.

(e) I do not know <sup>how much</sup> ~~whether~~ the per-piece cost would change if the shape of the BRM pieces were letter-size. An answer would be pure speculation.

(f) To my knowledge, the productivity of 7,272.3 assumes that labor costs vary 100 percent with volume. This assumption is consistent with the Postal Service's use of volume variability in this proceeding. See USPS-T-15 for a complete discussion on volume variability in relation to this proceeding.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-15.**

On page 39 of your testimony you discuss the derivation for QBRM cost savings. You note the differences between your methodology in this case and the methodology you employed in Docket No. R97-1.

- (a) Why did you expand the model to incorporate mail processing costs through the incoming secondary operation?
  - (b) Aren't QBRM pieces usually returned to a business? If so, why do you assume that the QBRM mail flow densities will be the same as for all First-Class mail, as stated in footnote 8 on page 40 of your prepared testimony?
  - (c) Referring to footnote 8 on page 40 of your prepared testimony, did you assume for purposes of your cost models that the densities for QBRM and handwritten addressed letters were identical? Please explain.
  - (d) Why did you choose to use the CRA adjustment factor for "non-automation presort" in this case, rather than the "automation non-carrier route presort" CRA adjustment factor that you used in Docket No. R97-1?
  - (e) If you had used the "automation non-carrier route presort" CRA adjustment factor, as you did in Docket No. R97-1, wouldn't that have implied that your model-derived unit costs overstated the actual costs? Please explain your answer.
  - (f) If QBRM letters are prebarcoded and automation-compatible, why do you claim that operations for non-automation presort mail more closely resemble those for QBRM letters? Aren't these pieces more similar to automation letters? Please explain.
  - (g) Did your models capture additional costs that QBRM save and handwritten letters do not, such as bin capacity constraints, barcoding limitations, REC keying errors, system failures and REC Productivity? (See Docket No. R97-1, USPS-T-23, p. 9) If so, how? If not, how did you account for these factors?
  - (h) Why did you assume that 100% of the QBRM would flow from the incoming MMP operation to the SCF-Incoming Primary operation, as stated in footnote 8?
  - (i) What is the basis for your statement on page 40 that improvements in RBCS character recognition have lowered the cost associated with handwritten single-piece processing? Please provide copies of all studies or other documents that discuss the impact of improvements in
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-15 (continued)**

RBCS character recognition on the cost of processing handwritten single-piece letters.

**RESPONSE:**

- (a) As stated on page 38 of my testimony, USPS witness Miller's model presented in Docket No. R97-1 captured "mail processing costs up to the point where each mail piece receives its first barcoded sortation on a BCS." *The expanded model, however, captures all mail processing costs through the incoming secondary operation. Thus, I incorporated the expanded model to fully capture mail processing cost differences between a preapproved prebarcoded First-Class mail piece and a handwritten First-Class mail piece.*
  - (b) The mail flow densities referred to in footnote 8 on page 40 of my testimony are limited to mail processing operations through the incoming secondary operation. Delivery to businesses is outside the scope of these mail flow densities.
  - (c) Yes. For purposes of my cost models, I assumed that the mail flow densities for QBRM and handwritten addressed letters are identical with one exception, as noted on page 40 of my testimony. The densities are based on a mail flow density study (see Docket No. R2000-1, USPS-T-24, Appendix IV), which did not capture densities specifically for QBRM. Therefore, the assumption stated above is both necessary and reasonable.
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-15 (continued)**

- (d) The non-automation presort mailstream serves as a good proxy for the single-piece mailstream, which includes both QBRM and handwritten mail pieces.
  - (e) The cost models rely on average data inputs and simplified processing assumptions such that the weighted model cost results will not be equal to the CRA mail processing worksharing related proportional costs. The CRA worksharing related proportional adjustment factors are applied to the final model cost results to compensate for this fact.
  - (f) See my response to KE/USPS-T29-15 (d).
  - (g) As stated in Docket No. R97-1, USPS-T-23, page 9, "[t]he application of this factor is appropriate since the models do not consider some elements which would have contributed to further increasing the cost avoidance." The "factor" is the CRA adjustment factor, which my models incorporate.
  - (h) QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation.
  - (i) Please see my response to KE/USPS-T29-16 (b).
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REVISED April 17, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-16.**

Please refer to LR-I-160, Section L, p. 2 and Docket No. R97-1, Exhibit USPS-T-23D, where you estimate unit costs for processing handwritten-addressed letters through the outgoing RBCS operation.

- (a) Please confirm that your cost models indicate that it costs an average of 3.626 cents to process a handwritten letter in the outgoing RBCS operation in Docket No. R97-1, but will cost only 2.567 cents in the test year in the current proceeding? If you cannot confirm, please provide the correct cost figures and explain the derivation of those unit costs.
- (b) Please explain why, in spite of an 11% increase in the wage rate (from \$25.45 to \$28.24), the unit labor cost through the RBCS operation for handwritten letters decreased by 29% (from 3.626 to 2.567 cents). If you cannot confirm the unit costs in part (a), please answer this question using the new figures you provide in response to part (a).
- (c) Why did the number of handwritten letters processed through the REC decrease from 9,606 in Docket No. R97-1 to 3,213 in this case. Please support your answer.
- (d) When handwritten letters are sent through the outgoing RBCS operations, will they always be given an 11-digit barcode? Please explain your answer.
- (e) Why are there no handwritten letters sent to the incoming RBCS operations, as shown in USPS LR-I-160, Section L, p. 2?
- (f) Please provide the derivation of the RCR unit cost of .486 cents.

**RESPONSE:**

- (a) Confirmed.
  - (b) The answer to this question is two-fold. First, as stated on page 40 of my testimony, "[i]mprovements in RBCS character recognition have lowered the cost associated with handwritten single-piece processing." RCR software finalization rates have improved from an average 31.6
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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-16 (continued)**

percent in 1998 to an estimated 69 percent in test year 2001 (see Docket No. R2000-1, USPS LR-I-164). With more mail pieces being resolved by RCR software, fewer mail piece images are forwarded to labor-intensive (i.e., costly) REC's for finalization.

Second, in Docket No. R97-1, only 92.59 percent of handwritten mail pieces had access to RBCS in the test year (i.e., FY98). This means that a significant amount of handwritten mail pieces were processed in a labor-intensive (i.e., costly) manual operation. In the current test year (i.e., FY2001), 100 percent of handwritten mail pieces have access to RBCS processing.

Through a combination of RCR finalization rate improvements and increased access to RBCS processing, both RBCS and outgoing primary unit costs have declined for handwritten mail pieces.

(c) See my response to KE/USPS-T29-16 (b).

(d) As stated in Docket No. R97-1, USPS-T-23, page 9, "some handwritten mail may not obtain a complete 11-digit barcode through RBCS." The primary reason for not obtaining an 11-digit barcode is an incomplete or incorrect address that cannot be resolved at the REC.

(e) In general, mail pieces that go through the outgoing RBCS operation do not go through an incoming RBCS operation.

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REVISED April 17, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF KEYSpan ENERGY****Response to KE/USPS-T29-16 (continued)**

(f) TY 2001 RCR Cost from USPS LR-I-77 • 100

FY 98 RCR Volume from Corporate Information System

= (\$109,317,075) / (22,500,709,679 pieces) • 100 = 0.486 cents / piece

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-17.**

Please refer to LR-I-160, Section L, p. 3 and Docket No. R97-1, Exhibit USPS-T-23D, where you estimate unit costs for processing QBRM letters through the outgoing primary operation.

- (a) Please confirm that your cost models indicate that it cost an average of .942 cents to process a QBRM letter in the outgoing primary operation in Docket No. R97-1, but will cost 1.2905 cents in the test year in the current proceeding? If you cannot, please provide the correct cost figures and explain the derivation of those unit costs.
- (b) Please explain why the unit model cost for handwritten letters going through the outgoing RBCS and outgoing primary operations went down 33% (from 4.408 cents in Docket No. R97-1 to 2.933 cents in this case), while the unit model cost for QBRM letters going through the outgoing primary operation went up 37% (from .942 cents in Docket No. R97-1 to 1.2905 cents in this case).

**RESPONSE:**

- (a) Confirmed.
- (b) Please see my response to KE/USPS-T29-16 (b) for an explanation of declining RBCS and outgoing primary unit costs for handwritten mail.

As you noted, the modeled outgoing primary unit cost for QBRM pieces increased by 37 percent between test year 1998 and test year 2001. Two factors account for this increase. First, the average hourly wage rate for clerks increased by 11 percent during this time period, while the piggyback factor for a DBCS increased by 31.6 percent.

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-18.**

Please refer to LR-I-160, Section L, pp. 2 and 3, where you estimate unit costs for processing QBRM and handwritten letters through the incoming primary operation.

- (a) Please confirm that the unit costs to process QBRM and handwritten letters through the incoming primary operations are 1.5382 cents (.3693+.1578+.7602+.2509 cents) and .9576 cents (.1902+.1644+.4002+.2028 cents), respectively. If you cannot confirm, please provide the correct unit costs and an explanation of how they are derived.
- (b) Why do your analyses show that the costs to process handwritten letters are so much lower than costs to process QBRM letters in the incoming primary operations? In your answer, please explain why, compared to QBRM letters, so many handwritten letters can bypass this operation.

**RESPONSE:**

- (a) Confirmed.
- (b) Please examine the mail flow models for both handwritten and QBRM mail pieces (see USPS LR-I-160, Section L, pp. 4 and 5), in conjunction with the mail flow densities (see USPS LR-I-160, Section L, pp. 7 and 8). Please observe that handwritten mail pieces generally receive their first sortation in the outgoing RBCS operation. The assumed mail flow densities show about one-third of the handwritten mail pieces flowing to an incoming SCF/primary operation, about one-third flowing to an incoming secondary operation, and about 10 percent to a Managed Mail operation.

Next, please observe that QBRM pieces generally begin in the outgoing primary operation for their first sortation. The mail flow

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**(Response to KE/USPS-T29-18 continued)**

densities reveal that over half of these mail pieces flow directly to an incoming primary operation and about one-third to a managed mail operation. For many QBRM pieces (*i.e.*, larger accounts), the incoming primary operation is the last and final sortation. With over 85 percent of QBRM pieces receiving a sortation in the incoming primary and less than half of handwritten pieces receiving a sortation in the incoming primary, it is no wonder that the unit cost for QBRM pieces is higher than for handwritten pieces in the incoming primary operation.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-19.**

The standard method of BRM counting, rating and billing is to individually weigh each piece, compute the appropriate postage, set up a worksheet tally to keep track of the number of pieces and postage per recipient, and then calculate the postage due for each customer.

- (a) Do you agree that these steps essentially cover the manual method for processing BRM letters? If not, please explain.
- (b) Do you agree that while such processing might be cost effective for BRM recipients who receive small volumes, it would not be appropriate for BRM recipients who receive large volumes?

If you do not agree with part (b), please explain the circumstances where it would be cost effective to individually count and weigh each BRM piece, determine the applicable postage for each piece, maintain a tally worksheet, and then calculate the total postage due for that customer.

**RESPONSE:**

- (a) This response assumes the question is addressing the counting, rating, and billing of BRM letters and cards. I do not agree with the above description of "standard" manual counting, rating, and billing. Manual counting does not typically involve weighing BRM pieces, but rather involves a clerk physically counting each BRM piece and recording the data on a tally sheet. Rating BRM pieces manually typically involves a clerk calculating the appropriate postage and fees due based on the manual count. Manual billing involves a clerk preparing a bill for each BRM account based on the postage and fee calculation.
- (b) The processing that you have described would not be appropriate for BRM recipients who receive large volumes of BRM pieces (*i.e.*, weigh



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-19 (continued)**

each piece, compute the appropriate postage, set up a worksheet tally to keep track of the number of pieces and postage per recipient, and then calculate the postage due for each customer).



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-20.**

In Campbell WP II you show the derivation of your manual productivity PPH of 951 for "counting and distribution of BRM."

- (a) Please confirm that this PPH was derived from data collected in 1989 and presented by USPS witness Pham in Docket No. R90-1 (Pham Study). If you cannot confirm, please provide the source information for the derivation of this PPH.
- (b) Please confirm that of the 7,763.48 hours recorded for counting and distributing BRM in the Pham Study, 2,217.90 or 28.6% came from one office, which had almost 10,000 individual advance deposit BRM accounts?
- (c) Please confirm that, for the 15 offices studied over a two-week period in 1989, the computed productivities ranged from a low of 465 PPH to a high of 1,977 PPH. If you cannot confirm, please provide the correct range of productivities and explain how they were derived.
- (d) Why didn't you modify the derived 951 PPH as you did other manual operations to compute a marginal productivity that is consistent with the Postal Service's position that labor costs do not vary 100% with volume? See, for example, LR-I-160, Section L, p. 12, where you divided the MODS Productivity for manual operations by .735 to compute the marginal productivities.
- (e) Please confirm that in Docket No. R97-1, USPS witness Schenk adjusted the manual BRM sortation productivity in the postage due unit by dividing the 951 PPH from the R90-1 Pham Study by .797 to compute the marginal productivity. See USPS-T-27, p. 11 and Exhibit USPS-27C, footnote 7. If you cannot confirm, please explain.

**RESPONSE:**

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) See my response to KE/USPS-T29-5 (c).



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-20 (continued)**

(e) Not confirmed. In Docket No. R97-1, USPS witness Schenk adjusted the manual BRM sortation productivity in the postage due unit by dividing 362 PPH from the Pham study by 0.797 to compute the marginal productivity.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-22.**

In Docket No. R97-1, USPS witness Schenk noted that Prepaid Reply Mail (PRM) service "would be advantageous for some high-volume BRMAS-qualified BRM recipients. If there is migration of BRMAS-qualified volumes to PRM, the BRMAS coverage factor would change, which would affect the cost of BRMAS-qualified BRM". (USPS-T-27, p. 13).

- (a) Please confirm that USPS witness Schenk determined the unit cost for QBRM by using an adjusted BRMAS coverage factor of 5.87 percent, which was intended to take into account USPS witness Fronk's projection that 66 percent of BRMAS-qualified BRM volume would migrate to PRM. If you cannot confirm, please explain.
- (b) Did you make any adjustment in your development of QBRM unit costs, similar to the adjustment made by USPS witness Schenk in R97-1, to reflect the possible migration of QBRM volumes from paying the proposed 6-cent fee to the newly proposed 3-cent per piece fee (with fixed quarterly fee)? If yes, please explain exactly what kind of adjustment you made. If you did not make such an adjustment, please explain why not?
- (c) Do you agree that a BRM recipient who received large volumes would be the type of Postal customer who would have taken advantage of the proposed PRM service, if it had been implemented, and who will take advantage of the new, 3-cent QBRM fee that the Postal Service proposes in this case? If you do not agree, please explain and provide all documents reviewed by you in connection with the formulation of your response to this interrogatory.
- (d) Please confirm that QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If you cannot confirm, please explain why not.
- (e) If you confirm the statement in part (d), wouldn't your derived unit cost for QBRM (high volume) be overstated, while your unit cost for QBRM (low volume) be understated? Please explain your answer.
- (f) Please confirm that nonletter-size BRM pieces received by individual recipients in high volumes cost less to count than nonletter-size BRM pieces received by individual recipients in low volumes? If you cannot confirm, please explain why not.



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**KE/USPS-T29-22 (continued)**

**RESPONSE:**

- (a) Confirmed.
- (b) No. I did not make such an adjustment. The adjustment made by USPS witness Schenk in R97-1 was made because BRM operations likely would have changed with the introduction of PRM. In this proceeding, however, BRM operations (*i.e.*, counting, rating, and billing) are unlikely to change with the introduction of the newly proposed 3-cent per piece fee.
- (c) Redirected to USPS for response.
- (d) Not confirmed. This statement is not universally true. Some offices processing a few high-volume QBRM accounts are not equipped to count the pieces using automation due to BCS capacity constraints. These pieces are counted using alternative methods such as labor-intensive (*i.e.*, expensive) manual counting. Conversely, some offices receiving low-volume accounts can count these pieces on automation (*i.e.*, inexpensive) along with the high-volume accounts.
- (e) I did not confirm the statement in part (d).
- (f) Not confirmed. This statement is not universally true. The methods used to count high-volume nonletter-size BRM accounts vary. Likewise, the methods used to count low-volume nonletter-size BRM accounts vary. As a result, generalizations can not be made about



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**Response to KE/USPS-T29-22 (continued)**

nonletter-size BRM costs for high-volume accounts and low-volume accounts.

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**KE/USPS-T29-23.**

According to USPS witness Mayo, in the test year after rates the Postal Service expects to sort and count about 154 million QBRM letters to "high volume" recipients and about 306 million QBRM letters to "low volume" recipients. See USPS-T-39, WP-5. According to USPS witness Campbell, 45.9% will be distributed manually and 66.5% will be counted manually at 951 pieces per hour. See USPS LR-1-160, pages 2 and 3.

- (a) Please confirm that the Postal Service expects to hand count approximately 462 million pre-approved, prebarcoded automation-compatible QBRM letters in the test year. If you cannot confirm, please provide the correct number of pre-approved, prebarcoded automation-compatible QBRM letters the Postal Service expects to hand count in the test year, and provide copies of all source documents or references to relevant portions of the record.
- (b) Please confirm that the Postal Service expects to spend about 465,000 man-hours hand counting pre-approved, prebarcoded automation-compatible QBRM letters in the test year.  $[462,000,000 / 951 = 485,804]$ . If you cannot please provide the correct number of man-hours and provide copies of all source documents or references to the relevant portions of the record that were used to derive the number.
- (c) What is the productivity for manually distributing (and not counting) QBRM letters?
- (d) What is the productivity for manually counting (and not distributing) QBRM letters?
- (e) Please state at which of the following average daily volume levels (pieces per day) the Postal Service can be confident that an individual QBRM recipients reply letters will consistently receive some form of automated counting or bulk counting (such as weight conversion techniques) rather than manual counting in postal facilities where QBRM is processed:
  - 1. 1000;
  - 2. 1500;
  - 3. 2000;
  - 4. 2500;
  - 5. 3000;
  - 6. 3500;
  - 7. 4000;
  - 8. 4500;



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**KE/USPS-T29-23 (continued)**

- 9. 5000;
- 10. 5000+

- (f) How does the Postal Service categorize the processing method used to distribute the QBRM reply letters of Brooklyn Union Gas Company that are processed at the Postal Service's mail facility located at 1050 Forbell St., Brooklyn, New York?
- (g) How does the Postal Service categorize the processing method used to count the QBRM reply letters of Brooklyn Union Gas Company that are processed at the Postal Service's mail facility located at 1050 Forbell St. Brooklyn, New York?
- (h) Please identify at least 10 specific post office facilities where Postal Service employees routinely count manually the reply letters of QBRM recipients who receive "high" volumes? If possible, please include in the list of such Postal facilities at least three which are within 100 miles of Washington, DC, and the mail facility identified in part (f), if applicable.
- (i) Please identify at least 10 specific post office facilities where Postal Service employees routinely count manually the reply letters of QBRM recipients who receive "low" volumes? If possible, please include in the list of such Postal facilities at least three which are within 100 miles of Washington, DC., and the mail facility identified in part (f), if applicable.
- (j) Please arrange for counsel for the Postal Service to confer with counsel for KeySpan Energy to arrange mutually convenient times and procedures for the inspection and video taping of QBRM mail processing methods at the post office facilities identified in response to parts (h) and (i) of this interrogatory and video taping of interviews with, or depositions of, the field and management personnel responsible for processing QBRM at such facilities.

**RESPONSE:**

- (a) Not confirmed. Based on the volume estimates provided at USPS-T-39, WP-5, the Postal Service expects to manually sort and count 218.1 million QBRM pieces in the test year. The calculation is as follows:



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**Response to KE/USPS-T29-23 (continued)**

462 million QBRM pcs \* 47.2%<sup>1</sup> = 218.1 million QBRM pcs

- (b) Not confirmed. Based on the volume estimates provided at USPS-T-39, WP-5, the Postal Service expects to spend approximately 229,338 work-hours manually sorting and counting QBRM pieces in the test year. The calculation is as follows:

218.1 million QBRM pcs / 951 pcs.per hr = 229,338 hrs

- (c) (d)

The productivity for manual distribution is based on a 1989 study (see Docket No. R90-1, USPS-T-23, Exhibit USPS-23F) which inextricably integrates the manual sorting and counting activities.<sup>2</sup> Therefore, it is not possible to provide a productivity for manual distribution without including the counting activity. Similarly, it is not possible to separate the manual counting productivity from the distribution productivity.

- (e) There is no standard formula that determines when a particular QBRM account receives automated processing or bulk counting as opposed to manual counting. This decision is site-specific and many times customer-specific. Among several factors considered by each

<sup>1</sup> 47.5% (manual) \* 19.3% (other) = 66.5%

<sup>2</sup> Please note that the term "manual distribution", as employed in my testimony, encompasses both manual sorting and counting activities. In an effort to clarify any confusion regarding the use of the term "manual distribution", I am filing errata to correct inconsistent uses of the term in my testimony and supporting documentation (e.g., in Campbell Workpaper 2, Calculation of Manual BRM Postage Due Unit Productivities, the first work element should simply read "Distribution").



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**Response to KE/USPS-T28-23 (continued)**

BRM processing site are automation capacity/availability, processing window times, and the degree of commitment to utilizing BRMAS and other programs for counting, rating, and billing BRM pieces.

The primary factor in determining a processing method, however, appears to be a site's daily BRM volume. Many sites receive inconsistent volumes for individual QBRM accounts on a day-to-day basis. Some days a particular account may receive relatively few QBRM pieces, while other days the same account may receive QBRM in large volumes. Because of such volume fluctuations, some processing sites must resort to manual QBRM sorting and counting in the postage due unit. Other sites resort to alternative methods such as bulk weighing and end-of-run counts, particularly for higher volume accounts. It makes little sense to tie up an entire BCS to process a few pieces on a given day. Even if a site could predict daily BRM volumes, the BRMAS sort plan would require daily revision.

Conversely, some QBRM processing sites may receive high QBRM volumes consistently on a day-to-day basis. In this scenario, the site may be able to justify a dedicated BCS for processing both high and low volume BRM accounts.

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**Response to KE/USPS-T29-23 (continued)**

(f), (g)

*as the primary method*

The Postal Service implements a weight averaging method<sup>1</sup> to distribute the QBRM reply letters of Brooklyn Union Gas Company processed at the Brooklyn Processing and Distribution Center located at 1050 Forbell St., Brooklyn, NY.

(h), (i)

I have identified 10 QBRM processing sites where postal employees routinely hand count QBRM pieces received by "high" and "low" volume QBRM accounts. Please see the attached list for specific sites.

(j) Objection filed.



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**Attachment**

**QBRM Manual Processing Sites  
"High" and "Low" Volume**

Austin P&DC  
Carol Stream (IL) P&DC  
Colorado Springs P&DC  
Fremont, MI Post Office  
Grand Rapids, MI (Main Office)  
Grand Rapids, MI (Northwest Branch)  
Paramus, NJ Post Office  
San Diego, CA (Sorrento Valley Station)  
San Francisco P&DC  
Springfield, VA Main Post Office

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-24.**

Please refer to your responses to KE/USPS-T29-2, parts (b) and (f), and your response to KE/USPS-T29-11 (c).

- (a) In response to KE/USPS-T29-2 (b) you referred to a list of the various methods used for counting QBRM letters. Please confirm that you assumed the same productivity - namely 951 PPH -for counting and sorting QBRM by means of a "special counting machine", "bulk weighing", and "weighing of identical pieces" as you did for the "manual counting and sorting" method. If you cannot confirm, please explain.
- (b) Interrogatory KE/USPS-T29-2 (f) asked you, in part, to explain why certain studies or analyses were not performed. You did not answer that part of the interrogatory. Please explain why no attempt has been made to determine the typical processing method for high volume QBRM recipients in the delivery facility and how it might differ from the typical processing method of low volume QBRM recipients.
- (c) Why did you simply assume, as indicated in your response to Interrogatory KE/USPS-T29-11 (c), that the methods employed by postal service personnel to count QBRM letters would not be dependent on whether the volume received by an individual customer is high?

**RESPONSE:**

- (a) Confirmed. A manual counting and sorting productivity was used as a proxy for the specified counting and sorting techniques, given the absence of productivity data for these techniques.
- (b) Preliminary attempts have been made through site visits and telephone calls to determine a "typical" processing method for both high and low volume QBRM recipients. No studies have been conducted on the subject because preliminary attempts to determine whether a "typical" processing method exists revealed that there is no "typical" method for either high or low volumes.



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**Response to KE/USPS-T29-24 (continued)**

- (c) High and low-volume QBRM pieces are sometimes processed using the same counting method at a particular site. For example, a site that uses BRMAS to count and sort BRM on a DBCS may process both high and low-volume accounts on the same machine, at the same time. Therefore, in many cases, the field does not differentiate between high and low-volume accounts when counting, rating, and billing business reply mail.



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**KE/USPS-T29-25.**

Please refer to your response to KE/USPS-T29-4 (b), where you note differences between your methodology for measuring processing costs for QBRM received in high volumes and the methodology used by USPS witness Schenk in the R97-1 proceeding.

- (a) Please confirm that in the R97-1 proceeding, USPS witness Schenk's methodology was used to measure the processing costs of QBRM reply pieces that the Postal Service expected to have remaining after high volume BRMAS recipients migrated to the proposed PRM service. If you cannot confirm, please explain why not.
- (b) Why does your methodology remove counting costs for QBRM pieces counted by BRMAS software or end-of run reports?
- (c) Why does your methodology subtract out incoming secondary costs only for those QBRM pieces that are manually sorted and counted?

**RESPONSE:**

- (a) Confirmed. It is my understanding that witness Schenk's methodology incorporated a reduced coverage factor for the BRMAS operation in an effort to reflect BRM migration to PRM. In the PRC's Opinion and Recommended Decision, however, the Commission stated that "the coverage factor resulting from the Service's BRM operations study should not be altered" (see PRC Op. R97-1, page 320).

In this case, I do not expect that operations would be significantly impacted following the introduction of the new QBRM rate design.

Therefore, I have not conducted an alternative cost analysis.



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**Response to KE/USPS-T29-25 (continued)**

(b) My methodology removes counting costs for QBRM pieces counted by BRMAS software or end-of-run reports because these costs are not incremental to QBRM. By this, I mean that these pieces would generally be sorted and counted on a BCS if they were not QBRM pieces.

(c) My methodology subtracts out incoming secondary costs only for those QBRM pieces that are manually sorted and counted because the incoming secondary costs for those QBRM pieces sorted and counted on automation (i.e., BCS) are not included in the cost methodology (see my response to KE/USPS-T29-25 (b)). Sorting and counting costs for those QBRM pieces that are manually sorted and counted are considered "incremental" to QBRM in my costing approach, as defined in my response to part (b). An Automation Basic Presort incoming secondary subtraction is incorporated for these pieces to alleviate double counting given that First-Class postage already pays for an incoming secondary.



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**KE/USPS-T29-26.**

Please refer to your response to KE/USPS-T29-5(c). There you were asked why you changed USPS witness Schenk's methodology by adjusting the marginal postage due unit productivity to vary 100% with volume.

- (a) Please confirm that, according to the Postal Service's cost methodology on labor cost variability, manual primary and secondary sortations performed outside the postage due cage (excluding non MODS sites) are only 73.5% variable. See LR-I-160L, p. 12. If you cannot confirm, please explain why not and provide the correct variable cost percentage and citations to appropriate portions of the record where the correct variable cost percentage is derived.
- (b) Please explain specifically why postage due activities for "manually counting and distributing" QBRM letters were considered 79.7% variable with volume in Docket No. R97-1, but are now considered 100% variable with volume in this case. Please note that your general reference to USPS-T-15 was not an adequate or helpful response to the referenced question.
- (c) If you had assumed, as USPS witness Schenk did in Docket No. R97-1, that the manual productivity of 951 PPH was not 100% variable with volume, how would that assumption affect your derived 2.0-cent cost to sort and count BRM received by individual customers in large volumes.

**RESPONSE:**

- (a) Confirmed.
- (b) The use of 100 percent volume variability in the postage due unit is an institutional decision made by the Postal Service and is not within the scope of my testimony. I referred you to witness Bozzo's (USPS-T-15) testimony because he explains why the Postal Service uses 100 percent volume variability for some cost pools, while using less than 100 percent for others. Please note that the Commission has



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**Response to KE/USPS-T29-26 (continued)**

historically favored the use of 100 percent volume variability for all cost pools.

- (c) If I had assumed that the manual productivity of 951 PPH was less than 100 percent variable with volume, then the estimated cost to sort and count QBRM received by individual customers in large volumes would have been lower than 2.0 cents.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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(April 24, 2000)**

**KE/USPS-T29-27.**

Please refer to your responses to KE/USPS-T29-6, parts (b) and (c). In your response to part (b) you state that 41.6 percent of QBRM pieces receive a manual sortation to the final customer. Yet, if these pieces were mailed postage pre-paid, you "assume" these same pieces "would reflect mail processing characteristics of a First-Class Automation Basic mail piece".

- (a) Please confirm that, as shown in USPS-T-24, Appendix I, page 24, for an average First-Class Automation Basic mail piece about 90% of the piece handlings are processed on automated equipment in the incoming secondary, at an average unit cost of 2.11 cents per piece.
- (b) Please confirm that you assume that, if these pieces are sent postage prepaid, the average incoming secondary sort costs 2.11 cents per piece, but if they are sent BRM, you assume that the incoming secondary sort costs 4.32 cents per piece. If you cannot confirm, please explain why not and provide the correct unit costs and citations to appropriate portions of the record where the correct unit cost figures are derived.
- (c) Assuming that you confirm part (b), can you explain why you assume that the Postal Service would not process QBRM reply letters received by individual recipients in high volumes in the most efficient manner possible -by processing these letters along with other regular First-Class automation- compatible barcoded letters in order to sort down to the customer level, thereby saving more than 2 cents per piece? In your response, please be sure to refer only to QBRM received by individual customers in high volumes.
- (d) Why would the Postal Service adopt strict procedures for requiring QBRM to be prebarcoded, but then choose to sort 41.6% of those pieces using manual methods that are more than twice as costly as available automated, methods?
- (e) Why would the Postal Service adopt strict procedures for requiring QBRM to be prebarcoded, but then choose to count 66.5% of those pieces using manual methods that are more than twice the cost of available automated methods?
- (f) What is the productivity in pieces per hour (PPH) and unit cost to count (not sort) QBRM reply pieces manually for letters received by individual recipients in high volumes?



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**KE/USPS-T29-27 (continued)**

- (g) What is the productivity in pieces per hour (PPH) and unit cost to count (not sort) QBRM pieces manually for letters received by individual customers in low volumes?

**RESPONSE:**

- (a) Confirmed.
- (b) Confirmed. For purposes of this response, I assume that "postage prepaid" as used throughout KE/USPS-T29-27 is the same as "postage prepaid with stamps applied."
- (c) My observations have confirmed that BRM processing sites do not necessarily use the least costly method to process QBRM pieces received in high volumes.
- (d) The barcoding requirement permits the Postal Service to maximize the use of automation to process QBRM. Without the barcode and other required features of QBRM, such mail would not qualify for the QBRM postage rate. In some cases, however, it makes more operational sense to sort BRM to the customer account using manual methods. Many of the 41.6% of BRM pieces that you refer to are sorted on automation to a large degree, but then receive the finest depth of sortation manually in the postage due unit.

The response to KE/USPS-T29-2 (redirected to USPS) provides a description of many factors considered when making the decision to

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(April 24, 2000)**

**Response to KE/USPS-T29-27 (continued)**

process BRM on automation or to manually sort and count BRM pieces. The response states the following:

The following factors are among those which affect whether BRMAS (or a variation thereof) is employed at a given facility: availability of bar code sorters and whether other mail processing operations have priority during critical processing windows; local commitment to upkeep of BRMAS (or similar) sort programs; whether bar code sorters necessary for BRMAS and postage due unit are located in same facility; whether there are accounts with sufficiently high volumes to motivate a facility to seek more efficient counting methods than manual counting; early customer pick-up times which encourage selection of accounting methods most likely to help postage due unit meet customer's needs; local discipline in capture of end-of-run bin counts; degree to which postage due unit finds EOR bin counts reliable; availability of counting machines.

While the method of counting at a particular site may not be the efficient method, the method chosen makes the most operational sense for that site. This may help to explain why 41.6% of QBRM pieces are sorted to the customer account using manual methods. For those sites where processing BRM to the customer account on automation makes the most sense operationally, the "strict procedures for requiring QBRM to be prebarcoded" allow the site to take full advantage of QBRM's automation-compatible features.

(e) My response to part (d) is equally appropriate for counting QBRM pieces. Please note that QBRM features also permit the Postal Service to use automation, where feasible, to count QBRM pieces. The Postal Service has not come close to realizing the potential for automated counting which was projected a decade ago.



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(April 24, 2000)**

**Response to KE/USPS-T29-27 (continued)**

Please note that the 66.5% that you refer to corresponds to manual or other methods (counting machine, weight averaging) used to generate a final QBRM piece count. These pieces may have already been counted on automation, but for various reasons, some pieces receive a final piece count in the postage due unit using manual/other methods.

- (f) No study has been performed which would reveal such data.
  - (g) No study has been performed which would reveal such data.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-28.**

Please refer to your response to KE/USPS-T29-6(c) and LR-I-160, Schedule B, page 2. There you assume a unit cost of 4.32 cents to manually sort 66.5% of all QBRM received in high volumes to the customer level. Why would the Postal Service manually sort an estimated 154 million QBRM letters received by individual recipients in high volumes (see USPS-T-39, WP-5) at 4.32 cents each, when it has the capability to sort these same letters, which the Postal Service requires to bear unique 5 or 9-digit zip codes, on automation equipment at a unit cost of 1.01 cents? See LR-I-162, p. I-16, Col. (8) for "Auto Carrier Route."

**RESPONSE:**

First, you incorrectly state that 66.5% of all QBRM are sorted manually.

As I point out in footnote 1 of KE/USPS-T29-23, 47.5% of QBRM is counted manually, while 19.3% is counted using an alternative method such as weight averaging. Additionally, you incorrectly state that the Postal Service would "manually sort an estimated 154 million QBRM letters received by individual recipients in high volumes." The correct test year estimate is 73.15 million "high" volume pieces counted manually (154 million "high" volume QBRM pieces x 47.5% counted manually).

You are correct in saying that the Postal Service "has the capability to sort these same letters...on automation equipment." However, for a variety of reasons, many sites do not take advantage of QBRM's low-cost characteristics. As stated in the response to KE/USPS-T29-9 (g) (redirected to USPS), "[s]ome facilities with high-volume accounts may have available end-of-run bin counts, but find the EOR unreliable and end



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**Response to KE/USPS-T29-28 (continued)**

up relying on counting machines or manual counts, instead. Competition with other operations for bar code sorter utilization during early morning critical mail processing windows (such as delivery point sequencing) may drive an office to rely on manual counts or weight averaging, instead of BRMAS or EOR bin counts, irrespective of volumes. A lot also depends on whether the volumes for a particular high-volume account are steady."

Further, in my response to KE/USPS-T29-23 (e), I stated that "[t]he primary factor in determining a processing method...appears to be a site's daily BRM volume. Many sites receive inconsistent volumes for individual QBRM accounts on a day-to-day basis. Some days a particular account may receive relatively few QBRM pieces, while other days the same account may receive QBRM in large volumes. Because of such volume fluctuations, some processing sites must resort to manual QBRM sorting and counting in the postage due unit. Other sites resort to alternative methods such as bulk weighing and end-of-run counts, particularly for higher volume accounts. It makes little sense to tie up an entire BCS to process a few pieces on a given day."



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**KE/USPS-T29-29.**

Please refer to your response to KE/USPS-T29-8. There you discuss your collection of PERMIT data for estimating postage rating charges.

- (a) In part (a) you mention that some accounts could have as many as 60 transactions in one accounting period. Since there are 24 business days per accounting period, please explain how there can be more than one transaction, in this case maybe three transactions, in one day.
- (b) In part (e) you note that you did not need to know the average volume per account transaction for QBRM recipients who received "high" volumes. Since USPS witness Mayo has proposed a separate per piece fee classification for such pieces, why is this information considered unnecessary?

**RESPONSE:**

- (a) Some BRM recipients elect to pick up BRM more than once per day at their local processing facilities through a caller window. A separate bill (i.e., transaction) is typically generated for each scheduled pickup.

Thus, multiple transactions may occur in any given 24-hour period.

- (b) As I stated in my response to KE/USPS-T29-8 (d), the average volume per account transaction for QBRM is 132 QBRM pieces.



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**KE/USPS-T29-30.**

*Please refer to your response to Interrogatory KE/USPS-T29-9.*

- (a) What does it mean when you say in response to part (c) that the Postal Service "finds it cost effective to hand count QBRM received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs?" Can the method be "cost effective" but not the "most efficient"? Please explain fully the circumstances under which the Postal Service consistently day in and day out will hand count large volumes of QBRM letters.
- (b) What does it mean when you say in response to part (e) that the Postal Service "finds it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs? Can the method be "cost effective" but not the "most efficient"? Please explain fully the circumstances under which the Postal Service will hand count large volumes of nonletter-size BRM, consistently day in and day out.
- (c) Please confirm that since you did not attempt to study how processing methods (sorting and counting) might be different for QBRM letters received by individual customers in high versus low volumes, because "[t]he data are not readily available" (see your response to part (f)), you simply assumed that such processing methods would be the same regardless of the volumes received by individual QBRM recipients. If you cannot confirm, please explain.
- (d) Is the reason why you could not confirm KE/USPS-T29-9 (i) because the question suggested that 66.5% of the QBRM pieces were counted "manually", but you now state that only 47.2% were counted manually and 19.3% were counted by some "other" method? Please explain. If yes, please confirm that your costing methodology combines QBRM counted manually or by some "other" method, allowing for no difference in productivity.
- (e) Do QBRM recipients pay for sortation and separation of their reply pieces down to the customer level, as part of the First-Class postage they pay on their reply pieces? If so, please explain why the additional QBRM per piece fee should include the cost of sorting and separating reply pieces down to the customer level.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-30 (continued)**

- (f) If your response to part (e) is yes, then why does your derived 2.0-cent unit cost include sorting costs, as stated in your response to Interrogatory KE/USPS-T29-9 (k)?
- (g) For QBRM reply letters received in high volumes, please provide the unit cost that reflects only counting (but not sorting) such reply letters. Please provide the relevant source citations and documentation as part of your response.
- (h) Does the .57-cent unit cost reflected on the line entitled "Cost per piece (daily weighing)" found in LR-I-160, Schedule K, represent your estimate for the average unit cost to count nonletter-size BRM, or does it represent the average unit cost to count and distribute nonletter-size BRM? Please explain exactly what the .57-cent unit cost represents.
- (i) Assuming your response to part (h) is that the .57 cents is the average cost to count nonletter-size BRM, why does the Postal Service's proposed per piece fee for nonletter-size BRM reflect the counting cost, but the Postal Service's proposed per piece fee for QBRM letters reflects both counting and sorting?

**RESPONSE:**

- (a) I believe that you intended to refer to my response to KE/USPS-T29-9, part (d).

A particular method is "cost effective" provided the fees charged to the customer cover the costs. I agree that a "cost effective" method is not necessarily the "most efficient" method.

Please see my response to KE/USPS-T29-28 for circumstances under which the Postal Service hand counts large volumes of QBRM pieces.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-30 (continued)**

- (b) I do not know how to further explain my answer to KE/USPS-T29-9, part (e) because I believe the answer speaks for itself. A particular method is cost effective provided the fees charged to the customer cover the costs. As indicated in my response to part (a), a "cost effective" method is not necessarily the "most efficient" method. The Postal Service hand counts large volumes of nonletter-size BRM at any postal facility where large volumes are received and weight averaging is not performed. Currently, my understanding is that weight averaging is only performed at seven sites for nonletter-size BRM.
- (c) Confirmed.
- (d) Yes. Confirmed.
- (e) Yes. QBRM recipients pay for sortation down to the customer level as part of First-Class postage. The per-piece fee is intended to cover those costs of sorting QBRM pieces above and beyond that which is required for an "Automation Basic Presort First-Class" letter. Additionally, the per-piece fee is intended to cover the cost of counting the 66.5 percent of QBRM that are not counted on automation.
- (f) See response part (e).
- (g) No study has been performed which isolates these costs. As I stated in my response to KE/USPS-T29-23, parts (c) and (d), "[t]he productivity for manual distribution is based on a 1989 study (see Docket No. R90-1, USPS-T-23, Exhibit USPS-23F) which inextricably



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**Response to KE/USPS-T29-30 (continued)**

integrates the manual sorting and counting activities." As a consequence, it is not possible to provide the unit cost that reflects only counting BRM pieces.

- (h) The 0.57-cent unit cost represents the daily cost to weigh incoming nonletter-size BRM pieces in bulk. In this case, weighing the pieces is comparable to counting the pieces.
- (i) The Postal Service's proposed per piece fee for QBRM letters reflects counting and sorting that occurs above and beyond that which is required for an "Automation Basic Presort First-Class" letter.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-31.**

Please refer to page 16, footnote 5 of your prepared testimony and your response to Interrogatory KE/USPS-T29-10. In your response, you stated that your field observations confirmed manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.

- (a) Please describe fully the nature and extent of the field observations that you conducted to ascertain that manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.
- (b) Please describe fully the process involved in the decision to make field observations about manual accounting of BRM in the postage due unit. As part of your answer, please identify all the individuals who were involved in making the decision to make field observations of manual counting operations in the postage due unit, state the dates and times you met with such individuals to discuss this matter, and indicate why it was decided to limit field observations to QBRM processing activities conducted in the postage due units. In addition, please provide all documents discussing the decision to conduct field observations of QBRM processing activities.
- (c) Please provide the following information with respect to each of the field observations that you conducted:
  - (1) the name, address, and location of the postal facility where, and the date when, your field observations were conducted;
  - (2) the amount of time you spent in observing QBRM processing activities;
  - (3) an exact and complete description of the QBRM processing activities you observed;
  - (4) the substance of any discussions you had with postal service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients;
  - (5) whether the QBRM pieces of particular high volume recipients that you observed being counted manually in the postage due unit represented all, or only a portion of, the QBRM recipient's total pieces received on that day;
  - (6) for instances in which the pieces counted manually represented only a portion of the recipients total QBRM received during such day, please



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**KE/USPS-T29-31 (continued)**

state what percentage of the recipients total QBRM volumes were counted manually and what counting method(s) (e.g. EOR reports) was used to determine the remainder of the recipients pieces;

- (7) whether your field observations were limited solely to QBRM processing activities conducted in the postage due unit or whether such observations also involved QBRM processing activities conducted at other locations outside the postage due unit;
- (8) all documents, including but not limited to survey forms completed by local postal service personnel, reports summarizing the results of your field observations and handwritten notes made during your field observations, that discuss or describe your observations of QBRM processing activities in the field.
- (d) Please numerically define "high" volume as you use that term when indicating that field observations confirmed the use of manual counting for high-volume accounts. Please indicate how you arrived at this figure.
- (e) Please confirm that at the time of your field observations, you did not know what the "break-even" volume would be for the Postal Service's proposed QBRM category for high volume recipients. If you cannot confirm, please explain why not and provide all documents that demonstrate that you knew what the break-even volume would be at the time of your field observations.
- (f) Please confirm that, for the test year in this case, the Postal Service will sort mail to a much greater depth, i.e. to carrier sequence, in the incoming secondary than it did in 1989, when the 951 PPH for "Marginal Manual Counting/Distribution Productivity, Postage Due Unit" was originally derived. If you cannot confirm, please explain.
- (g) Please confirm that in the test year, QBRM will be sorted to the recipient, particularly QBRM recipients who receive high volumes, prior to being sent to the postage due unit for counting and rating. If you cannot confirm, please review your mail flow diagram for QBRM and explain why QBRM is sent to the postage unit for counting and rating but not further distribution. See LR-I-160, Schedule L, p. 5.
- (h) Please explain why you used the 951 PPH marginal productivity for "distributing and counting" QBRM for 66.5% of pieces received by individual recipients in high volumes, when your field observations



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**KE/USPS-T29-31 (continued)**

**"confirmed the use of time-consuming manual counting" (but not sorting) BRM pieces in the postage due unit.**

**RESPONSE:**

- (a) I observed QBRM processing at three Postal facilities in the spring of 1999, including postage due unit activities and mail processing operations. Each of these facilities incorporated some degree of manual counting in the postage due unit, some more than others. In general, my observations provided evidence that manual counting is time and labor intensive. At one site discussed in depth below, a tray of QBRM counted in my presence required 45 minutes of the postage due clerk's time. Further, I observed that even some high-volume QBRM accounts are manually counted as described below.
- (b) I do not have any notes or documents describing the process involved in the decision to make field observations about manual accounting of BRM in the postage due unit. (I assume that when you use the term "accounting," you mean the QBRM counting activity and not the accounting activity.) I believe that I spoke with USPS cost analysts and operations personnel about manual counting, but I do not have specific dates and times that I met with these individuals about this matter because these discussions were held informally over one year ago.



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**Response to KE/USPS-T29-31 (continued)**

(c) The following is a summary addressing the requested information for each site where I conducted field observations.

**Carol Stream (Illinois) Processing and Distribution Center**

Address: 500 E. Fullerton Ave., Carol Stream, IL 60199-9997.

Date of observations: April 6, 1999.

Time spent observing: 2 hours.

BRM operations observed: Postage Due Unit.

Description of QBRM processing activities (taken directly from my notes):

**Incoming Primary Operation**

BRM and CRM mail for customers using Caller Service (60197) are held out in the incoming primary operation. These pieces are then sent to a DBCS for a one-pass sort to PO box number. After being containerized into trays, these BRM/CRM pieces are loaded onto BMCs and sent to the loading dock, just outside the Postage Due Unit. Examples of 60197 BRM customers are [companies deleted due to sensitivity concerns].

Those BRM mail pieces for customers not using Caller Service are addressed to the 60188 ZIP code, which corresponds to the town of Carol Stream. All 60188 mail pieces (BRM or not) are isolated in the incoming secondary and sent to a DBCS for two passes (incoming secondary).

**Incoming Secondary Operation**

BRM mail pieces in the 60188 ZIP code are processed on an incoming secondary sort along with the town's mail. BRM pieces are sorted into ZIP + 4 order on the second pass and sent to the Postage Due Unit in APCs. BRM is brought over to Postage Due anytime between 6AM and 12noon.

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-31 (continued)**

**Postage Due Unit**

Separation of BRM/CRM – Tour 2 clerks separate both 60197 and 60188 mail into BRM and CRM trays. On average, a light day has 6-8 BRM trays, while a heavy day has 20-30 BRM trays. Once separated, all BRM trays are brought into the Postage Due Unit, while CRM caller mail remains on the dock for customer pick-up.

Sorting and counting – Each tray of BRM is sorted and counted manually. Larger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number. The clerk brings each tray of BRM over to a table and sits down. For those trays containing multiple-mailer BRM, the clerk sorts BRM by PO box, counts each stack, records the count on a piece of scratch paper, and puts a rubber band around each stack. Any pieces that feel heavy (>2 oz) are removed for weighing and rating. When all trays have been sorted and counted, the clerk totals the counts on her scratch paper for each PO box number. She puts rubber bands around each

I assisted [postage due clerk] in sorting and counting BRM. One tray of residue BRM required about 45 minutes to sort and count. One tray contains about 500 pieces of BRM.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes from Carol Stream indicate that "[l]arger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number."

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages



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**Response to KE/USPS-T29-31 (continued)**

of the "high-volume" pieces observed in relation to the QBRM recipient's total pieces received on that day.

I have attached my written notes regarding my observations at Carol Stream P&DC.

**Palatine (Illinois) Processing and Distribution Center**

Address: 1300 East Northwest Highway, Palatine, IL 60095-9997.

Date of observations: April 7, 1999.

Time spent observing: 3 hours.

BRM operations observed: Incoming primary and secondary operations, postage due unit operations.

Description of QBRM processing activities (taken directly from my notes):

**Incoming Primary Operation**

BRM comes in with both SCF and incoming mail (Operations 874 and 873). All BRM and CRM have 60094 ZIP. During the incoming primary sort, all 60094 mail is sorted to bin number 27. These pieces are swept off the machine and taken to incoming secondary on DBCS (Operation 897).

**Incoming Secondary Operation**

Beginning about midnight, BRM and CRM are sorted to PO box in the first pass on DBCS. Each bin's contents is swept, put into trays, and placed in BMCs. At the end the run, two copies of the EOR report are generated. Around 2:45am, the 60094 BMC is moved to the Postage Acceptance Unit by a mail handler, accompanied by an EOR report. More BRM/CRM trickles into the PAU for the next few hours.

**Postage Acceptance Unit**

Upon receiving BRM and CRM from incoming secondary, the PAU clerks must work quickly to sort, count, and rate mail because Caller Service customers begin arriving at 4am.

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**BRM/CRM breakdown/sorting** – The clerks break down the BMCs and sort by PO box number. Some trays are completely full, while others only have a few mail pieces. BRM for low-volume customers is sorted into cases by PO box while large-volume customer (e.g., [companies deleted due to sensitivity concerns]) BRM trays are stacked in APCs.

**Trays containing CRM** are placed onto carts just outside the PAU for Caller Service pick-up.

**Counting and rating/billing** – The clerks use the EOR report count only for Palatine's largest BRM customer, [company deleted due to sensitivity concerns]. The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays is also counted manually. All counts are written on a worksheet for rating purposes. The clerk uses a calculator to rate each BRM account and records the total postage and fees on her worksheet. She then fills out a Form 3582-A for each PO box, generates a meter strip reflecting postage due, and affixes it onto the form. She photocopies each form for her records.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes indicate that "BRM for low-volume customers is sorted into cases by PO box while large-volume customer...BRM trays are stacked in APCs." Regarding counting and rating, my notes state that "[t]he clerks use the EOR report count only for Palatine's largest BRM customer...All other BRM is counted manually."

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages



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**Response to KE/USPS-T29-31 (continued)**

of the "high-volume" pieces observed in relation to the QBRM recipient's total pieces received on that day.

I have attached my written notes regarding my observations at the Palatine P&DC.

**Chicago Processing and Distribution Center**

Address: 433 W. Harrison St., Chicago, IL 60607-9997.

Date of observations: April 8, 1999.

Time spent observing: 3 hours.

BRM operations observed: Incoming primary and secondary operations, postage due unit operations.

Description of QBRM processing activities (taken directly from my notes):

Chicago Central's BRM operation consists largely of QBRM. The few non-QBRM pieces received here are processed manually.

Incoming Primary Operation – Most BRM is processed on a DBCS for its incoming primary sortation (Operation 895). Two DBCS bins are dedicated to QBRM corresponding to Irving Park Road and Chicago Central. A few BRM pieces are processed on Operation 885, MLOCR-ISS, as its incoming primary sortation.

Incoming Secondary Operation/counting and rating – Nearly all BRM is processed on a DBCS using BRMAS software for its incoming secondary sortation (Operation 896). Large-volume BRM accounts have dedicated bins in the first pass and are sorted to the ZIP + 4. Small-volume accounts are sent to a residue bin and must go through a second pass for finalization (12 percent of total BRM volume). A few pieces are rejected and sent to "manual." The BRMAS software counts and rates all BRM mail processed on the DBCS.



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**Response to KE/USPS-T29-31 (continued)**

**Bill generation** – Bills are printed out using the BRMAS software and rubber banded together with the corresponding trays. Trays are sorted into APCs according to the 5-digit ZIP. APCs containing 60680 (Chicago Central) is sent to the Postage Due Unit. APCs containing 60690 (Chicago Loop Station) is sent directly to the Loop Station.

**Postage Due Unit** – APCs containing BRM come from the BRMAS operation upstairs. Each tray has a bill generated by the BRMAS program. Upon receipt of the BRMAS mail, the postage due clerks scan each tray for "heavies" (> 2oz) and rates these pieces accordingly. A clerk scans each bill to make sure nothing is blatantly out of the ordinary. If an error is found, the clerk recalculates postage and fees using the PERMITS system. The clerks count and rate non-QBRM pieces here.

The Postage Due clerks use the PERMITS program for all accounting activities. Each BRM customer's advance deposit account is debited accordingly.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes indicate that on the incoming secondary operation "[s]mall-volume accounts are sent to a residue bin and must go through a second pass for finalization." In general, my recollection is that both low and high- volume QBRM accounts are processed on automation (DBCS) using the BRMAS program.

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages of the "high-volume" pieces observed in relation to the QBRM recipient's total pieces received on that day.



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**Response to KE/USPS-T29-31 (continued)**

I have attached my written notes regarding my observations at the Chicago P&DC.

(d) At the time my field observations were made in 1999, I did not have a definition of "high-volume" QBRM accounts. Retrospectively, however, assuming the account volumes that I observed were typical on a given business day, I can say that the accounts that I observed being sorted and counted manually would qualify as "high-volume" given the 113,000-piece breakeven point between high-volume and low-volume fees presented in this docket.

(e) Confirmed.

(f) Not confirmed. I have no reason to believe that the Postal Service will sort mail to a much greater depth in the test year than in 1989. QBRM pieces are not generally sorted to carrier sequence.

(g) Not confirmed. Please see my testimony on page 7 where it states that "BRM letters and cards are generally held out in the Incoming Primary operation and sent to either the BRMAS operation or to a manual sortation operation (usually in the Postage Due Unit or Box Section)." There is no formula that determines where QBRM pieces are sorted to the recipient, including QBRM for recipients who receive high volumes. These decisions are made on a site by site basis. At some sites, QBRM pieces are sent to a BCS for sortation to the



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**Response to KE/USPS-T29-31 (continued)**

recipient. At other sites, QBRM pieces are sent to the postage due unit for sortation to the recipient.

With respect to the mail flow diagram (see LR-I-160, Schedule L, p.5), please see the large volume of QBRM pieces exiting the Incoming SCF/Primary to the Postage Due Unit (PDU) (8302 pieces). The assumption is that these QBRM pieces are further distributed in the postage due unit.

- (h) Please see my attached notes regarding my observations at the Carol Stream P&DC and Palatine P&DC. At both plants, please note that I observed manual counting and sorting. The notes from my Carol Stream visit state that "[e]ach tray of BRM is sorted and counted manually." In my Palatine visit, I noted that "[t]he clerks break down the BMCs and sort by PO box number...BRM for low-volume customers is sorted into cases by PO box while large-volume customer BRM trays are stacked in APCs." With respect to counting, I noted that "[t]he clerks use the EOR report count only for Palatine's largest BRM customer...The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays



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**Response to KE/USPS-T29-31 (continued)**

is also counted manually." Thus, the use of the 951 PPH marginal counting productivity is appropriate for at least a portion of QBRM pieces.



**Carol Stream P&DC****April 6, 1999****Incoming primary**

BRM and CRM mail for customers using Caller Service (60197) are held out in the incoming primary operation. These pieces are then sent to a DBCS for a one-pass sort to PO box number. After being containerized into trays, these BRM/CRM pieces are loaded onto BMCs and sent to the loading dock, just outside the Postage Due Unit.

Those BRM mail pieces for customers not using Caller Service are addressed to the 60188 ZIP code, which corresponds to the town of Carol Stream. All 60188 mail pieces (BRM or not) are isolated in the incoming secondary and sent to a DBCS for two passes (incoming secondary).

**Incoming secondary**

BRM mail pieces in the 60188 ZIP code are processed on an incoming secondary sort along with the town's mail. BRM pieces are sorted into ZIP + 4 order on the second pass and sent to the Postage Due Unit in APCs. BRM is brought over to Postage Due anytime between 6AM and 12noon.

**Postage Due Unit**

**Separation of BRM/CRM** – Tour 2 clerks separate both 60197 and 60188 mail into BRM and CRM trays. On average, a light day has 6-8 BRM trays, while a heavy day has 20-30 BRM trays. Once separated, all BRM trays are brought into the Postage Due Unit, while CRM caller mail remains on the dock for customer pick-up.

**Sorting and counting** – Each tray of BRM is sorted and counted manually. Larger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number. The clerk brings each tray of BRM over to a table and sits down. For those trays containing multiple-mailer BRM, the clerk sorts BRM by PO box, counts each stack, records the count on a piece of scratch paper, and puts a rubber band around each stack. Any pieces that feel heavy (>2 oz) are removed for weighing and rating. When all trays have been sorted and counted, the clerk totals the counts on her scratch paper for each PO box number. She puts rubber bands around each

I assisted the postage due clerk in sorting and counting BRM. One tray of residue BRM required about 45 minutes to sort and count. One tray contains about 500 pieces of BRM.

**Rating and billing** – Having completed the sorting and counting, the clerk walks to a desk on the other side of the room with her scratch paper counts. She weighs the "heavies" and records the postage required for each piece. Then, for each BRM account, the clerk calculates postage and fees using a calculator and records these on her scratch paper. Next, she completes a Form 3582-A, Postage Due Bill, for each BRM account. The form contains customer name, address, number of BRM pieces and the clerk's signature. For each Form 3582-A, the clerk enters the mailer's account number, permit

KE/USPS-T29-31  
Attachment 1 of 3



number, and total postage due into the meter. The meter generates a postage due strip which is affixed onto Form 3582-A. According to the PDU clerk, the Postage Due Unit will soon begin using the PERMITS system to replace these rating and billing activities, saving a considerable amount of time.

**Accounting and Reports** – For each BRM customer, the clerk debits the total postage and fees for that customer on Form 25, Trust Fund Account Ledger. Generally, the clerk does not have any problems with low trust account funds. Occasionally she makes a courtesy call to the mailer to let them know of a low account status.

Once per day, the clerk generates Form 1412, a daily finance report which provides the total amount withdrawn that day from each customer account. She also generates Form 3602 each day for each customer from the meter. This form serves as a "receipt" of postage and fees entered into the meter.

**Wrap-up** – The clerk photocopies each Form 3582-A for her records. She then containerizes BRM pieces for each permit and puts a cover on top. The bill is always sent to the mailer, while the mailer or designated person picks up the BRM trays.

**Palatine P&DC**

April 7, 1999

#### **Incoming primary**

BRM comes in with both SCF and incoming mail (Operations 874 and 873). All BRM and CRM have 60094 ZIP. During the incoming primary sort, all 60094 mail is sorted to bin number 27. These pieces are swept off the machine and taken to incoming secondary on DBCS (Operation 897).

#### **Incoming secondary**

Beginning about midnight, BRM and CRM are sorted to PO box in the first pass on DBCS. Each bin's contents is swept, put into trays, and placed in BMCs. At the end the run, two copies of the EOR report are generated. Around 2:45am, the 60094 BMC is moved to the Postage Acceptance Unit by a mail handler, accompanied by an EOR report. More BRM/CRM trickles into the PAU for the next few hours.

#### **Postage Acceptance Unit**

Upon receiving BRM and CRM from incoming secondary, the PAU clerks must work quickly to sort, count, and rate mail because Caller Service customers begin arriving at 4am.

**BRM/CRM breakdown/sorting** – The clerks break down the BMCs and sort by PO box number. Some trays are completely full, while others only have a few mail pieces. BRM for low-volume customers is sorted into cases by PO box while large-volume customer BRM trays are stacked in APCs. Trays containing CRM are placed onto carts just outside the PAU for Caller Service pick-up.

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Attachment 2 of 3



**Counting and rating/billing** – The clerks use the EOR report count only for Palatine's largest BRM customer. The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays is also counted manually. All counts are written on a worksheet for rating purposes. The clerk uses a calculator to rate each BRM account and records the total postage and fees on her worksheet. She then fills out a Form 3582-A for each PO box, generates a meter strip reflecting postage due, and affixes it onto the form. She photocopies each form for her records.

**Accounting** – For each BRM customer, the clerk debits the total postage and fees for that customer on Form 25, Trust Fund Account Ledger.

#### **Chicago Central P&DC**

April 8, 1999

Chicago Central's BRM operation consists largely of QBRM. The few non-QBRM pieces received here are processed manually.

**Incoming primary** – Most BRM is processed on a DBCS for its incoming primary sortation (Operation 895). Two DBCS bins are dedicated to QBRM corresponding to Irving Park Road and Chicago Central. A few BRM pieces are processed on Operation 885, MLOCR-ISS, as its incoming primary sortation.

**Incoming secondary/counting and rating** – Nearly all BRM is processed on a DBCS using BRMAS software for its incoming secondary sortation (Operation 896). Large-volume BRM accounts have dedicated bins in the first pass and are sorted to the ZIP + 4. Small-volume accounts are sent to a residue bin and must go through a second pass for finalization (12 percent of total BRM volume). A few pieces are rejected and sent to "manual." The BRMAS software counts and rates all BRM mail processed on the DBCS.

**Bill generation** – Bills are printed out using the BRMAS software and rubber banded together with the corresponding trays. Trays are sorted into APCs according to the 5-digit ZIP. APCs containing 60680 (Chicago Central) is sent to the Postage Due Unit. APCs containing 60690 (Chicago Loop Station) is sent directly to the Loop Station.

**Postage Due Unit** – APCs containing BRM come from the BRMAS operation upstairs. Each tray has a bill generated by the BRMAS program. Upon receipt of the BRMAS mail, the postage due clerks scan each tray for "heavies" (> 2oz) and rates these pieces accordingly. A clerk scans each bill to make sure nothing is blatantly out of the ordinary. If an error is found, the clerk recalculates postage and fees using the PERMITS system. The clerks count and rate non-QBRM pieces here.

The Postage Due clerks use the PERMITS program for all accounting activities. Each BRM customer's advance deposit account is debited accordingly.

KE/USPS-T29-31  
Attachment 3 of 3



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-32.**

Please refer to your responses to Interrogatory KE/USPS-T29-10 and the April 1987 study, entitled "Business Reply Mail Revised Cost Analysis," prepared by the Rate Studies Division of the United States Postal Service (hereinafter "1987 Reply Mail Study").

- (a) Please confirm the following two statements from the 1987 Reply Mail Study:

The only notable improvement, as compared to the situation in 1972, (when the initial study was performed) is the change in the counting and rating procedures. A large number of post offices have begun to use a weight conversion factor to handle the counting and rating of large volumes of BRM involving large users with advance deposit accounts.

1987 Reply Mail Study, p. 1-2.

Based on our observation field trips and discussions with the personnel involved in the handling and processing of BRM, we can reasonably estimate that the weight conversion factor processing method is being used at least for half of the BRM pertaining to advance deposit accounts especially the ones with large users and high BRM volumes.

1987 Reply Mail Study, p. 6.

If you cannot confirm, please explain why not.

- (b) In view of the statements from the 1987 Reply Mail Study quoted in part (a), please explain how your field observations indicate that manual postage due operations have not changed since 1989, yet your QBRM cost analysis for high volume recipients assumes that virtually no QBRM letters are counted by weight conversion techniques.
- (c) Please confirm that the 1987 Reply Mail Study indicated that the productivity in pieces per hour (PPH) for counting BRM letters using weight conversion techniques was 6,390 pieces per hour. If you cannot confirm please explain.
- (d) Please confirm that, if you had used the 6,390 PPH derived in the 1987 Reply Mail Study, your test year unit direct and indirect cost to
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSPAN ENERGY**

**KE/USPS-T29-32 (continued)**

count QBRM using weight conversion techniques would be .64 cents. (28.24 ÷ 6,390 x 1.456) If you cannot confirm please explain why not, provide what you believe the test year unit direct and indirect cost to count QBRM using weight conversion techniques would be using the 6,390 PPH productivity factor, and produce all documents or other information relied upon to derive such unit cost.

- (e) Please confirm that, in calculating the unit cost of counting QBRM, you used a productivity of 951 PPH for the 8.9% of QBRM that you show to be counted by weighing techniques (see your answer to KE/USPS-T29-2 (b)).
- (f) Please confirm that, if you had used the 6,390 PPH derived in the 1987 Reply Mail Study for the 8.9% of QBRM that you show to be counted by weighing techniques, your computed unit cost for high volume QBRM recipients would be reduced from 2.00 cents to 1.67 cents, a reduction of .33 cents or 16.5 percent? If you cannot confirm please explain why not.
- (g) Please describe fully, or provide representative documents that describe and indicate the technical specifications and operational capabilities of, what are termed "special counting machines" (see Docket No. R97-I, USPS LR-H-179, Table 13);
- (h) Please describe the reasons why special counting machines are used at the particular postal facilities, where they are used, and why they are not used at other postal facilities.
- (i) Please state the purchase cost for each type of special counting machine.
- (j) What is the productivity in pieces per hour (PPH) for counting the 10.4% of QBRM that are counted using "special counting machines? Please support your response with documents that show the derivation of the PPH. If there are different types of special counting machines, please provide the separate PPH for each such machine and the relative percentage of the 10.4% QBRM volume figure that is counted by each type of special counting machine.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**RESPONSE TO KE/USPS-T29-32:**

(a) The quotations are accurate and appear where cited. Please note that the above-referenced 1987 study assumes "weight conversion" counting for 50 percent of the advance deposit BRM volume in the base year (1986) and only 15 percent in the test year (1989) (see attachment entitled "WEIGHTED AVERAGE UNIT COST COMPARISON" from the April 1987 study entitled "BRM Revised Cost Analysis"). The test year analysis projects a significant amount of BRM processing on newly deployed barcode sorters (67%), while 18 percent done manually, and 15 percent using weight averaging techniques.

The 1996 BRM Practices Study, the most recent comprehensive study, collected data on QBRM volumes counted using various methods (see attached Table 13 from Docket No. R97-1, USPS LR-H-179). Weight averaging was implemented for 8.9 percent of QBRM volume techniques. These data suggest that the use of the weight averaging method to count BRM pieces has been on the decline since 1986.

(b) My testimony says nothing about manual postage due operations as a whole as your question implies. Rather, my testimony states that "[f]ield observations confirmed that the manual distribution productivity has not changed significantly since 1989" (see USPS-T-29, footnote 5). Manual distribution involves a postal clerk physically sorting and



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-32 (continued)**

counting mail one piece at a time. Based on my observations, manual distribution is a labor-intensive activity in the year 2000. My testimony also states that "manual billing and rating productivities have not changed significantly since 1989" (see USPS-T-29, footnote 3). Again, to my knowledge, manual billing and rating is still a labor-intensive activity in the year 2000.

- (c) Confirmed. Please note that this productivity is based on data collected at just one site.
  - (d) Confirmed.
  - (e) Confirmed.
  - (f) Confirmed.
  - (g) It is my understanding that the Memphis P&DC is in the process of purchasing a counting machine for BRM. Documentation with technical specifications and operational capabilities for that machine will be provided in USPS Library Reference I-257. I do not know whether this machine is representative of others in use.
  - (h) The decision to use special counting machines for BRM counting is site-specific and based on a site's unique operational and BRM characteristics.
  - (i) My understanding is that the counting machine referred to in part (g) cost about \$8,000.
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-32 (continued)**

- (j) Productivities are not available for "special counting machines" at this time. A study would have to be conducted to capture site-specific operational characteristics that affect counting productivities.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-33.**

Please refer to your responses to KE/USPS-T29-14 (c), (d) and (e). In those responses you state that you cannot tell how low (100 pieces) and high (25,000) volumes, or the shape of mail, impact the unit cost to weigh and count nonletter-size BRM.

- (a) Please confirm that you do not know whether volume received for a single recipient has any impact on the unit costs to weigh and count nonletter-size BRM? If you cannot confirm, please explain why not and quantify the impact that volume has on the unit costs of weighing and counting BRM.
  - (b) Please confirm that you do not know whether the shape of mail, i.e. letter versus nonletter, might affect the cost to weigh and count BRM. If you cannot confirm, please explain. If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that shape has on the unit costs of weighing and counting BRM.
  - (c) Please confirm that, in your opinion, it would be "pure speculation" to assume, for example, that more letter-size pieces could fit in a container than bulky, non-uniform small parcels, as you imply in your response to part (e)? If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that shape has on the unit costs of weighing and counting BRM.
  - (d) Please confirm that, in your opinion, it would be "pure speculation" to assume, for example, that it would be an easier, less time consuming, and a less costly task to derive a weight-to-volume conversion factor for uniform letter-size pieces than for bulky, non-uniform small parcels, as you imply in your response to part (e)? If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that relevant differences between these two types of reply mail pieces have on the unit costs of weighing and counting BRM.
  - (e) Please provide copies of the instructions or protocols that postal service personnel follow when determining the volume of nonletter-size BRM pieces pursuant to the weight conversion process used for high volume recipients.
  - (f) Please provide copies of the instructions or protocols that postal service personnel follow when determining the volume of letter-size
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**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-33 (continued)**

QBRM pieces pursuant to the weight conversion process used for (i) high volume recipients and (ii) low volume recipients.

**RESPONSE:**

- (a) I do not have data which permit me to quantify any differences which may be attributable to volume per account. The data collected in the nonletter-size BRM experiment revealed that it takes an average 68.38 minutes to weigh an average 8,288 daily pieces. If I assume that weighing time varies 100 percent with volume, then the derived unit cost will not change if the average daily volume fluctuates to 25,000 pieces per day. Since I do not know how weighing time varies with volume, I cannot answer the original question. To some degree, such factors as mail piece size and weight and volume per account could influence weighing and counting productivity.
- (b) I do not have data which quantifies any cost difference between weighing a single letter versus a single nonletter. Placing a "typical" letter (1 oz. or less) on a scale may not be materially different than placing a "typical" nonletter (2 or 3 oz.) on a scale. I also do not have data which would permit me to quantify any differences in cost between weighing a tray of letters and a sack of nonletters of equal weight. Assuming the time involved is approximately equal, any difference in unit cost could be attributable to the difference in the
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**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-33 (continued)**

number of pieces per container and any difference in the productivity with which the different containers could be weighed.

- (c) Assuming the same container, I would expect fewer of the bulky, non-uniform items to fit inside. However, whether or not a full tray of letters contains more pieces than a sack of other container of nonletters would depend on the nonletter container and the bulk of the nonletters.
- (d) Assuming less weight variation among uniform letters than non-uniform, bulky nonletters, one would expect it to be a less complicated process to develop weight-to-volume conversion factors for letters.
- (e) Please see USPS LR I-260, which contains two documents. The first document is entitled "User's Guide for Nonletter-size BRM Weight Averaging." The second document is entitled "Supervisor's Supplement to the User's Guide for Nonletter-size BRM Weight Averaging."
- (f) No such instructions or protocols exist because none have been developed for QBRM weight averaging.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**KE/USPS-T29-34.**

Please refer to your response to KE/USPS-T29-15 (c). In your response to part (c), you assert that it is "both necessary and reasonable" to use "general First-Class Mail flow densities, with one exception" (see USPS-T-29, p. 40, footnote 8) as a proxy for the QBRM mail flow.

- (a) Why was this assumption "reasonable" in view of the fact that all QBRM is automation-compatible, pre-barcoded and sorted perhaps as high as up to five digits in the outgoing primary and secondary distributions whereas a significant portion of First-Class letters are not automation-compatible and/or cannot be barcoded?
- (b) Why did you not use First-Class automation basic letters as an exact proxy for QBRM letters after the outgoing primary and secondary operations?
- (c) What is the basis for your assumption that 100% of all QBRM that is sorted in the incoming MMP primary would also be sorted in the SCF incoming primary? Please provide all documents or other information that you reviewed in formulating your views on this aspect of QBRM reply letter processing. (Please note that your statement that such an assumption is reasonable does not explain the basis for that assumption.)
- (d) Please confirm that for Basic automation letters, 4,505 out of 5,910 or 76% of the pieces flow from the automated incoming MMP operation to the automated incoming secondary operation. See LR-I-162, I-25. If you cannot confirm, please explain why not, state how many and what percentage of Basic Automation letters flow from the automated incoming MMP operation to an automated incoming secondary operation.
- (e) Please confirm that QBRM letters are prebarcoded, automation-compatible, and sorted to at least 3-digits and perhaps up to 5-digits, after being processed in the outgoing primary and secondary operations? If you cannot confirm, please explain.
- (f) Please explain why it would not be more "reasonable" to use the mail flow of First-Class automation basic letters, which are in every respect similar to QBRM after the outgoing primary operation, as a proxy for QBRM mail flow after the outgoing operation?
- (g) Please confirm that for handwritten-addressed letters, you assumed that 1,258 of 1,914 or 66% of the pieces flow from the automated



REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)

KE/USPS-T29-34 (continued)

incoming MMP operation to the automated incoming secondary operation. See LR-I-160, Schedule L, p. 4. If you cannot confirm, please explain why not, state how many and what percentage of handwritten letters flow from the automated incoming MMP operation to an automated incoming secondary operation.

- (h) Please explain why your mail flow analyses assume that, all things being equal (except that handwritten letters have a handwritten address while QBRM letters have a printed address and a prebarcode), 83% of handwritten letters coming from the incoming MMP automation can bypass the incoming SCF primary automation but no QBRM letters can do so.

**RESPONSE:**

- (a) Average mail densities were used as inputs in *all* First-Class letter models (see USPS-T-24, Appendix I, page 40) to estimate mail processing costs and to determine worksharing discounts. In fact, the inputs for all models are generally on the average (e.g., productivities, wage rates, acceptance rates). In an effort to be consistent with all other First-Class letter models, my models for both handwritten and preapproved prebarcoded mail pieces incorporate *average* densities. I believe this is reasonable.
- (b) See my response to part (a).
- (c) My assumption that 100% of all QBRM that is sorted in the incoming MMP primary would also be sorted in the SCF incoming primary is based on field observations. I do not have any documents that would be responsive to this request.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**Response to KE/USPS-T29-34 (continued)**

- (d) Confirmed. Please note that this calculation is based on an *average* First-Class density of 79.57% and an *average* accept rate of 95.80% on the Incoming BCS MMP operation.
- (e) Confirmed.
- (f) See my response to part (a).
- (g) Confirmed.
- (h) When determining model inputs found in LR-I-160, Section L, I attempted to isolate BRM densities using sort plans obtained through witness Miller's density study (see USPS-T-24). It soon became apparent that BRM densities could not be calculated using density study data because BRM was typically mixed with other single-piece mail such as CRM and there were very few holdouts for BRM in the sort plan. Consequently, I made the decision to stick with the densities incorporated by witness Miller in his letter models. However, I tweaked the density of MMP mail flowing to the SCF sort based on my field observations. In the end, this tweak affected the cost difference between a QBRM piece and a handwritten mail piece by 0.05 cent in favor of QBRM.
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**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-35.**

Please refer to your response to Interrogatory KE/USPS-T29-15 (h).

- (a) Please explain why "QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation." Please provide all documents or other information that you reviewed in forming your conclusions as to this aspect of the processing pattern for QBRM pieces.
- (b) Is it possible that QBRM pieces received by customers in large volume would bypass the incoming secondary, going directly to the postage due unit, because the mail is sorted to the end user in the incoming primary operation? Please explain why you would not account for the possibility of such a mail flow.
- (c) Is it possible that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary, going directly to the postage due unit, because the mail is sorted to the end user in the outgoing primary operation? Please explain why you would not account for the possibility of such a mail flow.

**RESPONSE:**

- (a) The assumption that "QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation" is based on field observations. I do not have any documents that would be responsive to this request.
- (b) It is possible, but unlikely, that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary operations, going directly to the postage due unit because the mail is sorted to the end user in the incoming primary operation. On average, this is not the case. As pointed out in KE/USPS-T29-41, witness Kingsley stated that it might take as many as 20,000 pieces to justify having a separate bin in the incoming primary operation. As I pointed



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**RESPONSE TO KE/USPS-T29-35 (continued)**

out in my response, according to PERMIT data, only four recipient accounts receive 20,000 QBRM pieces per day on average. Thus, it is unlikely that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary operations, going directly to the postage due unit because the mail is sorted to the end user in the incoming primary operation.

- (c) It is possible, but highly unlikely, that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary operations, going directly to the postage due unit, because the mail is sorted to the end user in the outgoing primary operation. If this were the case, then these QBRM pieces would originate and destinate in the same processing facility in high volumes. This scenario is extremely rare with QBRM pieces.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-36.**

Please refer to your response to KE/USPS-T29-15 (b), where you explain how delivery to businesses is outside the scope of the mail flow densities that you used.

- (a) Do you agree that, as a general matter, mail destined for delivery to businesses, particularly businesses that receive high volumes of mail, would exhibit greater densities than average First-Class letters as the mail flows approach the incoming office? If you do not agree with the foregoing statement, please describe what your understanding is regarding the densities of mail destined for delivery to businesses, particularly businesses that receive high volumes of mail and provide copies of all documents and/or describe any other information that formed the bases for your conclusions.
- (b) If you agree with the statement in part (a), wouldn't your use of mail flow densities for "general" First-Class mail as a proxy for QBRM overstate costs, particularly in the incoming office? Please explain your answer and provide copies of all documents and/or describe any other information that formed the bases for your conclusions.

**RESPONSE:**

- (a) I have not studied this issue. Therefore, I can neither disagree nor agree with your statement.
- (b) See part (a).



Revised April 20, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-37.**

Please refer to your response to KENSPS-T29-15 (g). You indicate in your response that your analysis of QBRM cost savings accounts for the several factors listed because you have incorporated a CRA adjustment factor.

- (a) Please confirm that you did not specifically account in your cost models for the additional costs that handwritten letters do incur but QBRM letters do not incur, other than simply increasing each of your derived model unit costs (for handwritten and QBRM letters) by the CRA adjustment factor of 22.4%. If you cannot confirm, please explain why not.
- (b) Please confirm that the purpose of the CRA adjustment factor is to tie the derived mail flow model costs to the CRA-derived unit costs, if the latter are known. If you cannot confirm, please explain why not and state what, in your opinion, is the purpose of a CRA adjustment factor.
- (c) Please confirm that you do not know the CRA-derived unit costs for either handwritten letters or QBRM letters. If you cannot confirm, please explain why not and provide the CRA-derived unit costs for handwritten letters and QBRM letters.
- (d) Please confirm that the accuracy of the CRA adjustment factor depends on how well a model's derived unit cost compares to the CRA unit cost, if that CRA unit cost is known. If you cannot confirm, please explain why not and state upon what, in your opinion, the accuracy of the CRA adjustment factor depends.

**RESPONSE:**

- (a) Not confirmed. The model specifically accounts for operations that handwritten letters incur but QBRM letters do not incur. For example, the model accounts for the RBCS operation, which is incurred by a handwritten letter but not incurred by a QBRM letter (see USPS-T-29, page 38).
  - (b) Confirmed.
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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-37 (continued)**

- (c) Confirmed. A non-automation presort CRA adjustment factor was used as a proxy for single-piece mail for two reasons. (1) The non-automation presort mail flow closely resembles that of single-piece mail. QBRM and handwritten letters are both part of the single-piece mail stream. (2) Single-piece mail has not been modeled, so a CRA adjustment factor for single-piece mail does not exist.
- (d) I don't know what is meant by "the accuracy of the CRA adjustment factor." Therefore, I cannot answer the question.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-38.**

Please refer to LR-I-160, Schedule L, p. 11, where you show that 8.9% of QBRM volume is delivered to a post office box location. In its Opinion And Recommended Decision in Docket R87-1, the Commission stated that "in excess of 90 percent [of BRM reply pieces] are delivered to lock boxes or are firm holdouts" (Op. R87-1, p. 795).

- (a) Please explain the apparent inconsistency between the Commission's statement in Docket No. R87-1 and your assumption in this case.
- (b) Please provide the percentage of BRM that will be delivered to a post office box location or firm holdout in the test year.

**RESPONSE:**

- (a) The 8.9 percent represents the *average* percentage of mail pieces that receive a manual delivery point sequence (DPS) at the post office box. This activity is considered mail processing. The 90 percent of BRM pieces delivered to lock boxes or firm holdouts is outside the scope of mail processing.
  - (b) To my knowledge, the Postal Service does not collect data on the percentage of BRM delivered to a post office box or firm holdout.
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**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-39.**

Please refer to your response to Interrogatory KE/USPS-T29-16 (b). In your response you note that, as compared to the base year, in the test year the Postal Service expects to save just over a penny for each handwritten letter that goes through the RBCS operation.

- (a) How many handwritten letters does the Postal Service expect to barcode via use of the RBCS operation in the test year?
- (b) In its roll forward model, did the Postal Service project a penny savings for each of the handwritten pieces that you indicate in your response to part (a) between the base and test years? If not, please explain.

**RESPONSE:**

- (a) According to Appendix C of the January 1999 Decision Analysis Report (DAR) for RCR upgrades (see USPS LR-I-164, Appendix C), 12.9 billion pieces handwritten pieces were available to RCR in the base year. Using the DAR assumption of 2 percent letter growth per year, an estimated 13.7 billion handwritten letters will be available to the RCR in the test year. Of these 13.7 billion pieces, 5 percent will be lost to "leakage" (0.7 billion) and another 0.95 percent will be sent to a manual sort operation (0.1 billion). The result is an estimated 12.9 billion handwritten mail pieces barcoded via the RBCS operation in the test year.
- (b) While I am not an expert on the roll forward model, my understanding is that the cost savings are "baked" into the test year costs associated with the RBCS operation. According to the DAR discussed in part (a), REC sites will capture 90 percent of the modeled savings (see USPS



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**Response to KE/USPS-T29-39 (continued)**

LR-I-164, Appendix C). In addition, the DAR assumes that the first full year of savings is October 1999 through September 2000.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
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**KE/USPS-T29-39.**

Please refer to your response to Interrogatory KE/USPS-T29-16 (b). In your response you note that, as compared to the base year, in the test year the Postal Service expects to save just over a penny for each handwritten letter that goes through the RBCS operation.

- (a) How many handwritten letters does the Postal Service expect to barcode via use of the RBCS operation in the test year?
- (b) In its roll forward model, did the Postal Service project a penny savings for each of the handwritten pieces that you indicate in your response to part (a) between the base and test years? If not, please explain.
- (c) What is the basis for your statement that in the test year 100 percent of handwritten mail pieces will have access to RBCS processing? Please provide all documents or other information that you reviewed in formulated your views on this matter.

**RESPONSE:**

- (a) Response filed on March 31, 2000.
  - (b) Response filed on March 31, 2000.
  - (c) It is my understanding that RBCS equipment has been fully deployed, with the exception of recent software upgrades. In an effort to be consistent with the letter models presented by witness Miller (USPS-T-24), I have also incorporated 100 percent RBCS coverage as a simplifying assumption.
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPST29-40.**

Please refer to your response to KE/USPS-T29-16 (f), where you derive the unit cost of 0.486 cents per piece for the RCR operation. There you divide total FY98 RCR Cost by the FY98 RCR Volume. Please provide the comparable unit cost for the test year in this case and explain why you did use a test year unit cost figure in your mail flow cost analyses.

**RESPONSE:**

The unit cost of 0.486 cents per piece for the RCR operation is, in fact, a test year unit cost. The response to KE/USPS-T29-16 (f) was taken directly from USPS LR-I-160, Section L, page 12, footnote 4, which contains an error. An erratum to USPS LR-I-160 is forthcoming.

The response to KE/USPS-T29-16 should read as follows:

$$\frac{\text{TY 2001 RCR Cost from USPS LR-I-77}}{\text{FY 98 RCR Volume from Corporate Information System}} * 100$$

$$= (\$109,317,075) / (22,500,709,679 \text{ pieces}) * 100 = 0.486 \text{ cents / piece}$$

The test year RCR cost is found in witness Smith's testimony in Docket No. R2000-1 at USPS-T-21, Attachment 14, page 2. The FY 98 RCR volume was used as a conservative estimate for test year RCR volume. Volume data obtained for FY 1999 and 2000 (to date) show that RCR volume has remained stable since FY 1998.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPST29-41.**

Please refer to your response to KE/USPS-T29-18 (b), where you state that QBRM pieces that are received by individual customers in high volumes receive their "last and final sortation" in the incoming primary operation.

- (a) Please confirm that for QBRM, 10.71% of the pieces are sent from the manual incoming secondary operation directly to the postage due unit for counting and rating, as shown in LR-I-160, Schedule L, p. 5. If you cannot confirm, please state the correct percentage of QBRM pieces that are sent from a manual incoming secondary operation to the postage due unit for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (b) Are 83.02% of QBRM pieces sent directly from the incoming SCF primary automation operation to the postage due unit for counting and rating? If not, please state the correct percentage of QBRM pieces that are sent from the incoming automation SCF primary operation to the postage due unit for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (c) Are 6.27% of QBRM pieces sent directly from the incoming automation 2-pass DPS secondary operation to the postage due unit for counting and rating? If not, please state the correct percentage of QBRM pieces that are sent directly to the postage due unit from the incoming automation 2-pass DPS secondary operation for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (d) Does your mail flow model for QBRM refute your assumption that 66.5% of QBRM pieces, received by individual customers in high volumes, would be both sorted and counted manually in the postage due unit? See LR-I-160, Schedule B, p. 2, footnotes (13) and (14). Please explain.
- (e) USPS witness Kingsley estimated that it might take as many as 20,000 pieces to justify having a separate bin in the incoming primary operation. See her response to KE/USPS-T10-4. Does your statement about QBRM volumes destined for delivery to high volume recipients receiving their last and final sortation in the incoming primary



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSAN ENERGY**

**KE/USPS-T29-41 (continued)**

operation refer to QBRM recipients who might receive 20,000 pieces per day on average? Please explain.

**RESPONSE:**

Please note that my response to KE/USPS-T29-18 stated "[f]or many QBRM pieces (i.e., larger accounts), the incoming primary operation is the last and final sortation" [emphasis added]. This statement was not intended to imply that all high-volume account QBRM pieces receive their "last and final sortation" in the incoming primary operation.

- (a) Not confirmed. The 10.71% of QBRM pieces coming from the manual incoming secondary operation represent a portion of the 41.6% of QBRM pieces sorted to the customer manually (see USPS LR-I-160, Schedule L, p. 2). This manual sortation generally takes place in the Postage Due Unit (PDU). So, perhaps a more appropriate label for cell AR87 in LR-I-160, Schedule L, p. 5 would be "To other side of PDU for counting and rating."
- (b) No. Some of the 83.02% of QBRM pieces may have already received a machine count using an end-of-run (EOR) report. So, some of the 83.02% of QBRM pieces are sent directly to the PDU for counting and rating and some of the 83.02% of QBRM pieces are sent directly to the PDU for rating only.
- (c) No. Some of the 6.27% of QBRM pieces may have already received a machine count using an EOR or BRMAS report. Further, some of
-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-41 (continued)**

these pieces may have already been rated using a BRMAS report. So, some of the 6.27% of QBRM pieces are sent directly to the PDU for counting and rating, some of the 6.27% of QBRM pieces are sent directly to the PDU for rating only, and some of the 6.27% of QBRM pieces have already been counted and rated.

(d) No. The 66.5% of QBRM pieces referred to receive a *final* piece count using a manual or other method. This does not mean that these pieces have not already received a count on a BCS or other method.

(e) It is indeed possible, but unlikely, that QBRM volumes receiving their last and final sortation in the incoming primary operation are destined to recipients who might receive 20,000 pieces per day on average. Only four customers receive 20,000 QBRM pieces per day on average.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-42.**

Please refer to your responses to Interrogatory KE/USPS-T29-19, parts (a) and (b) and your response to Interrogatory KE/USPS-T29-2 (f). In response to part (a) of Interrogatory KE/USPS-T29-19, you state "[m]anual counting does not typically involve weighing BRM pieces..." even though the question asked about the standard or general method for "counting, rating and billing" BRM. In part (b) of that Interrogatory, you note that the "standard method of BRM counting, rating and billing" would not be appropriate for BRM recipients who receive large volumes. In your response to Interrogatory KE/USPS-T29-2 (f), you indicate that "no such study has been conducted to date" on the typical processing method for high volume QBRM recipients and how it might differ from the typical processing method for low volume QBRM recipients.

- (a) Doesn't a Postal clerk have to weigh each BRM piece, especially if weight is not obvious, in order to determine the correct First-Class postage to charge the recipient in addition to the BRM fee? If not, please explain.
- (b) If the procedures for counting, rating and billing BRM for recipients who receive low volumes are not appropriate for BRM recipients who receive high volumes, why didn't you study and make appropriate adjustments for such differences, particularly with respect to the counting function, in your two, separate cost studies for low volume and high volume QBRM?

**RESPONSE:**

- (a) No. A Postal clerk does not have to weigh each BRM piece in order to determine the correct First-Class postage. Postal clerks typically visually scan trays of BRM pieces and cull out pieces that appear to be over 1 ounce, and weigh the pieces accordingly to determine the correct First-Class postage.
- (b) Please see my response to KE/USPS-T29-44 (c).



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-44.**

Please refer to your response to Interrogatory KE/USPS-T29-22 (d), where you were asked if QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes. Your response suggests that this is not "universally true" and you discuss some possible exceptions.

- (a) Isn't it true that you did not study whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If not, please provide all studies or other analyses that were prepared on this subject.
  - (b) Isn't it true that you really don't know whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If you do know, please state the unit cost to count QBRM letters received by individual recipients in high volumes and the unit cost to count QBRM letters received by individual recipients in low volumes, and provide all documents or other information used to derive such unit costs.
  - (c) Isn't it true that, for purposes of establishing an additional category for QBRM reply letters received in high volumes, you really did not think that you needed to know whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If it is not true, please explain.
  - (d) Please confirm that the Postal Service's proposal is to charge QBRM recipients who receive high volumes a different, lower per piece fee than it charges QBRM recipients who receive low volumes? If you cannot confirm, please explain why not.
  - (e) Isn't it true that, without knowing if there are differences in the unit costs of counting QBRM reply letters received by individual recipients in high volumes versus low volumes, your derived separate unit costs are based on an unsupported assumption that the unit costs of counting QBRM reply letters received by individual recipients in high volumes would be identical to the unit costs of counting QBRM reply letters received by individual recipients in low volumes? If you do not agree with the foregoing statement, please explain why you assumed that the counting productivity high volume recipients would be the same as the counting productivity for low volume recipients.
-



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**RESPONSE TO KE/USPS-T29-44:**

- (a) It is true that I did not specifically study whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes. Rather, my cost analyses depend upon data obtained from the 1996 BRM Practices Study and field observations.
- (b) It is true that I don't know whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes. Again, my cost analyses depend upon data obtained from the 1996 BRM Practices Study and field observations.
- (c) It is not true that, for purposes of establishing an additional category for QBRM letters received in high volumes, I did not think that I needed to know whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes. Given certain time constraints with an impending rate case filing, I was unable to conduct a study such as the one you describe in part (a). I believe that data obtained from such a study could improve the cost estimates presented in this rate case filing.
- (d) It is the proposal of the Postal Service that high volume recipients have the option of a lower fee structure. The lower fee proposed for QBRM
-



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-44 (continued)**

recipients who receive QBRM in high volumes is combined with a proposed quarterly fee. The quarterly fee is based on the premise that the cost to generate a bill for a high-volume customer varies with the number of postage due bills (15 per AP, on average) and not the volume of QBRM pieces, while the cost to generate a bill for a low-volume customer varies more with the volume of QBRM pieces.

- (e) Yes. Given the lack of standardized procedures for counting QBRM pieces across QBRM processing sites, I believe that assuming identical counting costs for high-volume and low-volume QBRM recipients is a fair way to allocate costs across sites. Assuming a higher counting cost for all low-volume QBRM recipients would ignore the fact that some low-volume QBRM is subject to the same low-cost accounting methods as some high-volume QBRM. It also would ignore the fact that the accounting for a significant portion of high-volume QBRM is performed via manual piece counts. My response to KE/USPS-T29-22, part (d) provides specific examples. The response states that "[s]ome offices processing a few high-volume QBRM accounts are not equipped to count the pieces using automation due to BCS capacity constraints. These pieces are counted using alternative methods such as labor-intensive (i.e., expensive) manual counting. Conversely, some offices receiving low-volume accounts can count



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-44 (continued)**

these pieces on automation (*i.e.*, inexpensive) along with the high-volume accounts.”

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**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**KE/USPS-T29-45.**

Please refer to your response to Interrogatory KE/USPS-T29-22 (f), where you were asked if nonletter-size BRM received by customers in high volume cost less to count than if received in low volumes. Your response suggests that this is not "universally true" and you discuss some possible exceptions.

- (a) If you cannot confirm that nonletter-size BRM received by customers in high volume cost less to count than if received in low volumes, why does the Postal Service offer a special discount for such pieces?
- (b) Please provide all instances where the Postal Service offers a discount without being able to confirm that the intended discount reflects actual cost savings. For each instance, provide the basis for establishing those discounts.
- (c) Please state the rationale for charging 3 cents per piece for QBRM received in high volumes, which can be counted at very high productivities by machines, and charging only 1 cent for nonletter-size BRM, which cannot be counted by machines.
- (d) Please state the rationale for charging 3 cents per piece for QBRM reply letters received in high volumes, which can be packed very efficiently in containers, such as trays, for weighing, and charging only 1 cent for nonletter-size BRM, which cannot be packed efficiently into such containers?

**RESPONSE:**

- (a) Above a certain volume, it costs less to perform weight averaging to rate nonletter-size BRM than to individually count and weigh each piece. The Postal Service offers weight-averaging fees for nonletter-size BRM recipients who find the fees (and the associated improvement in accounting efficiency) advantageous. Currently, my understanding is that only seven high-volume customers participate in the program. For those high-volume customers who choose not to



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSPAN ENERGY**

**Response to KE/USPS-T29-45 (continued)**

participate in weight-averaging, their nonletter-size BRM pieces are counted and rated manually, the same method used for low-volume nonletter-size BRM recipients.

- (b) I am not aware of any instances where the Postal Service offers a discount without being able to confirm that the intended discount reflects actual cost savings.
- (c) Please see my testimony (USPS-T-29) beginning at page 5 for a description of the cost basis for the fees proposed by witness Mayo. Please see my testimony (USPS-T-29) beginning at page 42 for an explanation of the cost basis for witness Mayo's proposal to charge 1 cent per piece for nonletter-size BRM pieces.

QBRM accounting costs reflect that a mix of methods – high cost and low cost, automated and manual and other – are used to perform QBRM accounting. In contrast the nonletter-size weight averaging is based on the de-averaged cost of the one and only feasible alternative to manual piece-by-piece accounting. An apples-to-apples comparison between QBRM and nonletter-size BRM accounting costs would be to compare the cost for each based on the average cost of all applicable accounting methods.

- (d) Please see my response to part (c).



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY**

**KE/USPST29-46.**

Please consider a reply mail recipient who receives large volumes of both QBRM and pre-barcoded CRM.

- (a) Please describe all differences in how the Postal Service will process the QBRM and CRM of this recipient, particularly after the letters reach the incoming primary sortation.
- (b) Please confirm that on average, 41.6% of the QBRM will be manually sorted to the end user, as you show in LR-I-160, Section, B, p. 2.
- (c) Please confirm that, on average, prior to being sent to the postage due unit, 83.02% of QBRM will be sorted in the SCF automation incoming primary, 10.71% will be sorted in the manual incoming secondary and 6.27% will be sorted in the automation incoming 2-pass secondary, as you show in LR-I-160, Section L, p. 5.
- (d) Please explain how both parts (b) and (c) can both describe the correct flow of QBRM letters.
- (e) Please provide the average percentage of CRM pieces that will be sorted in the (1) SCF automation incoming primary, (2) the manual incoming primary, and (3) the automation incoming secondary operations, respectively, prior to being sent to the delivery operation.
- (f) Please explain any differences among the comparable percentages you provide in response to part (e) and the percentages you confirm in response to part (c).

**RESPONSE:**

- (a) In general, mail processing operations for QBRM and CRM pieces are identical with one important distinction. There is a greater likelihood that CRM pieces will be held out in an outgoing operation than QBRM pieces. Thus, CRM pieces may possibly never reach the incoming primary operation. The primary reason is that CRM pieces are more likely to be received in high volumes on a consistent basis than QBRM



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY**

**Response to KE/USPS-T29-46 (continued)**

pieces, particularly CRM pieces originating and destinating in the same SCF.

(b) Confirmed.

(c) The mail processing model shows that, on average, prior to being sent to the postage due unit, 83.02% of QBRM will be sorted in the SCF automation incoming primary, 10.71% will be sorted in the manual incoming secondary, and 6.27% will be sorted in the automation incoming 2-pass secondary operation.

(d) The model used to estimate the QBRM cost avoidance is based on average mail flow densities and is intended to be consistent with all other First-Class letter models (see my response to KE/USPS-T29-34). The model that is used to estimate QBRM counting, sorting, rating, and billing costs is based on the BRM Practices Study (see USPS LR-H-172), a study that was specifically tailored to business reply mail. Each model is used for very different purposes and, thus, may produce seemingly different outcomes.

(e) The percentages that you are requesting are not available because the Postal Service does not collect these data.

(f) Please see my response to part (e).

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**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**KE/USPS-T29-47.**

Please refer to your answer to Interrogatory KEIUSPS-T29-15(c), where you confirm that you assumed that the mail flow densities for QBRM and handwritten addressed letters are identical, with one exception. You also state on page 40 of your testimony that you used the general First-Class Mail flow densities in your cost analysis to estimate the QBRM and handwritten addressed model unit costs.

- (a) Does the statement above fairly represent your testimony with regard to the mail flows shown in LR-I-160, Schedule L, pages 2 and 3? If not, please explain.
- (b) Has the Postal Service developed a mail flow cost model for general First-Class letters to see how such a derived unit cost compares to the CRM-derived unit cost of 12.30 cents, provided in LR-I-81, Mpshusty, Schedule TY Letters (4)? If yes, please provide that flow diagram, including all backup materials and assumptions made pertaining to the derivation of that unit cost? If not, why not?
- (c) How does the cost flow model provided by USPS witness Miller for metered mail differ from that for general First-Class letters, as you have used the mail flow in your testimony? Please describe all differences between the two models as well as the reasons for those differences.
- (d) Do you agree that the unique density characteristic exhibited by QBRM, whereby one-third of the pieces are addressed to individual customers who receive large quantities, is a cost-savings attribute? If you do not agree, please explain how high mail densities at the delivery end of the mail service spectrum would not have the impact of saving costs. See USPS-T-39, WP5.
- (e) How have you reflected the unique density characteristic exhibited by QBRM, discussed in part (d) in your mail flow model derived unit costs, if you did.

**RESPONSE:**

- (a) Yes. The statement fairly represents my testimony.
- (b) I am not aware of any mail flow cost model generated by the Postal Service for "general" First-Class letters.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-47 (continued)**

(c) The cost flow model provided by witness Miller (USPS-T-24) for metered mail differs from my QBRM model in two ways. First, in the metered mail model, 10,000 mail pieces enter the model in the Outgoing ISS operation, which is generally reflective of bulk metered mail. In the QBRM model, 10,000 mail pieces enter in the Outgoing Primary operation because these pieces generally do not flow through the RBCS operation. In the handwritten model, 10,000 mail pieces enter in the Outgoing RCR operation, because handwritten pieces have already received an image-lift in the facing and canceling operation.

The second difference pertains to the percentages found in the Miscellaneous Factors worksheet, Automation Incoming Secondaries. The metered mail and handwritten mail percentages are assumed to be the same because these mail pieces are generally part of the same mail stream. QBRM pieces that are sorted on a DBCS, however, are generally passed two times on the DBCS. The 100 percent found in the Miscellaneous Factors worksheet reflects this assumption.

(d) It is possible that the "unique density characteristic" is a cost savings attribute for a small percentage of QBRM accounts. Please note, however, that there are far more *non-BRM* users who have similar density characteristics and receive mail in high volumes.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-47 (continued)**

- (e) The "unique density characteristic" exhibited by QBRM was not specifically addressed in my mail flow model.
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**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY  
(4/24/00)**

**KE/USPS-T29-49.**

Using the database and search capabilities available through the PERMIT system, please provide for the base year and the most recent twelve month period for which data are available, a list of the 75 QBRM recipients who received the highest total volumes during such periods. For each high volume QBRM recipient identified as such from the PERMIT system, please provide, in tabular form, the following information from PERMIT data if available or other sources if PERMIT data does not include the requested information:

- (a) the location of the postal facility where such QBRM recipient receives its reply mail;
- (b) the total volumes of QBRM received during the relevant twelve month period;
- (c) how many different addresses the QBRM recipient maintains for QBRM at such postal facility;
- (d) if a listed QBRM recipient maintains more than one QBRM address at that facility, the volumes of QBRM delivered to each of the other addresses during the relevant periods;
- (e) whether the address printed on each of the QBRM recipient's reply piece is a post office box or a physical street address;
- (f) for recipients whose reply mail pieces are addressed to post office boxes, whether the QBRM recipient's reply mail pieces are picked up by the recipient or its designated representatives from the post office box or through firm holdout procedures, or whether postal service personnel routinely deliver the recipient's QBRM volumes to the recipients place of business;
- (g) the method customarily used to sort such recipient's QBRM to the recipient and the processing step (e.g. incoming primary, incoming secondary) and the location where the final sort to that recipient occurs (e.g. at another postal facility, outside the postage due unit in the destination facility, or within the postage due unit in the destination facility; and
- (h) if the QBRM recipient received BRM at such facility in 1989, please furnish the information requested in part (g) for 1989.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY  
(4/24/00)**

**KE/USPS-T29-49 (continued)**

Please note that you are not being requested to identify individual QBRM recipients. If the annual volume received by any of the high volume QBRM recipients you identify is less than 113,333 pieces, please so indicate and do not furnish the information requested in parts (a), (c)-(h).

**RESPONSE:**

(a), (b) Attachment 1 to this response provides a list of the 75 QBRM accounts identified by PERMIT that received the highest QBRM volumes during the first three quarters of FY98. The fourth quarter of data was not readily available and is not included as a result. For those sites that participated in the 1996 BRM Practices Study, I have indicated which counting methods were used at each site in 1996, based on a percent of total QBRM volume. Locations and customer names have been masked due to the sensitive nature of these data.

Attachment 2 provides the same data as those described above for the period FY99, AP6 through FY00, AP6. Please note that I have updated the counting methods for many sites, based on recent discussions with Postal personnel at those sites. For those sites not contacted in FY 2000, I have provided data from the 1996 BRM Practices Study. Again, the locations and customer names have been masked.

(c) I am unable to provide the number of different addresses that each QBRM recipient maintains at each postal facility. While many QBRM recipients have multiple addresses at one postal facility, the account



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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(4/24/00)**

**Response to KE/USPS-T29-49 (continued)**

names entered into the PERMIT system do not necessarily reflect the same account holder name. For example, Company ABC may have three addresses, or PO box numbers, at Post Office A. The three records entered into the PERMIT system may have completely different names, somewhat similar names, or exactly the same name. This situation makes the request in KE/USPS-T29-49 (c) virtually impossible to achieve without calling each QBRM site for this information.

(d) I am unable to provide the requested volumes for the reason described above in part (c).

(e)-(g) None of the data requested in these subparts is available within the PERMIT system or any other Postal data base. In an effort to collect these data, individual postal facilities were telephoned over a four-day period. It was soon determined that telephoning individual sites was inefficient and produced little usable data. The only efficient data collection method, given the complexity and scope of the data request, is a multi-faceted survey, which is not feasible at this time. Such a survey would require instruction and completion by personnel at Post Offices and supporting mail processing facilities for each customer identified in Attachments 1 and 2. Among those who would need to be surveyed are mail processing supervisors and clerks, postage due clerks at mail



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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**Response to KE/USPS-T29-49 (continued)**

processing facilities and post offices, and delivery personnel. In addition, USPS Labor Relations specialists would have to review the survey prior to its release to field personnel for completion. The time period required for such an undertaking would be four weeks at a minimum.

(h) Mail processing data from 1989 do not exist for the QBRM recipients identified in Attachments 1 and 2.



ATTACHMENT 1 OF RESPONSE TO KE/USPS-T29-49  
QBRM ACCOUNT VOLUMES  
FY98, AP 1 THROUGH AP 9

REVISED 4/24/00

Customer	Post Office	Volume	COUNTING METHODS*					Weighing of Identical Pieces
			Manual	EOR	BRMAS	Special Counting Machine	Weight Averaging	
2	17	30,017,809						
86	41	7,251,231	3.2%	1.0%	93.8%	2.0%		
82	6	6,674,895	23.5%	76.5%				
81	16	4,305,637						
44	33	2,994,183	36.5%		63.5%			
39	8	2,580,042						
84	47	2,470,227						
41	34	2,413,831						
40	6	2,157,394	23.5%	76.5%				
68	52	1,945,275						
20	5	1,941,532	10.0%	90.0%				
25	29	1,834,995						
70	56	1,810,222						
56	48	1,783,235	98.4%		1.6%			
10	3	1,694,727	52.4%	44.3%				3.3%
32	48	1,610,662	98.4%		1.6%			
89	39	1,558,081	19.6%	76.5%				3.9%
56	48	1,536,347	98.4%		1.6%			
61	29	1,513,569						
36	30	1,497,632	35.9%	5.1%		59.0%		
11	52	1,469,422	4.2%		95.8%			
19	38	1,455,281	10.0%	90.0%				
64	41	1,452,746	3.2%	1.0%	93.8%	2.0%		
NA	54	1,331,355						100.0%
8	39	1,310,102	19.6%	76.5%				3.9%
65	59	1,198,777						
67	12	1,059,147	26.4%	1.5%	60.7%	7.6%		3.8%
21	50	1,030,128	22.0%	78.0%				
75	34	992,383						
37	48	984,078	98.4%		1.6%			
85	50	964,186	22.0%	78.0%				
12	29	954,771						
NA	NA	911,785						
67	12	897,522	26.4%	1.5%	60.7%	7.6%		3.8%
55	53	874,193						
32	48	869,668	98.4%		1.6%			
68	41	863,713	3.2%	1.0%	93.8%	2.0%		
31	48	862,434	98.4%		1.6%			
59	51	862,047						
29	14	852,210	100.0%					
51	22	851,699	20.0%				80.0%	
79	20	817,946						
4	28	806,195						
88	26	789,740	10.0%	80.0%				10.0%
88	26	778,945	10.0%	80.0%				10.0%
NA	NA	777,128						
80	45	769,122	1.0%		99.0%			
24	11	751,937						
47	60	724,759	50.0%			50.0%		
43	12	711,030	26.4%	1.5%	60.7%	7.6%		3.8%
44	33	705,870	36.5%		63.5%			
42	30	705,572	35.9%	5.1%		59.0%		
NA	NA	686,405						
58	14	683,991	100.0%					
84	47	677,667						
80	45	646,818	1.0%		99.0%			
5	36	642,118						
3	55	631,235	100.0%					
73	14	623,882	100.0%					
60	40	617,668	45.0%	55.0%				
23	46	615,110						
33	38	604,402	10.0%	90.0%				
18	47	588,636						
72	1	585,158	10.0%	4.7%	80.5%	4.7%		
26	49	584,138						
62	34	576,915						
34	58	575,649	20.0%	80.0%				
34	58	572,850	20.0%	80.0%				
87	57	571,951	17.3%	17.4%	65.3%			
51	22	567,681	20.0%				80.0%	
16	33	558,315	36.5%		63.5%			
22	50	540,274	22.0%	78.0%				
17	48	528,557	98.4%		1.6%			
45	45	519,214	1.0%		99.0%			
15	3	514,848	52.4%	44.3%				3.3%

\*Counting methods taken from 1996 BRM Practices Study (USPS LR-H-179)



ATTACHMENT 2 OF RESPONSE TO KE/USPS-T29-49  
QBRM ACCOUNT VOLUMES  
FY99 (AP6) THROUGH FY2000 (AP6)

REVISED 4/24/00

Customer	Post Office	Acct volume	1996 Practices Study data	FY2000 Data	COUNTING METHOD (customer method shaded)						Special Counting Machine	Weight Averaging	Weighing of Identical Pieces
					Manual	EOR	BRMAS						
2	17	36,382,839		X			100.0%						
82	6	9,433,164	X		23.5%	76.5%							
86	41	8,310,062		X	2.0%	1.0%	97.0%						
49	21	6,936,441		X	6.0%	38.0%						6.0%	
9	23	4,226,212		X			100.0%						
66	42	4,138,339	X		1.2%		98.8%						
39	8	3,718,409		X			100.0%						
81	16	3,644,659		X	40.0%	54.0%						6.0%	
78	35	3,527,732		X	100.0%								
57	15	3,507,447		X	30.0%	70.0%							
86	41	3,204,907		X	2.0%	1.0%	97.0%						
84	47	2,953,486		X	20.0%							90.0%	
64	41	2,812,312		X	2.0%	1.0%	97.0%						
7	17	2,712,699		X		100.0%							
41	34	2,710,945		X	10.0%	90.0%							
40	6	2,634,921	X		23.5%	76.5%							
10	3	2,468,908	X		52.4%	44.3%							3.3%
77	35	2,400,709		X	100.0%								
14	7	2,136,743	X		10.0%	90.0%							
72	1	2,109,074	X		10.0%	4.7%	80.5%	4.7%					
37	48	2,074,582	X		98.4%		1.6%						
54	27	2,061,932		X			100.0%						
37	48	2,041,646	X		98.4%		1.6%						
44	33	2,031,984	X		36.5%		63.5%						
9	23	1,948,174		X			100.0%						
67	12	1,944,311	X		26.4%	1.5%	60.7%	7.6%				3.8%	
89	39	1,868,356	X		19.6%	76.5%							3.9%
19	38	1,860,129	X		10.0%	90.0%							
63	24	1,818,455	X		50.0%	50.0%							
44	33	1,808,286	X		36.5%		63.5%						
38	13	1,774,401	X		80.0%								20.0%
45	45	1,672,203		X	1.0%		99.0%						
50	16	1,509,851											
32	48	1,503,213	X		98.4%		1.6%						
4	28	1,497,313		X	100.0%								
41	34	1,487,567		X	10.0%	90.0%							
79	20	1,484,742		X	15.0%	80.0%						5.0%	
24	11	1,467,578		X	25.0%	75.0%							
60	40	1,327,965	X		45.0%	55.0%							
6	48	1,297,976	X		98.4%		1.6%						
46	17	1,268,330		X		100.0%							
33	38	1,231,997	X		10.0%	90.0%							
67	12	1,223,703	X		26.4%	1.5%	60.7%	7.6%				3.8%	
13	2	1,216,770	X		50.0%								50.0%
28	23	1,200,441		X			100.0%						
15	3	1,199,208	X		52.4%	44.3%							3.3%
12	29	1,184,575		X			100.0%						
80	45	1,178,905		X	1.0%		99.0%						
5	36	1,163,613											
25	29	1,161,241		X			100.0%						
27	15	1,147,115		X	30.0%	70.0%							
20	5	1,127,114	X		10.0%	90.0%							
1	45	1,107,286	X		1.0%		99.0%						
74	44	1,100,260		X	15.0%							85.0%	
67	41	1,093,074		X	2.0%	1.0%	97.0%						
8	38	1,067,593	X		19.6%	76.5%							3.9%
76	35	1,046,671		X	100.0%								
51	22	1,003,337	X		20.0%							80.0%	
68	41	1,002,077		X	2.0%	1.0%	97.0%						
35	25	986,135	X		100.0%								
83	32	969,750		X	10.0%							90.0%	
53	31	964,959		X	10.0%	90.0%							
36	30	948,133	X		35.9%	5.1%		59.0%					
30	4	940,355											
23	46	930,710		X	100.0%								
48	19	921,137		X	100.0%								
71	10	920,323	X		100.0%								
52	42	912,083	X		1.2%		98.8%						
90	9	908,877		X	5.0%	95.0%							
61	29	905,657		X			100.0%						
91	37	901,387		X	70.0%							30.0%	
42	30	888,185	X		35.9%	5.1%		59.0%					
88	26	881,182	X		10.0%	80.0%							10.0%
73	14	875,224	X		100.0%								
39	6	874,379		X			100.0%						



**KE/USPS-T29-50.**

In Library Reference LR-I-162a, Schedule L, p. 12 you list the productivities of various postal operations.

- (a) Please confirm that the outgoing ISS operation consists of a retrofitted MLOCR that reads an address, sprays on a barcode and sorts the mail. If you cannot confirm, please explain.
- (b) Please confirm that the outgoing OSS operation consists of a retrofitted MPBCS or DBCS that sorts the mail that has already been barcoded. If you cannot confirm, please explain.
- (c) Please confirm that the outgoing BCS primary operation consists of either an MPBCS or DBCS that sorts the mail that has already been barcoded. If you cannot confirm, please explain.
- (d) Please confirm that the incoming BCS MMP primary operation consists of either an MPBCS or DBCS that sorts the mail that has already been barcoded. If you cannot confirm, please explain.
- (e) Please confirm that the incoming BCS SCF primary operation consists of either an MPBCS or DBCS that sorts the mail that has already been barcoded. If you cannot confirm, please explain.
- (f) Please explain why the outgoing ISS MODS productivity of 6,847 pieces per hour (PPH) is higher than the productivities for the Outgoing BCS primary (5,729 PPH), incoming BCS MMP primary (5,565 PPH) and the incoming BCS SCF primary (5,896 PPH) operations?
- (g) Please explain why the outgoing OSS MODS productivity of 8,976 PPH is higher than the productivities for the Outgoing BCS primary (5,729 PPH), incoming BCS MMP primary (5,565 PPH) and the incoming BCS SCF primary (5,896 PPH) operations?

**RESPONSE:**

- (a) Confirmed. Please note that if the outgoing ISS/MLOCR cannot resolve an address, the mail piece's image is lifted and sent to the RBCS operation and a unique fluorescent ID tag is sprayed on the mail piece. Later, when the mail piece flows to the outgoing OSS operation



**Response to KE/USPS-T29-50 (continued)**

where a barcode is sprayed on the mail piece based on RBCS processing and the mail piece is sorted.

- (b) Not confirmed. Generally, mail pieces flowing through the outgoing OSS operation have not been previously barcoded. Rather, these mail pieces receive a barcode and are sorted in the OSS operation.
  - (c) Confirmed.
  - (d) Confirmed.
  - (e) Confirmed.
  - (f) While I am not an expert on MODS productivities, one possible explanation for a higher MODS productivity on the Outgoing ISS is that ISS/MLOCs have fewer bins (44 or 60 bins) than MPBCSs (96 bins) and DBCSs (174 bins, on average). Fewer bins or separations imply fewer bins to sweep, fewer jams, and less distance for clerks and mail pieces to cover, and thus a higher productivity.
  - (g) The explanation in part (f) may also explain why the OSS MODS productivity is higher than the productivities for the Outgoing BCS Primary, Incoming BCS MMP Primary, and the Incoming BCS SCF Primary operations. MODS volumes in FY 99, AP 11, reveal that the OSS operation occurs on an MPBCS 3 times more often than on a DBCS (see USPS LR I-160, Schedule L, p. 14). This data is consistent with the explanation provided in part (g).
-



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO INTERROGATORY OF KEYSpan ENERGY  
(April 24, 2000)**

**KE/USPS-T29-51.**

Please refer to your response to KeySpan Energy's Interrogatory KE/USPS-T29-20 where you confirmed that one office, which had almost 10,000 individual advance deposit BRM accounts, accounted for 28.6% of the workhours used in deriving the 951 PPH productivity for counting and distributing BRM from data collected in 1989.

- (a) Please confirm that you have adopted this 951 PPH productivity in your cost study to derive the unit cost of counting and distributing QBRM received in high volumes, as shown in LR-I-162, Schedule B, page 2. If you cannot confirm, please explain.
- (b) Please confirm that you have adopted this productivity in your cost study to derive the unit cost of counting and distributing QBRM received in low volumes, as shown in LR-I-162, Schedule B, page 3. If you cannot confirm, please explain.
- (c) Please confirm that the study conducted in 1989 included only those offices in which BRMAS software was up and running, and that "[a] substantial proportion of the BRMAS qualified pieces which are currently processed through the mechanized/manual process is composed of rejects from BRMAS." See Docket No. R90-1, USPS-T-23, p. 6.
- (d) Please confirm that Site 10, the office that contributed 2,217.g or 28.6% of the study's workhours distributing 1,301,712 letters to 9,960 accounts, was Denver, CO. If you cannot confirm, please explain and identify the postal facility in question.
- (e) Please describe specifically the sorting and counting operations at Site 10 during the 1989 study period as they related to the processing of BRM reply mail pieces, and contrast those operations with the sorting and counting operations in effect today at Site 10. In your answer, please include a description of the number and type(s) of equipment available to sort and count BRM letters, then and now, as well as the portion of BRM now received that consists of QBRM.
- (f) Please confirm that if Site 10 were removed from the analysis, the derived productivity would have been 1,097 PPH, 15% higher than the productivity of 951 PPH. If you cannot confirm, please provide the derived PPH if Site 10 had been removed from the analysis.



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO INTERROGATORY OF KEYSpan ENERGY  
(April 24, 2000)**

**KE/USPS-T29-51 (continued)**

- (g) Please confirm that if you had used a PPH of 1,097 in your cost analysis (instead of the 951 PPH you did use), the unit cost for processing QBRM received in high volumes would be reduced from 2.0 cents to 1.61 cents. If you cannot confirm, how would substitution of a 1,097 PPH productivity factor change your derived 2.0-cent unit cost to sort and count QBRM received in high volumes?
- (h) Does Site 10 currently sort QBRM letters by automation to almost 10,000 accounts?
- (i) Are there any other sites in the country that are set up similarly to Site 10, with so many separate accounts in one office? If your answer is yes, please identify such postal facilities and, for each site, provide a list showing the number of accounts, the average annual volume per account, the method(s) used to sort QBRM to the final recipient, the method(s) used to count QBRM volumes, and a statement concerning whether the methods used for sorting and counting QBRM are different for high volume and low volume recipients and whether such methods have changed since 1989.
- (j) If your answer to part (i) is no, please explain how (1) the operations of Site 10 can be representative of manual operations in other offices as you inherently assume, and (2) how your field observations confirmed that those manual operations have not changed since 1989.

**RESPONSE:**

Please note that the Library Reference that you refer to throughout this question should read "LR-I-160" and not "LR-I-162."

- (a) Not confirmed. I have adopted the 951 PPH productivity in my cost study to derive the unit cost of *counting* and *sorting* QBRM received in high volumes. To my knowledge, 951 PPH captures the productivity for those pieces counted manually regardless of the volume received.
- (b) Not confirmed. I have adopted the 951 PPH productivity in my cost study to derive the unit cost of *counting* and *sorting* QBRM received in



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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(April 24, 2000)**

**Response to KE/USPS-T29-51 (continued)**

low volumes. To my knowledge, 951 PPH captures the productivity for those pieces counted manually regardless of the volume received.

(c) Confirmed.

(d) I cannot confirm the identity of Site 10 because I do not have a listing of the actual site locations.

(e) I cannot answer this question because I do not know the identity of Site 10.

(f) Confirmed.

(g) Confirmed.

(h) I cannot answer this question because I do not know the identity of Site 10.

(i) Although I do not know the identity of Site 10, I have identified two sites in PERMIT with the highest number of separate BRM accounts in one office. Please see Attachment 1 for a table containing the following data for each site: (1) BRM type; (2) total number of BRM accounts; and (3) average annual volume per account. The two identified sites correspond to the sites identified in Attachments 1 and 2 of my response to KE/USPS-T29-49. You can look up the current counting method in Attachment 2 in that response. I do not know the method used to sort QBRM to the final recipient at either site. Lastly, I do not know whether the methods used for counting QBRM are



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO INTERROGATORY OF KEYSpan ENERGY  
(April 24, 2000)**

**Response to KE/USPS-T29-51 (continued)**

different for high-volume and low-volume recipients or whether such methods have changed since 1989.

(j) Not applicable.



**ATTACHMENT 1**  
**BRM DATA FOR RESPONSE TO KE/USPS-T29-51 (I)**  
**FY99 (AP6) THROUGH FY2000 (AP6)**

			average annual volume / account
Site	BRM type	# of accounts	
12	1 oz ltrs	257	26,156
12	2 oz ltrs	83	4,115
12	cards	126	8,664
14	1 oz ltrs	300	21,013
14	2 oz ltrs	58	322
14	cards	236	8,061



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**KE/USPS-T29-52.**

Please refer to LR-I-160L where you compute the unit QBRM savings.

- (a) Do mailers of QBRM reply envelopes have reason to go to a post office window to buy postage to send out their QBRM? If yes, please explain.
- (b) Do mailers of reply envelopes with handwritten addresses have reason to go to a post office window to buy postage to send out their reply envelopes? If not, please explain.
- (c) Did you include window service cost savings in your analysis of QBRM cost savings? If yes, please explain how such savings are factored into your analysis.
- (d) Please confirm that USPS witness Daniel estimates that in the test year, an average First-Class single piece letter incurs window service costs of 1.6 cents. See LR-I-191B (revised), spreadsheet SP letters combined, where the total cost of \$755,467,000 is incurred by 47,984,446,747 letters. If you cannot confirm, what is the average window service cost incurred by a First-Class single piece letter in the test year?
- (e) What is the total cost to print and distribute First-Class stamps for the test year?

**RESPONSE:**

- (a) No.
- (b) Yes. My response to this question assumes that when you refer to "reply envelopes with handwritten addresses," you are referring to Courtesy Reply Mail envelopes.
- (c) No. Only mail processing costs were factored in my analysis.
- (d) Confirmed. Please note that the correct cite is LR-I-91A.
- (e) I am informed that the test year cost of printing First-Class stamps is \$209,827,000. I am also informed that stamp distribution costs are



**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
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INTERROGATORY OF KEYSpan ENERGY (April 20, 2000)**

**Response to KE/USPS-T29-52 (continued)**

treated as institutional and not assigned to class of mail. Therefore, I  
can not provide the cost to distribute First-Class stamps.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-1.**

Please refer to Figure 1 on page 8 of your testimony. The mail flow diagrammed here begins at the incoming primary. Other than the boxes marked "BRMAS Operation" and "Postage Due Unit," are there any differences in operations between the advance deposit BRM mail flow and that of an identical mail piece with a stamp instead of the BRM indicia?

**RESPONSE:**

This response is provided under the assumption that an "identical mail piece" contains both a preapproved, preprinted POSTNET barcode and an approved Face Identification Mark (FIM) indicating that the mail piece contains a POSTNET barcode. Other than the BRMAS Operation and Postage Due Unit, there are generally no differences in operations between the advance deposit BRM mail flow and that of an identical mail piece with a stamp instead of the BRM indicia.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-2.**

Please respond to OCA/USPS-T29-1 for Figure 2 on page 12 of your testimony.

**RESPONSE:**

This response is provided under the assumption that an "identical mail piece" contains both a preapproved, preprinted POSTNET barcode and an approved Face Identification Mark (FIM) indicating that the mail piece contains a POSTNET barcode. Other than the BRMAS Operation and Postage Due Unit, there are generally no differences in operations between the non-advance deposit BRM mail flow and that of an identical mail piece with a stamp instead of the BRM indicia.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-3.**

Please respond to OCA/USPS-T29-1 for QBRM.

**RESPONSE:**

This response is provided under the assumption that an "identical mail piece" contains both a preapproved, preprinted POSTNET barcode and an approved Face Identification Mark (FIM) indicating that the mail piece contains a POSTNET barcode. Other than the BRMAS Operation and Postage Due Unit, there are generally no differences in operations between the QBRM mail flow and that of an identical mail piece with a stamp instead of the BRM indicia.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-4.**

Please refer to LR-I-160, Section L and to the Commission's Opinion and Recommended Decision, Docket No. R97-1, paragraph [5198], pages 326-327. The Commission's observation was that single-piece mail that would benefit from proposed discounts for PRM and QBRM consisted of mail pieces that were already mostly barcoded and already generating cost savings. Did you consider using courtesy reply mail as a benchmark for QBRM instead of hand written mail? Please explain fully.

**RESPONSE:**

No. I did not consider using courtesy reply mail as a benchmark for QBRM. A handwritten mail piece is the more appropriate benchmark because households must generate handwritten mail pieces when no preapproved, prebarcoded reply mail pieces are provided.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-5.**

Prior to the incoming primary, are there any operational cost differences between a QBRM mail piece and an identical mail piece which has a stamp applied? Please explain fully.

**RESPONSE:**

Prior to the incoming primary operation, I am not aware of any cost differences between a QBRM mail piece and an identical mail piece which has a stamp applied.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-6.**

Other than the 8.9 percent you have assumed as post office box destination, what proportion of QBRM is destined for firm holdout, i.e., avoids carrier delivery?

**RESPONSE:**

Other than the 8.9 percent I have assumed as post office box destination, I do not know the proportion of QBRM pieces that avoid carrier delivery.

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**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-9.**

Assume an individual returns a QBRM piece, but mistakenly places a First-Class stamp on the mail piece. Please describe all processing differences and cost differences which would result.

**RESPONSE:**

The above assumption generally would result in no processing difference or cost difference except when one of the following scenarios occurs.

**Scenario 1**

If a mistakenly placed stamp covers the face identification mark (FIM) on a QBRM piece, then the mail piece may not be isolated during the outgoing facing and cancellation operation. In this instance, the mail piece would be routed to an Optical Character Reader rather than going directly to an outgoing primary operation with other QBRM pieces. The result is one extra processing step for the stamped QBRM piece, implying a higher cost than for non-stamped QBRM pieces.

**Scenario 2**

Some non-profit organizations suggest that an individual who returns a BRM piece voluntarily place postage on the mail piece. By doing so, the individual helps to reduce the organization's postage costs. Those BRM pieces with stamps are processed no differently than BRM pieces without stamps. However, the organization may request a credit or refund for the amount of



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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Response to OCA/USPS-T29-9 (continued)

postage affixed to BRM pieces. In this instance, the Postal Service incurs some costs that are not normally incurred by BRM pieces.\* More specifically, these costs are typically incurred when a clerk processes a reimbursement request. A QBRM mail piece bearing a stamp mistakenly placed on the mail piece may, in some cases, incur these costs.

---

\* A business reply permit holder is charged for the work hours used to process the refund per DMM 544 S922.3.10.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-13.**

How are window service stamp selling costs allocated to subclasses and/or rate categories of mail?

**RESPONSE:**

I am informed that the treatment of window service stamp selling costs can be found in the Cost Segment 3.2 B workpapers of witness Meehan (USPS-T-11).



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-14.**

Please provide a description of each of the four types of Stamped Cards.

- a. single-cut
- b. single-sheet
- c. reply card
- d. banded

**RESPONSE:**

- a. Please see witness Mayo's testimony at USPS-T-39, page 150.
- b. See my response to part (a).
- c. See my response to part (a).
- d. Banded stamped cards are stamped card bundles with a band around them.

Banded stamped cards are typically sold in Postal vending machines in packs of five.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-15.**

Your testimony at page 31 states: "Test year costs for Stamped Cards are based solely on contract prices negotiated with the U.S. Government Printing Office. These costs include materials, printing, and distribution." Please provide these costs. Please also provide the derivation of the unit costs in Table 4.

**RESPONSE:**

To my knowledge, the Postal Service does not maintain a breakdown of materials, printing, and distribution costs incurred by the U.S. Government Printing Office. The Postal Service agrees to pay the negotiated price to the Printing Office as with any other supplier.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-16.**

Please refer to your Workpaper III-4. Explain the use you make of the first three numbers labeled "CPI-U BY," "CPI-U TY," and "CPI Index".

**RESPONSE:**

"CPI-U BY" represents the Consumer Price Index – All Urban Consumers in the base year. "CPI-U TY" represents the Consumer Price Index – All Urban Consumers in the test year. The CPI index is the ratio of CPI-U TY / CPI-U BY.

To estimate the test year Philatelic Fulfillment Service Center (PFSC) customer service cost, I multiplied the CPI index by the base year PFSC customer service cost (see workpaper III-5, [6]). Footnote [9] in workpaper III-4 should read as follows:

[3] • BY PFSC Customer Service Cost.

An erratum is forthcoming to correct the error.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**OCA/USPS-T29-17.**

Please refer to your testimony at page 27. Explain what you mean by "coordination with the Library of Congress."

**RESPONSE:**

"Coordination with the Library of Congress" refers to the Postal Service forwarding periodicals eligibility applications to the Library of Congress (LOC) for review. If the LOC finds that the periodical meets their own criteria for value to the general public, then the LOC assigns a unique International Standard Serial Number (ISSN) to the periodical for purposes of cataloging the publication in the Library of Congress.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-18.**

Please refer to your answer to OCA/USPS-T29-14. Please provide an example of each of the four types of Stamped Cards as a library reference.

**RESPONSE:**

I have provided one example of the following stamped card types as USPS Library Reference I-311: (1) single-cut, (2) reply, and (3) banded (pack of five). A single-sheet of stamped cards has not been provided. It is the equivalent of 40 single-cut stamped cards before they are cut into single cards. I am informed that printers use sheets of 40 stamped cards because they are convenient to use on printing presses. There are no other differences between single-cut and single-sheet stamped cards.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL  
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE**

**OCA/USPS-T29-19.**

Please refer to your answer to OCA/USPS-T29-15. Please supply a copy of the Stamped Card contract with the U.S. Government Printing Office as a library reference.

**RESPONSE:**

Attached is an internal Government Printing Office document specifying the most recent stamped card printing and distribution costs (per thousand cards). These costs were relayed to the Postal Service and verbally agreed upon. As soon as a copy of the Stamped Card contract can be located, it will be filed as a library reference.



04/13/00 THU 15:34 FAX 202 512 1549  
APR-13-00 THU 02:18 PM

PASSPORTS/POSTALCARD  
FAX NO.

P. U1 0001

Director, Office of Budget

New Rates for Postal Cards

Public Printer

In order to fully recover the increase in the costs associated with the printing and distribution of postal cards, your approval is requested for the following new rates:

Item Number	Description	Current Rate per 1,000 cards	Proposed Rate per 1,000 cards
All	Regular Cards.....	\$13.00	\$14.00
All	Commemorative Cards..	13.00	14.00
All	Sheets.....	13.00	14.00
All	Reply Cards (double)..	26.00	28.00
All	Rounded Cards (in 5's)	29.00	31.00

The current postal card rate has been in effect since October 1997. We believe that a rate increase, effective April 1, 1999, would be appropriate.

WILLIAM M. GUY

cc:

Director, Office of Budget

Chief, RIB

Superintendent, DARD

Foreman, Postal Card Unit

Chief, Plant Billing Section

Inventory Management Specialist Mooney

Reading File-postcapp-d.m.-2/10/99



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-1.**

Reference your testimony, at page 38, that states that a QBRM mail piece is defined as BRM letters and cards "which are automation compatible, have both a FIM C and a unique ZIP+4 barcode, and have qualified for BRMAS processing." Reference also USPS's Information Based Indicia (IBI) program, which sets out the address verification, correction, and printing requirements for IBI mail.

- (a) Please confirm that all Information Based Indicia (IBI) First Class Mail, like QBRM mail, is automation compatible, has a FIM Code, has a verified address, has a current USPS approved nine-digit ZIP Code, and has a Delivery Point Barcode. If you disagree, please explain why.
- (b) Please identify all features of any USPS-approved IBI postage for First Class letters or cards which have any characteristics that differ from QBRM in such a way that it could cause the Postal Service to incur either greater costs or lesser costs than QBRM.
- (c) Please state and explain your opinion as to whether the amount of QBRM cost avoidance for mail processing (which you, on page 39, define as the difference in mail processing costs between a prebarcoded First-Class Mail piece and a handwritten First-Class Mail piece) would be any greater or lesser than that for USPS-approved IBI First-Class mail letters or cards.
- (d) Table 7 on page 39 of your testimony presents what you say are "simple assumptions" that adapt witness Miller's model so that you can model QBRM and handwritten mail flows. Would these assumptions be equally applicable to all USPS-approved IBI postage for First Class Mail? Please explain any negative answer.

**RESPONSE:**

- (a) Not confirmed. While I am not an Information Based Indicia (IBI) expert, it is my understanding that not all Information Based Indicia First Class Mail complies with the standards in the Domestic Mail Manual for automation compatible mail. Specifically, a customer may use this form of postage for mail that exceeds size, shape, and weight



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**Response to STAMPS.COM/USPS-T29-1 (continued)**

limitations for automation compatible mail. Unlike QBRM where the type and weight of the mail has been predetermined (*i.e.*, 1 oz., 2 oz., or card), mail bearing an IBI can contain anything the customer decides to mail that is acceptable for the class of mail being presented (*e.g.*, several photographs in an envelope mailed at First Class rates). Consequently, we have no assurance that use of an IBI as postage on a mail piece will guarantee automation compatibility.

In addition, it is my understanding that some mail pieces with IBI postage may not have a FIM code. For example, the Stamps.com user may elect to turn off the FIM so that the marking does not appear on an envelope. Without a FIM code on the envelope, the mail piece is not held out in the canceling operation along with other FIM pieces, and, consequently encounters more mail processing operations (*i.e.*, added costs) than a mail piece with a FIM code.

Another issue to consider is that since IBI mail pieces and labels are produced with personal computers and home or office printers, at times mailers may push their printer cartridges a bit too far, producing barcodes and indicia that Postal automation equipment may have difficulty processing. Or mailers may use an envelope that is the



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**Response to STAMPS.COM/USPS-T29-1 (continued)**

wrong size, which could result in a barcode or FIM being printed outside the acceptable read zones for automation processing.

As discussed in witness Fronk's response to E-STAMP/USPS-T33-1, it is also important to recognize that all IBI vendor products are not the same. While the Simply Postage product prints the same kind of indicia (two-dimensional barcode) as the Stamps.com product, it does not incorporate the ability to check address hygiene and it does not print a delivery point barcode on the mail piece.

It is my understanding that the vision of the IBI program has been to enhance the convenience of the mail by bringing the Post Office to the people. A goal of the IBI program is to work with vendors to make a range of products available to mailers, thereby meeting different mailer needs. While producing mail pieces that meet the requirements of automation-compatibility is also a program consideration, initial program efforts have not been geared toward creating an IBI pool of mail homogeneous enough to qualify for a new discount.

(b) Again, please recognize that I am not an IBI expert. As discussed in my response to part (a) above, it is my understanding that mail pieces bearing USPS-approved IBI postage could differ from QBRM mail pieces in a number of ways. First, a mail piece bearing USPS-



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**Response to STAMPS.COM/USPS-T29-1 (continued)**

approved IBI postage may exceed size, shape, and weight limitations that a QBRM mail piece must meet. Second, the label containing the IBI indicia may not contain a FIM. Third, an address label containing a Postnet barcode could be affixed to the mail piece so that the barcode was outside the read zone of our automation equipment.

Another consideration is that some personal computer and home office/small office users could print indicia and barcodes that are too faint to process successfully, either due to a depleted printer cartridge or to a printer malfunction. Or, mailers could use the wrong-sized envelope so that FIM D or postnet barcode was out of position for our automation equipment.

- (c) It is premature to formulate an opinion regarding the cost avoidance of a mail piece bearing USPS-approved IBI postage. As discussed in parts (a) and (b) above, there are many issues to be considered before making any kind of cost avoidance determination. The Postal Service will continue to look at the issues presented above as well as new ones that may surface in the future.
- (d) At this point, it is premature to make the comparison that you are requesting. Again, as discussed in parts (a) and (b) above, there are several issues to be considered before comparing mail pieces bearing USPS-approved IBI postage with any other mail piece.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-2.**

Reference your testimony on page 38. Please confirm that the proposed discount for QBRM is based solely on the cost avoidance that results from the difference in mail processing costs between a preapproved prebarcoded First-Class Mail piece and a handwritten First-Class Mail piece. If the discount is based on any additional cost avoidance factors, please explain and quantify the cost avoidance for each additional factor.

**RESPONSE:**

Confirmed.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-4.**

Please confirm that the proposed QBRM per-piece service fees (\$0.03 per piece with quarterly fee, \$0.06 per piece without quarterly fee) are intended to cover only the costs associated with counting, rating, and billing QBRM for customers and are not intended to cover any part of the mail processing costs of QBRM mail. If the QBRM per-piece service fees are intended to cover any portion of mail processing costs, please explain and quantify.

**RESPONSE:**

Confirmed.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-5.**

Please confirm that the proposed QBRM Permit and Accounting Fees are intended to cover only the costs associated with issuing the permit, and accounting and administering advance deposit accounts, and are not intended to cover any part of the mail processing costs of QBRM mail. If these proposed fees are intended to cover any portion of mail processing costs, please explain and quantify.

**RESPONSE:**

Confirmed.



**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-6.**

Please confirm that the proposed 3 cent discount for QBRM does not take into account any cost savings that result from QBRM mail not needing the application of a postage stamp, thus avoiding the costs associated with printing, distributing, and selling stamps. If the proposed 3-cent QBRM discount does take into account such cost savings, please explain and quantify.

**RESPONSE:**

Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-7**

Referencing a document supporting your testimony, Library Reference USPS LR-I-160, Section L, Cost Avoidance Calculation for QBRM Discount, please confirm the following statements. If you disagree with any statement, please explain why.

- (a) Your calculated savings include savings in the video capture process.
- (b) Your calculated savings include savings in the OCR process, including benefits from mail quality.
- (c) Your calculated savings do not include any savings in the production and distribution of stamps.
- (d) Your calculated savings do not include any savings in the cancellation process.
- (e) Your calculated savings do not include any savings in forwarding mail to another address or returning it to sender.

**RESPONSE:**

- (a) Not confirmed. My mail flow models begin after the "video capture process", or image lifting, which takes place during the facing and canceling operation. *I did not include the facing and canceling operation in my models because both handwritten mail and QBRM pieces flow through the operation.*
- (b) Confirmed. For purposes of this response, I assume the term "mail quality" refers to the quality of the address as it appears on the mail piece.
- (c) Confirmed. My models incorporate only mail processing costs.
- (d) Confirmed. See my response to part (a).
- (e) Confirmed.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-8**

Please provide any studies on the costs of handling, processing, forwarding and/or returning First-Class Mail necessitated by an improper address.

**RESPONSE:**

Please see USPS Library Reference I-192 entitled "USPS Address Deficiency Study."



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS T-29-9.**

Reference your answer to Stamps.com/USPS-T29-1, wherein you state that IBI mail users may produce barcodes and indicia that postal automation equipment may have difficulty processing, or that such barcodes, indicia, and FIM markings may be printed outside the acceptable read zones for automation processing.

- (a) Does the Postal Service have an actual or estimated number for the amount or percentage of IBI First Class mail which postal automation equipment has difficulty processing, or for which a FIM code is non-existent or misplaced? If yes, please provide such figures and the studies upon which they are based.
- (b) Has the Postal Service conducted any studies, or compiled any data, on the extent to which IBI First Class mail users produce barcodes and indicia that postal automation equipment may have difficulty processing, or for which a FIM code is non-existent or misplaced? If so, please provide such information.
- (c) Is the Postal Service currently conducting any studies, or compiling any data, on the extent to which First Class IBI mail users produce barcodes and indicia that postal automation equipment may have difficulty processing, or for which a FIM code is non-existent or misplaced? If so, please describe the studies or data compilation that is being done.

**RESPONSE:**

- (a) I am not aware of any actual or estimated number for the amount or percentage of IBI First-Class mail which postal automation equipment has difficulty processing, or for which a FIM code is non-existent or misplaced.
- (b) I am not aware of any study, or compiled data, on what you are asking.
- (c) I am not aware of any study, or compilation of data, currently being conducted on what you are asking.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS CAMPBELL TO  
INTERROGATORY OF STAMPS.COM**

**STAMPS.COM/USPS-T29-10.**

Has the Postal Service conducted or sponsored any studies or estimates of the amount of IBI mail expected to be entered into the mail stream in future years? If so, please provide a copy of all such studies and estimates.

**RESPONSE:**



1 CHAIRMAN GLEIMAN: Is there any additional written  
2 cross examination for the witness?

3 [No response.]

4 CHAIRMAN GLEIMAN: If not, we will move to oral  
5 cross examination. Three parties requested oral cross  
6 examination, E-Stamp, Keyspan Energy, and Stamps.com.

7 Pursuant to our discussion earlier today, if  
8 either E-Stamp or Stamps.com wish to cross examine, we will  
9 let them go first. Is that correct, Mr. Hall?

10 MR. HALL: Yes.

11 CHAIRMAN GLEIMAN: But I don't see anybody here  
12 representing either of those parties, which means that if  
13 there is no one else to cross examine, that we will proceed  
14 with KeySpan's cross examination of Witness Campbell, when  
15 you are ready.

16 MR. HALL: Thank you very much, Mr. Chairman.

17 CROSS EXAMINATION

18 BY MR. HALL:

19 Q Mr. Campbell, how are you today?

20 A Oh, fine, thank you.

21 Q Good. I'm going to be asking you some questions  
22 on behalf of KeySpan Energy.

23 First, I note from reading your qualifications  
24 that this is the first time you're testifying before this  
25 Commission.



1 Have you previously testified before any other  
2 Commission or any court?

3 A No, I haven't.

4 Q Okay. Now, you're responsible for preparing and  
5 presenting cost estimates for -- I have sort of a blank here  
6 -- special services, including BRM and QBRM.

7 Now, I'm not sure, is it about 15 or so different  
8 special services? I did a hand count, so it may not be  
9 accurate.

10 A I think it's more along the lines of ten.

11 Q Okay. And it also includes non-letter-size BRM?

12 A Correct.

13 Q Okay. Now, your qualifications also indicate that  
14 you've been since joining the Postal Service, which you did  
15 do in 1998, you have been working on costing issues with a  
16 primary focus on special services and qualified business  
17 reply mail.

18 Can you tell us more specifically what your  
19 assignments have been in other proceedings or in connection  
20 with other proceedings before this Commission?

21 A I have not been directly involved with any  
22 proceedings before this Commission.

23 Q Well, what about MC99-2?

24 A I was not directly involved in that.

25 Q Did you provide any support to the people who were



1 involved in that case?

2 A No.

3 Q But you're generally aware of what went on there?

4 A Yes.

5 Q Now, can you tell us when you first got the  
6 assignment to prepare the special services costing for this  
7 case?

8 A I would say approximately at the beginning of  
9 1999.

10 Q Now, with respect to QBRM issues, and  
11 non-letter-size BRM issues, how did your taking on this  
12 assignment go? Did you have a meeting with your manager?  
13 Did you have a meeting with your manager and other folks?

14 A Yes, I think that in March of 1999, I believe my  
15 manager, Doug Madison, asked me to take on the task of  
16 providing updated and new cost data for qualified business  
17 reply mail and the other business reply mail categories as  
18 well.

19 Q Again, focusing primarily on QBRM and -- I guess  
20 at the time, there was no such thing as high-volume  
21 non-letter-size BRM, right, except in an experimental  
22 category?

23 A Correct. We had an experiment going on. I don't  
24 believe it was called high-volume non-letter-size BRM.

25 Q Okay. Now, when you, as you say, received your



1 instructions to obtain updated and new costing information  
2 for QBRM, what specific instructions, if any, did you  
3 receive?

4 A Generally, my task was to incorporate a practices  
5 study that was conducted in the beginning of FY97, any  
6 relevant data that could be used to somehow de-average QBRM  
7 based on the results of that study.

8 In addition, I was told to go out and study in  
9 field visits, business reply mail activities, which, in  
10 fact, I did.

11 Q And did you have any discussions with your  
12 managers or others regarding, for example, -- well, let me  
13 ask you a preliminary question here. You used the term  
14 "deaveraging," would you like to explain for the Commission  
15 what you mean by that term?

16 A Yes. The Commission may be familiar with the  
17 recommendation made in R97 based on Witness Glick  
18 representing MPA, that we incorporate specific end of run  
19 counts from the Business Reply Mail Practices Study. When I  
20 say deaverage, I simply mean to take the percentages of  
21 volume, it is a volume based study, and to apply that to the  
22 current volumes of BRM to somewhat deaverage by counting,  
23 rating and billing methods based on specific characteristics  
24 of BRM.

25 Q And is the idea of the deaveraging to reach --



1     what you have deaveraged in this case are low and high  
2     volume QBRM, is that right?

3           A     That is correct. However, at the time that was  
4     not the objective. The objective was to incorporate as much  
5     of this useful data as we possibly could, and, subsequently,  
6     I did.

7           Q     And you were also to look for areas where you  
8     needed updated or new data?

9           A     To the extent possible, yes.

10          Q     Right. Now, when you received your assignment,  
11     did your manager or anybody else in management give you any  
12     preliminary views about what they thought the results should  
13     be?

14          A     No.

15          Q     Did they give you any indication of how they  
16     thought, or what types of studies or new data you should be  
17     looking for?

18          A     Well, again, my manager suggested that I  
19     incorporate the study done in FY '97, the Business Practices  
20     Study.

21          Q     And do I understand that was done just for QBRM,  
22     that resulted in the proposal for a 6 cent QBRM fee in that  
23     case?

24          A     Some of that data was used in R97-1 in Witness  
25     Schenk's testimony.



1           Q     I would like to explore with you sort of how your  
2 manager, or the people that you spoke to at the time you  
3 were made the assignment to explore QBRM rates and fees, how  
4 they sort of framed the issue for you. What did they tell  
5 you about what happened before and what they thought was  
6 relevant to the inquiry, or to the journey that you would  
7 begin?

8           A     Well, at the beginning I was instructed to  
9 certainly review past cases, particularly paying close  
10 attention to R97-1. So I was certainly aware of the outcome  
11 of R97-1, as well as R94 and R90.

12          Q     And what, in particular, did they ask you to look  
13 for or point out to you with respect to the R94-1 and R90-1  
14 cases?

15          A     Those were sort of -- those were used simply as  
16 historical background. I believe you can't really conduct a  
17 study without knowing the history of the special service  
18 that you are dealing with.

19          Q     So, is one of the things that you looked at the  
20 study done by Hien Pham that was part of the record, and  
21 incorporated in the record in R90-1?

22          A     Yes, I reviewed his testimony, that is correct.

23          Q     Am I also correct that, at least at the time your  
24 wrote your testimony, you hadn't looked at the 1987 BRM  
25 study?



1           A    I was not aware of the 1987 study, primarily  
2           because <sup>it</sup>~~I~~ was based on one site. I didn't really consider  
3           that as a study.

4           Q    But you said you weren't aware of it at the time?

5           A    Right.

6           Q    Okay. Now, one of the things that you did review,  
7           I believe you indicated, was the Commission's recommended  
8           decision in R97-1?

9           A    I'm sorry. Could you repeat the question?

10          Q    I believe you said that one of the things that you  
11          did review in preparing to begin work on your testimony on  
12          this QBRM issue was the Commission's recommended decision in  
13          R97-1?

14          A    Correct.

15          Q    So, you were aware in that case that the  
16          Commission had adopted a proposal for Prepaid Reply Mail, or  
17          PRM?

18          A    Yes, I was aware of that.

19          Q    Were you aware of the subsequent history with  
20          respect to the PRM issue?

21          A    I was aware of the history following the decision,  
22          or the recommended decision by the Commission.

23          Q    And what, anything, did management inform you  
24          about or tell you you should be looking to, or reviewing  
25          about, in particular, the Governors' decision rejecting PRM?



1           A     My recollection is they simply wanted me to be  
2     aware of it in light of my conducting a study.

3           Q     And, so, they simply told you that this had  
4     occurred, and you put that in your data bank -- in your  
5     brain, at least, and said, okay, that I know?

6           A     Exactly.

7           Q     Okay. Did you at that time actually review the  
8     two Board of Governors' decisions that dealt with PRM and  
9     QBRM?

10          A     Yes, I believe I did at that time.

11          Q     And what do you recall sticking out from those  
12     opinions as you first read them?

13          A     My recollection is that the one item that sticks  
14     out is that the Board of Governors did not recommend the  
15     implementation of PRM.

16          Q     Well, I would like to pass you a copy of that  
17     decision, if I may, and I have a copy for your counsel  
18     and -- do you already have a copy?

19          A     Not with me, no.

20                 COMMISSIONER LeBLANC: Mr. Tidwell, have you got a  
21     copy?

22                 MR. TIDWELL: Yes, sir.

23                 COMMISSIONER LeBLANC: Okay.

24                 [Pause.]

25                 BY MR. HALL:



1           Q     What I have passed you is just the relevant pages  
2     that I want to discuss with you and in particular if you  
3     could turn to page 5 and review that briefly and then see if  
4     that refreshes your recollection as to any conversations you  
5     may have had with your managers at the time you were  
6     assigned the task of developing a deaveraged rate for QBRM.

7                     [Pause.]

8                     BY MR. HALL:

9           Q     Are you ready?

10          A     Yes.

11          Q     So does that refresh your recollection as to any  
12     further discussions you may have had with management at that  
13     time?

14          A     No, it doesn't. This looks familiar. I don't  
15     recall anything else.

16          Q     Well, in the middle paragraph on page 5 the Board  
17     of Governors is describing certain concerns they had and  
18     certain disappointments with the current state of affairs  
19     regarding business reply mail, aren't they?

20          A     It appears that way. Yes.

21          Q     Right. But your managers didn't give you any  
22     special instructions or point you in any way toward the  
23     specifics that are dealt with in this paragraph?

24          A     No. My recollection is that we considered, in my  
25     group we considered these operational issues and my



1 objective was to capture costs the way BRM is actually  
2 processed, counted, sorted, rated and billed.

3 Q When you read this, did you ever inquire of your  
4 managers or did they ever volunteer to you the notion raised  
5 in the first paragraph on page 5.

6 Let me read what the Governors said, "We expect  
7 that interested parties will continue to explore other ways  
8 in which the First Class mail stream can be made a more  
9 attractive medium for the transmission of reply  
10 correspondence and transactions on which postage is paid by  
11 the recipient."

12 A What was your question?

13 Q My question is did you ever have any discussions  
14 as you were preparing to present your recommendations and  
15 your cost estimates in this case, did you have conversations  
16 with your managers or other people in your department  
17 regarding contacts with other interested parties, such as,  
18 for example, perhaps Keyspan Energy?

19 A As I recall, my manager conveyed the fact that BRM  
20 is a valuable service and that we would like to continue to  
21 provide a valuable service and to retain BRM volume. That  
22 is what I recall.

23 Q Well, in that connection did he happen to mention  
24 the Governors' disappointment in the degree to which there  
25 were suggestions that the automated BRM accounting program



1 has not met the expectations that the Postal Service  
2 originally had for it?

3 A When you refer to accounting, what are you  
4 referring to?

5 Q Actually, counting more than accounting, but that  
6 seems to be the term that they used here.

7 I think it is pretty clear from the context but  
8 perhaps you could confirm for me that they are really  
9 talking about the per piece fee and the counting of BRM more  
10 than just the accounting. Is that right?

11 A I think you're right.

12 Q So there were no specific discussions that you  
13 recall having with your management about a directive or a  
14 concern that the Board of Governors had voiced in this  
15 document that we are discussing.

16 A I recall that there was definitely a concern. It  
17 did not specifically relate to my objective that I was  
18 given.

19 Q Well, I guess part of your objective was to come  
20 up with new and updated data if that were appropriate,  
21 wasn't it?

22 A As I felt appropriate, yes.

23 Q Right, and so I guess one of the areas of inquiry  
24 could have been what has been done in light of the expressed  
25 concerns of the Board of Governors in this document since



1 the time that the Governors issued it that might have an  
2 impact on what you were doing -- but you don't recall any  
3 specific discussions that you had on that topic?

4 A No.

5 Q Do you see toward the end of that paragraph, where  
6 the Board of Governors say, "We anticipate that management  
7 will explore would such factors as the volume received per  
8 reply mail account materially affect costs and should  
9 influence the fees charged to different reply mail  
10 accounts."?

11 A I see that and I believe that our proposal  
12 actually does exactly this.

13 Q Okay. Well, we will get to explore that in a few  
14 minutes here. And do you read the last sentence there as a  
15 directive from the Board of Governors that management should  
16 be doing something to rectify the situation of QBRM not  
17 living up to its promises?

18 Let me read it to you. It says, "The Postal  
19 Service must seize this opportunity to explore improvements  
20 within reach and to determine whether the universal QBRM per  
21 piece fee accepted in this proceeding is an appropriate  
22 long-term solution." Now, aside from the work that you  
23 undertook independently, did you discuss with your managers  
24 what steps had been taken so that the Postal Service could  
25 seize the opportunity to explore improvements?



1           A     I recall having spoken with individuals in  
2 operations to see the current state of BRM, and whether or  
3 not specific programs were in place to improve QBRM.

4           Q     And what were your findings when you did that?

5           A     I was unable to find anything specifically in the  
6 works.

7           Q     Did they tell you that they were taking this thing  
8 seriously and had definite plans that might be implemented  
9 by the test year in this case?

10          A     Could you repeat the question, please?

11               MR. HALL: Let's have the reporter read it back,  
12 if we could, please.

13               [The reporter read the record as requested.]

14               THE WITNESS: To answer your question, I don't  
15 recall any specific plans.

16               MR. HALL: I would like to show you now the --  
17 hopefully what is the other document that the Board of  
18 Governors issued that day. Do you have a copy of that?

19               MR. TIDWELL: What is it?

20               MR. HALL: The Board of Governors' other decision.

21               MR. TIDWELL: The BRM and CEM?

22               MR. HALL: Prepaid reply mail and courtesy  
23 envelope mail.

24               MR. TIDWELL: Yes.

25               MR. HALL: Okay.



1 [Pause.]

2 BY MR. HALL:

3 Q Do you see on page 3 of that decision in the first  
4 full paragraph or perhaps it is the second one that begins,  
5 "In our principal decision today" -- in the last sentence  
6 the Board of Governors is stating, "Accordingly we are  
7 encouraging management to review potential alternatives to  
8 the QBRM per piece accounting fee we have approved, and to  
9 explore further such matters as the extent to which reply  
10 mail volumes should influence fees charged to different  
11 recipients."

12 A Yes, I see that.

13 Q And I take it you don't have any specific recall  
14 of any discussions on this topic, which is pretty similar to  
15 the one we have already discussed?

16 A Correct.

17 Q At the bottom of that page, there's a sentence  
18 that reads, "Current reply mail recipients who may be  
19 anticipating the establishment of PRM still have an  
20 incentive to work with the Postal Service in exploring  
21 possible improvements to QBRM which reflect operationally  
22 feasible accounting options and which meet appropriate  
23 revenue protection standards."

24 Do you see that?

25 A Yes, I do.



1 Q And when they use the term "accounting" there  
2 again you understand as I do that they are really talking  
3 about "counting"?

4 A Yes.

5 Q Now do you know of your own knowledge or did  
6 management or your manager tell you what other current reply  
7 mail recipients who may be anticipating the establishment of  
8 PRM were?

9 Did they identify any for you?

10 A My recollection is that the higher volume BRM  
11 customers were proponents of PRM, I don't recall  
12 specifically, perhaps with the exception of Brooklyn Union  
13 Gas.

14 Q Do you know if Brooklyn Union Gas in any of its  
15 then or subsequent incarnations tried to contact the Postal  
16 Service about doing just that?

17 A Yes, I do. I recall, I believe I sat in on a  
18 meeting when --

19 Q I think what we are talking about is as you were  
20 coming to prepare your testimony. We haven't progressed  
21 beyond that state.

22 A I am talking about a meeting in 1999 where Planet  
23 Codes was introduced as a potential solution to the BRM  
24 situation.

25 THE REPORTER: Planet Codes?



1 THE WITNESS: That is correct.

2 BY MR. HALL:

3 Q And whatever -- well, were there any discussions  
4 that you had with your managers about whether or not you  
5 should seek input from high volume QBRM customers such as  
6 Brooklyn Union or Keyspan Energy as you were reviewing your  
7 options and seeing what solutions you could find that were  
8 consistent with the objectives laid out for management by  
9 the Board of Governors?

10 A No. My recollection is that my manager encouraged  
11 me to visit plants where there were perhaps some high volume  
12 BRM customers processed at those plants.

13 Q But he didn't say he knew of one or more large  
14 volume QBRM customers that might be champing at the bit to  
15 assist you in your studies?

16 A Not that I recall.

17 Q I apologize, Mr. Campbell. I was looking for a  
18 document. I thought I had more copies of it, but perhaps  
19 you'll indulge me if I just read the portion. It's fairly  
20 short.

21 As you were receiving instructions and discussing  
22 with your management, what the scope of your effort would be  
23 in connection with QBRM fees, did they have occasion to show  
24 you or discuss with you, a response that the United States  
25 Postal Service had made to the Presiding Officer's



1 Information Request?

2 The response is dated June 18, 1999, and was filed  
3 in MC-99-2, and that's, I believe, the case called  
4 Classification and Fees for Weight-Averaged, Non-Letter-Size  
5 Business Reply Mail.

6 A I believe I have seen that. I don't recall the  
7 contents.

8 Q Did you see it before or after you filed your  
9 testimony?

10 A I probably reviewed it shortly after it was sent  
11 out, as I receive a lot of things in my <sup>inbox</sup>~~mailbox~~.

12 Q Did you see in there, any undertakings that the  
13 Postal Service was representing to the Commission, things  
14 that would be especially focused upon in terms of improving  
15 letter-sized QBRM processing and counting, and therefore the  
16 rates?

17 A Are you asking me if those were addressed in that  
18 POIR?

19 Q Yes.

20 A I don't recall.

21 Q Well, let me read a --

22 MR. TIDWELL: Perhaps the witness's recollection  
23 would be refreshed if he were shown the entire document, so  
24 that he could be given an opportunity to characterize it  
25 more accurately.



1 MR. HALL: I would be happy to do that. As I say,  
2 I don't have another copy. Do you, Mr. Tidwell?

3 MR. TIDWELL: I do not have one with me.

4 CHAIRMAN GLEIMAN: You could show it to the  
5 witness, and counsel could join you over there for a moment,  
6 just to make sure you were all playing off of the same  
7 scorecard.

8 BY MR. HALL:

9 Q Mr. Campbell, if I could ask you to read the  
10 highlighted portion of the document I gave you?

11 MR. TIDWELL: You couldn't have picked a shorter  
12 one?

13 MR. HALL: Mr. Tidwell, I believe you were the  
14 author of that document, so I wouldn't characterize it as  
15 too long.

16 MR. TIDWELL: I was just the messenger.

17 CHAIRMAN GLEIMAN: We can always take a short  
18 break now.

19 MR. HALL: I'd be happy to take that time, or I  
20 could move on to another area and we could come back to  
21 this, but I could take the time to make a copy or two and it  
22 would be more convenient for us to discuss it. Would that  
23 be appropriate?

24 CHAIRMAN GLEIMAN: I think we can do that. Let's  
25 take ten.



1 MR. HALL: Thank you.

2 CHAIRMAN GLEIMAN: Then everybody can have a copy.

3 [Recess.]

4 CHAIRMAN GLEIMAN: Gentlemen, are we ready to  
5 continue with that document?

6 MR. HALL: Yes, I am ready at this time, if the  
7 witness is ready.

8 BY MR. HALL:

9 Q First, if you could turn to page 2 of that  
10 document, the Commission is -- pardon me. The Postal  
11 Service is indicating that its accounting fee proposal had  
12 yet to adequately isolate the different costs associated  
13 with alternative accounting methods for BRM letters and  
14 cards; do you see that?

15 A Yes.

16 Q Okay. And as a result, the five-cent per piece  
17 QBRM accounting fee -- and, again, I think we're talking  
18 about counting, really -- is based upon an average of the  
19 cost of various methods, but primarily manual piece counts?

20 A Correct.

21 Q And this is a document from the Postal Service.  
22 And even that says notwithstanding the intuitive notion that  
23 there may be very significant cost differences among the  
24 various accounting methods employed for reply letters and  
25 cards, I assume that you would agree that with that



1 intuitive notion, would you not?

2 A I would agree.

3 Q Now, on the next page, the Postal Service is  
4 discussing what it's done in response to the Governors'  
5 decisions that we've discussed previously.

6 And there it says that it has established two  
7 objectives. And the first is to focus on improved  
8 utilization of machine- or automation-based QBRM accounting  
9 alternatives to the manual accounting method.

10 Do you see that?

11 A Yes.

12 Q And the second is to examine whether the fixed and  
13 volume-variable costs of some alternative accounting methods  
14 can be isolated in a manner which would permit a refinement  
15 of the current one-fee-fits-all QBRM accounting scenario.

16 Now, with respect to the first focus or the first  
17 objective there, did you have any discussions regarding  
18 what, specifically, the Postal Service was doing or what it  
19 was claiming that would be done to fulfill this objective?

20 A It's my understanding --

21 MR. HALL: Excuse me, let me just interrupt you.  
22 We have a -- Commissioner LeBlanc, I was going to say that  
23 during the break, I left additional copies up by the  
24 Chairman's seat, if you wall want to follow along. I don't  
25 recommend it, but --



1 COMMISSIONER LeBLANC: Thank you.

2 BY MR. HALL:

3 Q So, do you have my question in mind?

4 A I believe so.

5 Q And what's the answer?

6 A My recollection is that we discussed the need for  
7 improved utilization of automation, however, we have  
8 discovered that the reason BRM sometimes is pulled off  
9 automation is because the automation is already being fully  
10 utilized.

11 Q Well, did you do anything specifically at that  
12 time to examine what more was occurring to improve the  
13 automated utilization or processing factor for QBRM?

14 A From a cost standpoint?

15 Q From an operational standpoint, first. Cost flow  
16 from operations, in part, don't they?

17 A Exactly. Right. Through my visiting a number of  
18 sites, I observed at very early hours in the morning, the  
19 high utilization of automated equipment, and the sometimes  
20 conflicting need to get mail out the door and the objectives  
21 to be met.

22 That's all I can say with respect to that.

23 Q Well, when you say the need to get mail out the  
24 door, do you mean the need to get mail other than QBRM out  
25 the door?



1 A All mail.

2 Q Okay, because QBRM is First Class, right?

3 A Exactly.

4 Q And it's entitled the same processing and speed of  
5 delivery that any other First Class mail piece is; isn't it?

6 A Correct.

7 Q Okay. Now, do you see further down on this page  
8 here, that we're talking about the Postal Service is  
9 committed to more fully utilizing its capacity to perform  
10 automated or machine-based account where appropriate?

11 A Yes, I see that.

12 Q So, that was presumably a serious commitment;  
13 wasn't it?

14 A That is a serious operational commitment; you're  
15 right.

16 Q And if that's the case and we're now talking  
17 about, I guess, the middle of 1999, and a fair amount of  
18 time before we roll into the test year in this case, there  
19 would be an opportunity for the Postal Service to make good  
20 on that commitment; wouldn't there?

21 A I guess it depends on what you mean by  
22 opportunity.

23 Q Time, addition of new machines. In that regard,  
24 let me show you -- are you aware that there is a Library  
25 Reference in this case which shows, for example, deployment



1 of DBCSS that has occurred over the last approximately 10  
2 years, and is still ongoing at this point?

3 A I am aware that that is the case.

4 Q Okay. Well, how did you factor that, for example,  
5 which could be construed, if you wanted to be an optimist,  
6 it could be construed as an opportunity for the Postal  
7 Service to make good on the commitment that we have been  
8 discussing in this document, how did you -- did you construe  
9 that in a favorable light? Did you say that, well, it looks  
10 like we really can get something done by the test year? Or  
11 were you unaware of this?

12 A I believe I state in one of my responses to an  
13 interrogatory, and in my testimony, that the Postal Service  
14 has implemented RCR software upgrades which have improved  
15 readability and upgrade ability of handwritten mail, as well  
16 as machine printed mail. We have almost doubled our upgrade  
17 rate, so that we have been able to eliminate the need to go  
18 to remote encoding centers. That has saved a lot of cost,  
19 or we have taken a lot of cost out of the system.

20 If that is the type of automation you are  
21 referring to, then, yes, I am fully aware of those.

22 Q Well, with all due respect, what you are talking  
23 about is automation relating to upgrading the processing of  
24 handwritten letters, isn't it?

25 A Correct.



1           Q     Okay. Now, I didn't think we needed to do this,  
2     but let's go back to QBRM. QBRM has a printed address,  
3     doesn't it?

4           A     Right. QBRM does not go through the RCR system.  
5     I was giving an example of some automation improvements we  
6     have made.

7           Q     I wanted you to focus specifically on automation  
8     improvements that would affect QBRM letters, not other  
9     letters. Is the DBCS deployment schedule which appears in  
10    Library Reference 271 in this case, is that an example of  
11    that type of improvement in equipment availability and  
12    capacity for processing that you were thinking of?

13          A     My understanding is that DBCSs are more or less  
14    fully deployed with the exception of adding bin extensions  
15    to some machines. That is my general understanding.

16          Q     So, you thought that they wouldn't be -- well,  
17    what would be the relevant period to look at here? You were  
18    gathering data, I take it you have used data that basically  
19    comes from either 1996 or 1997, haven't you?

20          A     Much of the data is from FY '97, correct.

21          Q     Right. So, anything that occurred as far as  
22    equipment deployment for DBCSs after that time would be  
23    relevant to a consideration of whether or not you could show  
24    improvement in those factors by -- or percentages by the  
25    test year, wouldn't it?



1           A     In my discussions with operations personnel, there  
2     were no significant changes in automation with respect to  
3     the processing of Business Reply Mail between now -- between  
4     1996 and the test year.

5           Q     Well, are you aware that Witness Kingsley also  
6     noted the overall increase in the percentage of First Class  
7     mail, First Class single piece mail, I believe, that  
8     receives automated processing? Were you aware of those  
9     statistics?

10          A     What specific statistics?

11          Q     The increasing percentage of the mail that is  
12     processed on automated -- on automation, that is  
13     specifically in the incoming secondary.

14          A     I am not familiar with that particular statement.

15          Q     Well, if, in fact, the statement or the statistics  
16     are true, it would be something that you should take into  
17     account in arriving at an appropriate percentage of volumes  
18     processed during different -- using different methodologies,  
19     wouldn't it?

20          A     I would feel more comfortable if I could see the  
21     statement that was made by Witness Kingsley.

22          Q     Well, I am sure you will have a chance to review  
23     it, it is in the record. And I don't have a copy here with  
24     me today, but --

25               MR. TIDWELL: Is there at least a citation?



1 MR. HALL: Oh, I take it back, I do have a copy of  
2 it, because at least half of me is smarter than the rest.

3 MR. TIDWELL: Then perhaps it might expedite  
4 matters if we could show it to the witness before we ask  
5 questions instead of asking him questions and then finally  
6 deciding to show it to him.

7 THE WITNESS: Thank you.

8 CHAIRMAN GLEIMAN: Mr. Hall, please make an effort  
9 to provide the witness with copies of materials. We  
10 wouldn't want anybody to go stumbling ahead in the dark  
11 here.

12 MR. HALL: No, certainly. And I am very mindful  
13 of that, and I want to move along to cross-examination as  
14 quickly as possible for all concerned.

15 [Pause.]

16 Q Have you had a chance to review the portion of  
17 that document that I have pointed you to?

18 A Yes, I have.

19 Q For the record, could you indicate what the  
20 percentage processed on automation in the incoming secondary  
21 was for 1996, I believe it is?

22 A There is one for FY '95 and FY '99 and a  
23 projection into the test year.

24 Q Why don't you give us those?

25 A Right. In FY '95 the percentage of letters



1 finalized on automation for incoming secondary operations  
2 for which actual figures were available, FY '95, 78 percent;  
3 FY '99, 93 percent; and test year 2001, 94.1 percent.

4 Q Okay, that indicates to you that roughly for  
5 run-of-the-mill let's call them First Class letters that 94  
6 percent in the test year were going to get processed on  
7 automation as compared with 78 percent in 1995, is that  
8 right? And does that then imply that approximately 6  
9 percent of run-of-the-mill First Class letters were going to  
10 get what you would characterize as manual processing, manual  
11 sortation?

12 A I'd actually like to see the data, if you have it,  
13 for FY '98, the base year versus the test year.

14 Q You have what I have.

15 A Okay. I can't make any general statements.

16 Q Is this something that you looked into at the  
17 time?

18 A My understanding is that, as the question  
19 KE/USPS-T10-6 states, "There are currently over 4850  
20 delivery barcode sorters in place and that with the addition  
21 of 270 more, deployment of this type will be completed by  
22 September, 2000."

23 Q Is that the beginning of the test year?

24 A Yes, that is correct.

25 Q And so in other words through this deployment of



1 these higher capacity sorting machines the Postal Service  
2 for all intents and purposes had been doing a commendable  
3 job in terms of increasing the percentage of mail that it's  
4 processing on automated equipment, is that right? Is that a  
5 fair reading of what you have seen there anyway?

6 A My understanding is that approximately 5 percent  
7 more DBCSS will have been added by September, 2000 --

8 Q That wasn't my question to you. My question was  
9 whether the deployment of these additional DBCSS had  
10 resulted in your opinion, based on the statistics that you  
11 are reviewing there, in a commendable improvement in the  
12 percentage of First Class mail that was processed on  
13 automation in the secondary, incoming secondary.

14 A It appears that since FY '95 that that would be  
15 the case.

16 Q Right. Now in your case your assumption for QBRM,  
17 which we have agreed is also First Class mail and it's  
18 really first and foremost First Class mail, isn't it? I  
19 mean any way you look at it, it's First Class mail, correct?

20 A It's First Class mail.

21 Q And in terms of what the recipient has to pay, the  
22 lion's share he is paying is for the First Class mail  
23 portion of the service, isn't that right?

24 A I would agree that you should get a First Class  
25 standard of delivery.



1           Q     Right. Now you have nonetheless assumed that QBRM  
2 letters will receive, is it approximately 41.6 percent  
3 manual sortation?

4           A     Are you citing the BRM Practices Study?

5           Q     I am using the numbers that you, the volume  
6 estimates, the percentage volume breakdown that you have  
7 used to derive your costs in this case for QBRM letters.

8           A     That is my understanding, that approximately 41  
9 and a half percent will be processed manually in the test  
10 year.

11          Q     So this doesn't look like -- I mean absent  
12 something we haven't quite reached yet, some sort of  
13 improvement in that, this doesn't look like First Class mail  
14 in terms of the amount that is getting processing on  
15 automation, does it?

16                     Doesn't that sort of stand out like a sore thumb  
17 to you, that 94 percent of all mail is getting automated  
18 processing, yet the 6 percent that isn't for some reason it  
19 turns out that of the 6 percent, and I am not -- this will  
20 not be the correct number, but 41 percent turns out to be  
21 QBRM?

22          A     I'm afraid I can't make any generalizations  
23 because this statement was made in the context of barcoded  
24 letter volumes, not with respect to QBRM pieces.

25          Q     Well, let's refresh both of our recollections on



1 this.

2 Isn't QBRM prebarcoded?

3 A Yes.

4 Q As a matter of fact, isn't QBRM kind of a super  
5 prebarcode system in the sense that there are specific  
6 Postal Service requirements which a recipient must meet  
7 before he can actually use a reply mail piece?

8 A Yes. QBRM is no different than, say, a courtesy  
9 reply mail piece approved by the Postal Service.

10 Q For right now I just want to focus on QBRM. I  
11 don't want to know that it is not any different than. I  
12 want to know what "it" is.

13 Do you agree that it needs to be preapproved and  
14 there are very strict requirements as to where, as to the  
15 shape of the mail, where the address is placed, where the  
16 barcode is placed. Are you aware of all those requirements?

17 A Yes, I am.

18 Q And are you also aware that a QBRM recipient must  
19 present approved copies to the Postal Service so that they  
20 can be tested?

21 A I am aware of that.

22 Q And would you have any inkling that perhaps  
23 Brooklyn Union had done so in the past, and had to go back  
24 several times to make sure that the requirements were met  
25 successfully?



1           A     I would imagine this is so.

2           Q     Okay.  In other words, this is something that the  
3     Postal Service takes very seriously for QBRM.

4           A     Correct.

5           Q     Right?  So we are talking about -- let's leave CEM  
6     out of it for a moment, but as compared with the average  
7     First Class mail piece, this is a mail piece which stands  
8     above others in terms of its ability to be processed on  
9     automation, would you agree with that?

10          A     Could you repeat that, please?

11          Q     The QBRM because of the strict requirements that  
12     we have been discussing is a mail piece which in terms of  
13     its ability to be processed on automated equipment is a mail  
14     piece which stands above the average First Class mail piece?

15          A     A QBRM piece has characteristics that would  
16     encourage the use of automation to process these pieces.  
17     However this does not always happen, as you know.  It is not  
18     always -- QBRM pieces are not always --

19          Q     I think you have answered my question.  We are  
20     not -- I just asked you if in terms of its ability to be  
21     processed on automation, it stood head and shoulders above  
22     other First Class mail.

23          A     I wouldn't say head and shoulders above.

24          Q     Would you say below?

25          A     I would say it is equivalent to other



1 automation-compatible mail, First Class mail.

2 Q And what other mail would that be?

3 A Prebarcoded, preapproved mail pieces.

4 Q And does the average First Class mail piece meet  
5 those requirements?

6 A I don't know what the average piece, what the  
7 requirements of the average piece meets, however I know that  
8 a very high percentage of First Class mail receives a  
9 barcode on our RBCS system and is therefore automation  
10 compatible.

11 Q But we have already discussed, haven't we, that  
12 you don't need to do that, you don't need all this fancy  
13 additional equipment for a QBRM piece, isn't that right?

14 I mean this is not a difficult concept, is it, Mr.  
15 Campbell --

16 A No.

17 Q -- that you have a special piece that should be  
18 processed on automation. Indeed, isn't that why the  
19 specific requirements are in there, so it can be processed  
20 on automation?

21 A Correct. In an ideal world these pieces would be  
22 processed on automation.

23 Q And so the percentages that you have used reflect  
24 that there is no ideal world for QBRM, at least as you have  
25 studied it and you have understood it, is that correct?



1           A     My understanding is that the processing methods  
2     vary from site to site, and you can't make a generalization  
3     about QBRM.

4           Q     In any event, despite everything that we have  
5     discussed, the quality of the QBRM mail piece, its  
6     difference from other First Class pieces, the success, the  
7     general success of the Postal Service's ability to deploy  
8     more advanced processing, automated processing equipment,  
9     you were unable to make any adjustment to the old percentage  
10    figures that you found in the 1997 study?

11          A     I did not make any such adjustment for what you  
12    are asking.

13          Q     And would you agree that, by simple arithmetic,  
14    what your figures show is that QBRM is seven times more  
15    likely to be processed manually than any other regular First  
16    Class mail?

17          A     Can you tell me where you are getting that number?

18          Q     Well, I am using your 41.6 percent, which you say  
19    is QBRM that has been and will continue to be, for the  
20    foreseeable future apparently, processed manually, and I am  
21    using the 6 percent figure which comes from the Kingsley  
22    document that you have examined and agreed is the amount  
23    that, for all First Class mail, that will be processed not  
24    on automation in the incoming secondary for the test year.

25               MR. TIDWELL:  So that I am clear, are we referring



1 to the Kingsley response to KeySpan-6, KeySpan-T-10-6 and  
2 the 41 percent figure from KeySpan-29-27 that Witness  
3 Campbell responded to?

4 MR. HALL: I don't know. The 41.6 is all over the  
5 record, so, I mean the witness has already said he knows  
6 about it.

7 MR. TIDWELL: Well, I just thought it might inform  
8 the record if we knew citations to the two specific numbers  
9 that were being discussed.

10 MR. HALL: I think we took it out of his  
11 workpapers.

12 BY MR. HALL:

13 Q Look at Library Reference 160, Schedule B, page 2.

14 A I know where that number came from. Thank you.

15 Q Okay. So, do you agree that that is the  
16 conclusion that can be drawn from this, from these figures?

17 A What conclusion are you referring to?

18 Q That it is seven times more likely that a QBRM  
19 piece is going to receive manual processing in the incoming  
20 secondary than an average First Class mail piece.

21 A I would like to point you actually to a response  
22 to one of my interrogatories, KE/USPS-T-29-27.

23 Q Which part?

24 A Letter (d).

25 Q Before we do that, could you give me a yes or no?



1           A     This will preface my answer. I am just going to  
2     read my answer to this response. Actually, I will read the  
3     question first, posed by Keyspan Energy, to letter (d).

4     "Why would the Postal Service adopt strict procedures for  
5     requiring QBRM to be pre-bar coded, but then choose to sort  
6     41.6 percent of those pieces using manual methods that are  
7     more than twice as costly as available automated methods?"

8           Q     I hate to -- perhaps you didn't understand the  
9     question. The question is simply a mathematical question.

10          A     Right. My --

11          Q     Do you agree with the math?

12          A     No.

13          Q     Okay. Then why don't you agree with the math?

14          A     Okay. You are mischaracterizing the 41.6 percent  
15     that I use in my testimony. The answer to this question  
16     explains that characterization. I will read the answer to  
17     this question, or my response. "The bar coding requirement  
18     permits the Postal Service to maximize the use of automation  
19     to process QBRM. Without the bar code and other required  
20     features of QBRM, such mail would not qualify for the QBRM  
21     postage rate. In some cases, however, it makes more  
22     operational sense to sort BRM to the customer account using  
23     manual methods. Many of the 41.6 percent of BRM pieces that  
24     you refer to are sorted on automation to a large degree, but  
25     then receive the finest depth of sortation manually in the



1 Postage Due Unit."

2 The reason I bring this up is that a number, a  
3 high proportion of customer accounts are, in fact, processed  
4 on automation, but receive its finest depth of sortation  
5 manually in the Postage Due Unit. That is what the 41.6  
6 percent corresponds to. That does not mean that these  
7 pieces receive no automated processing whatsoever.

8 Q Well, they certainly didn't get, according to you,  
9 and according to what you just read, they certainly did get  
10 sorted to the addressee or the recipient in this case on  
11 automation in the incoming secondary. Is that the way you  
12 are reading your own document?

13 A Yes. And this sort of hits my point home further.  
14 You mentioned the incoming secondary. Typically, we would  
15 not dedicate an entire bin in an incoming secondary  
16 operation to a few pieces of Business Reply Mail, that it  
17 just doesn't make operational sense. So, therefore, these  
18 pieces must come off automation prior to -- sometimes prior  
19 to the incoming secondary operation and will be sorted  
20 manually in the Postage Due Unit. That is what this 41.6  
21 represents.

22 Q And you are dealing -- your 41.6 percent  
23 represents the few pieces? I mean you are talking about  
24 41.6 percent of all QBRM pieces, aren't you, not just the  
25 few pieces you discussed in your answer?



1           A     You mischaracterized my answer. One bin may have  
2 a few pieces in it corresponding to one customer account.  
3 It doesn't make sense to process three pieces in one bin.  
4 Therefore, before they are brought down to the customer  
5 account level, they are brought off automation into the  
6 Postage Due Unit where they are sorted to customer account  
7 level. That is what the 41.6 percent represents.

8           Q     And you are saying that 41.6 percent of QBRM  
9 letters are typically one or two per account, or a few per  
10 account?

11          A     No. That was an example.

12          Q     QBRM has its own unique nine-digit bar code;  
13 doesn't it?

14          A     In most cases, it does.

15          Q     In all cases; isn't it?

16          A     My understanding that in most cases, it does.  
17 There is always an exception to the rule.

18                I can't speak for every QBRM that is out there.

19          Q     So you're saying that perhaps it could be where  
20 the recipient has his own unique five-digit zip code?

21          A     I'm not saying either way; I'm saying there is  
22 always an exception. You can never say always.

23          Q     Well, I appreciate that, but can we be Ivory Snow  
24 pure here and say 99.43 percent?

25          A     I'm not going to quantify that.



1 Q Pardon?

2 A I won't quantify that.

3 Q Well, do we want to leave the record that the  
4 general rule is that the pieces don't have a nine-digit  
5 unique bar code?

6 A In most cases, QBRM have a nine-digit bar code.

7 Q Right. And can you think of any cases in which  
8 they don't? Do you know of any cases in which they don't?

9 A I personally don't, but there's always an  
10 exception to the rule.

11 Q You mean, that's simply a theoretical possibility  
12 that you must consider?

13 A For the record, not all -- most QBRM have  
14 nine-digit zip code bar code.

15 CHAIRMAN GLEIMAN: Counsel, if I could interrupt  
16 for just a minute, could you define "most" for me? Would  
17 you like me to give you an example?

18 If there are 100 pieces, is 51 most, in the  
19 context in which you're using it?

20 THE WITNESS: I would say a very high percentage.

21 CHAIRMAN GLEIMAN: Thank you.

22 BY MR. HALL:

23 Q Now, back to the response to the Presiding  
24 Officer's information request that we were reviewing:

25 It says particularly with higher volume QBRM



1 letter and card recipients, as each separate recipient's  
2 mail is isolated, the opportunity exists, either during mail  
3 processing or in the accounting function, to obtain machine  
4 counts of such mail to a greater extent than is currently  
5 being done.

6 A What page are you on, please?

7 Q I am on page 3.

8 A Okay.

9 Q Is the Postal Service there representing to this  
10 Commission that there is an opportunity to get a greater  
11 level of machine counts for QBRM?

12 A Yes. And my current methodology has proposed that  
13 we include end-of-run counts, where used, to count QBRM  
14 pieces, and, therefore, we've used -- we're using machine  
15 counts to a greater extent, as this suggests.

16 Q To a greater extent than in 1997, which was the  
17 source of the percentage figures you used?

18 This document, Mr. Campbell, was written and sent  
19 to this Commission in June of 1999. But I believe it's  
20 true, and I ask you to confirm for me that, for example, the  
21 EOR percentage that you're using is unchanged from the  
22 percentage that was used in the 1997 study.

23 A From an operational standpoint, I can't speak to  
24 this. From a costing standpoint, which I am a cost witness,  
25 I've incorporated, with respect to R97's methodology, an



1 increased usage of machine counts.

2 Q When you took the 1997 amount, you didn't make any  
3 change between now and the test year; did you?

4 A Change to what?

5 Q An improvement in the machine counts.

6 A I'm not an operational staff member.

7 Q I'm simply asking what numbers you used. You used  
8 19.3 percent; didn't you? Can you look at your Library  
9 Reference again?

10 A Yes.

11 [Pause.]

12 Yes, that's what I used.

13 Q Okay, and that came from the 1997 study; didn't  
14 it?

15 A Correct.

16 Q So it's the same number that was there?

17 A That number was not there in the R97 methodology;  
18 that's my point.

19 MR. HALL: Just one moment please.

20 [Pause.]

21 BY MR. HALL:

22 Q Didn't your number come from the Business  
23 Practices Survey?

24 A Yes.

25 Q And we're talking about the 1997 Business



1 Practices Survey?

2 A Correct.

3 Q And did you make any change in that number into  
4 the test year?

5 A No.

6 Q Thank you. This response to the Presiding  
7 Officer's Information Request continues on certain respects,  
8 weight averaging exists as an option which is available for  
9 letters and cards, only after a particular recipient's mail  
10 has been processed and massed at a postage due unit and the  
11 opportunity to obtain machine counts has passed.

12 Now, did you modify the percentage from the 1997  
13 Business Practices Survey that was applicable to weight  
14 averaging techniques to show any improvement in that type of  
15 processing and counting, specifically, into the test year in  
16 this case?

17 A No.

18 Q Okay, let's go back to this: Now, I think you've  
19 already mentioned that in R97-1, Witness Schenk provided the  
20 estimated cost of counting, rating, and billing QBRM; is  
21 that right?

22 A Yes.

23 Q How does the methodology you employed here differ  
24 from that of Ms. Schenk? And I'd like to give you a couple  
25 of examples and see if you agree.



1 First, you used the same percentages for the  
2 different accounting methods; is that correct?

3 A I'd like to point out one of my responses to an  
4 interrogatory lists all of the changes.

5 MR. TIDWELL: This is a response that's been  
6 designated into the record.

7 THE WITNESS: My response to --

8 BY MR. HALL:

9 Q So I asked a question. Is the answer yes or no?

10 A My response lies in Question 4(b) posed by KeySpan  
11 Energy. If I may read from that?

12 It's imposed -- are you prepared?

13 Q I will be momentarily.

14 A Okay, the question reads: Please describe exactly  
15 what changes you made <sup>to</sup> the Schenk methodology to reflect the  
16 USPS proposal for a reduced per-piece fee and a quarterly  
17 fee for high-volume QBRM.

18 My response: As described in my testimony at  
19 USPS-T-29, pages 16 and 17, the following changes were made  
20 to the Schenk methodology for per-piece fees:

21 Number one --

22 MR. TIDWELL: Mr. Chairman, I hate to interrupt,  
23 but I was wondering if might move things along if the record  
24 just indicated that the witness referred to the  
25 interrogatory response to KeySpan 29-4, which lists the



1 changes, and we can at least shave a little time without  
2 requiring the witness to actually read what KeySpan has  
3 already designated into the record already.

4 CHAIRMAN GLEIMAN: It's fine with me, if it's fine  
5 with counsel who asked the initial question.

6 MR. HALL: I was not going to go through an  
7 exhaustive list, but simply to point out certain items that  
8 I wanted to further discuss with the witness.

9 BY MR. HALL:

10 Q But I realize that I have neglected to point out  
11 another interrogatory response as kind of the close of my  
12 cross on the response to the Presiding Officer's Information  
13 Request.

14 And this, I will tell you, is a response that was  
15 given to the Postal Service. The original question went to  
16 you, and you redirected it to the Postal Service. It is  
17 KeySpan T-29-43.

18 It says: Please refer to your response to KeySpan  
19 T-29-22(b), where you state that BRM operations are unlikely  
20 to change, because of the newly proposed three-cent fee.

21 And (b): What plans, if any, does the Postal  
22 Service have to process more efficiently, the QBRM reply  
23 letters received by individual recipient customers in high  
24 volume?

25 If the Postal Service does have such plans, please



1 provide all documents that discuss such plans.

2 And the answer is: The Postal Service has not  
3 developed any concrete plans on a national basis to move to  
4 more efficiently process QBRM or perform associated  
5 accounting for high-volume accounts.

6 That's a partial reading of the answer. I guess  
7 that's consistent with what you've done in this case. You  
8 haven't projected any improvement at all for QBRM; is that  
9 correct?

10 A I've used the best available data in my possession  
11 to project costs into the test year.

12 Q Let's shelve that. I want you to put a string on  
13 that response, the best available data, because that's a  
14 topic that I want to discuss with you a little later.

15 In any event, now back to the Schenk study and  
16 your study in this case. Where Ms. Schenk assumed other bar  
17 code sorters had the same productivity as manual, you have  
18 assumed a cost of zero because the counts are a byproduct of  
19 the automation sorting process; is that correct?

20 A I've removed any BCS or BRMAS incoming secondary  
21 costs because these are a part of the First Class postage.

22 Q Now both you and Ms. Schenk used the same manual  
23 productivity of 951 pieces per hours, is that correct?

24 A No, that is not correct.

25 [Pause.]



1 THE WITNESS: If you will allow me to point --

2 BY MR. HALL:

3 Q Did she use 362?

4 A She used 362, which encompassed all postage due  
5 activities.

6 Q Okay. The 362 that she used included all of  
7 the -- not only counting the sorting but all of the rating  
8 and billing, is that right?

9 A Correct.

10 Q And the 951 is part of that, in effect, that  
11 includes counting and sorting, is that right?

12 A Right. I was able to deaverage among counting  
13 methods based on percentages I used from the Practices  
14 Study, so in other words I deaveraged what Schenk used to  
15 more appropriately allocate costs where they are actually  
16 occurring.

17 Q Well, the 951 PPH productivity comes originally  
18 from Mr. Pham's study's, doesn't it?

19 A That is correct.

20 Q And so you didn't change that, right?

21 A I did not change what Hien Pham calculated, no.

22 Q Now both you and Ms. Schenk assumed that the  
23 manual productivity of 951 pieces per hour also applied to  
24 pieces counted by weight averaging and special counting  
25 machines, is that correct?



1           A     Correct.

2           Q     In other words, you both assumed that counting  
3 pieces by weight averaging techniques and special counting  
4 machines would not be any more efficient than counting those  
5 pieces one at a time by hand, is that right?

6           A     I wouldn't characterize it exactly like that.

7           Q     Would you characterize it most like that?

8           A     The reason I have some doubt with respect to that  
9 statement, a lot of times counting machines are used at  
10 sites where they may have another count already from an end  
11 of run report or even a BRMAS report and the pieces are run  
12 again on a counting machine to confirm a count that has  
13 already been obtained, so I have no way to average a  
14 counting machine and an end of run count.

15          Q     The end of run count you simply took out because  
16 it was part of the First Class processing that the piece  
17 received. That is correct, isn't it?

18          A     Right.

19          Q     So for the special counting machine or weight  
20 averaging, you simply assumed that the productivity would be  
21 the same as a manual, single piece by single piece, count,  
22 didn't you?

23          A     In talking to a number of sites that use counting  
24 machines, I am told that from -- in fact, four sites in the  
25 top 75 sites, customer or volume sites have counting



1 machines.

2 They have indicated that many times they are very  
3 old. They break down. They are unreliable. They are used  
4 in emergencies only in many cases. So I think it would be  
5 inappropriate to allocate a very low cost to those counting  
6 machines when in fact many times those machines break down  
7 and therefore the mail must be counted manually.

8 Q Well, let's kind of do something, kind of like the  
9 President here. What did you know and when did you know it?

10 Now you are telling me now that of the four sites  
11 of the top 75, which is data and information we have  
12 recently elicited from you, that you have got a story to  
13 tell now about old-fashioned, broken down special counting  
14 machines, right?

15 I am asking you now when you formulated your  
16 testimony, when you adopted a productivity for what you  
17 called special accounting machines you used a productivity  
18 of 951 pieces per hour, which was the same productivity that  
19 you used for manual piece by piece counting.

20 Is that correct or is it not?

21 A That is not correct.

22 I want to make sure we are talking about the  
23 same -- that we're characterizing this 951 pieces per hour  
24 in the same way -- 951 pieces per hour includes a sortation  
25 manually to the customer level in addition to manual



1 counting. Many times -- well, in all instances really if  
2 pieces are being counted by a counting machine they must be  
3 sorted down to the customer level manually before being put  
4 on a counting machine.

5 In summary, the 951 doesn't just correspond to a  
6 one piece at a time count. It is an average by which QBRM  
7 pieces are sorted to the customer level and counted by some  
8 method available.

9 MR. HALL: Mr. Chairman, I would like to now have  
10 identified as a cross examination exhibit part of a response  
11 from the witness to an interrogatory, Interrogatory Keyspan  
12 Energy K29-2. If you could assist us with an appropriate  
13 designation or a title for this, I will then identify the  
14 document.

15 MR. TIDWELL: Is this an interrogatory response  
16 that has already been designated in the record?

17 CHAIRMAN GLEIMAN: That's a good question but  
18 there is no reason it can't be used as a cross examination  
19 exhibit. If it is in the record already, we may not want to  
20 put it in the record again.

21 MR. TIDWELL: I thought it might speed things  
22 along just to refer him to his answer in Number 2.

23 CHAIRMAN GLEIMAN: I'll endeavor to figure out  
24 whether it is in the record already, at the same time I am  
25 trying the help figure out how to mark it.



1 MR. HALL: I'm sorry. I probably misspoke. I  
2 believe the witness referred us to it and it wasn't attached  
3 to the interrogatory response which is now part of the  
4 record.

5 CHAIRMAN GLEIMAN: So if it is in the record it is  
6 designated written cross. Rather than marking it as cross  
7 examination exhibit, you can just refer to the interrogatory  
8 by number and --

9 MR. HALL: It is not in the record.

10 CHAIRMAN GLEIMAN: Oh, it is not. I'm sorry. I  
11 misunderstood you.

12 MR. HALL: It was referred to. It wasn't  
13 attached.

14 CHAIRMAN GLEIMAN: Okay.

15 MR. TIDWELL: Help me out.

16 THE WITNESS: This is an attachment to which  
17 interrogatory? I'm sorry.

18 MR. HALL: (2)(b) -- and I'm sorry, once again,  
19 you simply referred us to it. You didn't attach it.

20 CHAIRMAN GLEIMAN: We will mark it  
21 Campbell-KE-XE-1.

22 [Campbell-KE-XE-1 was marked for  
23 identification.]

24 BY MR. HALL:

25 Q Do you have a copy of this document, which bears



1 the heading at the top, "BRM Practices Survey, Christian  
2 Associates" -- and the identifier Table 13, Generation of  
3 Final BRM Piece Counts before you?

4 A Yes.

5 Q Now the first thing in line here is on the  
6 left-hand side is Manual Counts, and for that you have 47.2  
7 percent?

8 A That's correct.

9 Q And then for the next three rows you have EOR  
10 Counts from Barcode Sorter, BRMAS Software Report, Special  
11 Counting Machine, Weighing of identical Pieces, and Bulk  
12 Weighing -- is that right?

13 A That is correct.

14 Q Okay. If you then add up the percentages shown in  
15 the column for 2 cents, for Special Counting Machines,  
16 Weight of Identical Pieces, Bulk Weighing, and Manual  
17 Accounts, is that equal to the 66.5 percent figure you used  
18 on Library Reference 160, Schedule B, page 2 as the  
19 derivation for the high volume QBRM pieces?

20 A Yes.

21 Q And you used the PPH of 951 for all of those  
22 pieces, is that correct?

23 A I used the productivity to sort and count of 951  
24 pieces per hour, correct.

25 MR. HALL: Thank you. At this time I would move



1 the cross-examination exhibit into evidence.

2 CHAIRMAN GLEIMAN: I'm sorry. I didn't hear you.

3 MR. HALL: Into evidence.

4 CHAIRMAN GLEIMAN: I will direct, absent an  
5 objection, and I suspect there is none, that the  
6 Cross-Examination Exhibit Campbell-KE-XE-1 be moved into  
7 evidence and transcribed into the record.

8 [Cross-Examination Exhibit No.  
9 Campbell-KE-XE-1 was received into  
10 evidence and transcribed into the  
11 record.]

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**Table 13: Generation of Final BRM Piece Counts**  
(Postage Due Unit #10)

Source of Piece Counts Used	Percent of volume			
	2 cent	10 cent	44 cent	Overall
Manual counts	47.2%	80.7%	96.8%	64.2%
EOR counts from barcode sorter	19.3%	9.1%	0.6%	13.9%
BRMAS software report	14.2%	2.2%	1.6%	8.4%
Special counting machine	10.4%	2.0%	0.3%	6.2%
Weighing of Identical pieces	4.8%	3.8%	0.7%	4.1%
Bulk Weighing	4.1%	1.7%	0.0%	2.9%
Mailer-provided manifest	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.5%	0.0%	0.2%
Total	100%	100%	100%	100%



1 BY MR. HALL:

2 Q Now, we were again reviewing your study versus Ms.  
3 Schenk's study in R97-1. And there is another area of  
4 departure, and I don't want to take it up with you now, but  
5 I would like to mention it and just agree that it exists.  
6 It relates to the question of volume variability, whether or  
7 not costs, labor costs vary 100 percent with volume or not,  
8 is that right?

9 A Right.

10 Q Okay. Now, did you try to do any studies of QBRM  
11 counting, any new studies?

12 A No, I did not. I really felt like I didn't have a  
13 need to conduct a study given this FY '97 data that is  
14 extremely useful and was not prior -- was not used in  
15 Witness Schenk's methodology to the fullest extent.

16 Q Well, now, really, for QBRM that was going to be  
17 high volume QBRM, you were doing something new, weren't you?  
18 You were taking out the costs of rating and billing and  
19 putting those into a separate quarterly fee where you  
20 developed costs so that the Postal Service could propose a  
21 separate quarterly fee to recover those costs, isn't that  
22 correct?

23 A Correct. I deaveraged that 360-some pieces per  
24 hour that you referred to earlier into smaller components.

25 Q Right. So, now, really, what you are left with,



1 because of what you are doing, which is different from what  
2 Witness Schenk was doing is you are left with the question  
3 of counting the pieces, isn't that right?

4 A Exactly.

5 Q So, if you had developed -- you could have  
6 developed, couldn't you, a study to determine how many  
7 pieces would actually be counted in an hour?

8 A That is an approach one could take, yes.

9 Q But you didn't do that?

10 A I felt that the data that I had before me, in  
11 fact, accurately captured productivities that I observed in  
12 the field.

13 Q Well, let's kind of recapitulate here. The data  
14 that you had before you, for example, for manual counting  
15 was 951 pieces per hour that came out of not only the 1997  
16 BRM Practices Study, but really came back from a decade  
17 before when Mr. Pham developed his methodology, and that, I  
18 think you have told me already, was a number which includes  
19 two operations, counting and sorting, isn't that right?

20 A That's correct.

21 Q So, when somebody manually does this operation, it  
22 really -- you don't, for example, you don't take pieces,  
23 letter pieces and say, okay, here is one for Chris Campbell  
24 and here is for Mr. Tidwell, and now I have one and one, and  
25 now is here for Mike Hall, and now it is one, and then --



1 and keep on going and do a sort and a count simultaneously,  
2 do you? I mean isn't what you do physically, isn't what you  
3 saw when you went into the field that people actually  
4 physically break down the process into two steps. They sort  
5 the letters and then they take the letters that have been  
6 sorted and then count them separately, isn't that what you  
7 saw?

8 A My recollection is that, at one particular site I  
9 am thinking of, the postage due clerk would sort a tray of  
10 mail into various customer accounts. She would count each  
11 stack, put sort of a subtotal for that account. She would  
12 take another tray, she would sort it into other piles for  
13 the same accounts. She would add numbers to that subtotal.  
14 And this activity many times occurs simultaneously. You  
15 can't break down these tasks into minutiae or it would  
16 really be meaningless.

17 Q Well, it is not exactly minutiae that I am looking  
18 for. You are looking to identify, because you have this  
19 new, wonderful QBRM high volume service that you are going  
20 to assist Witness Mayo in promoting, and we have already  
21 been through all the history of how the Board of Governors  
22 wanted to do right and look into deaveraging, and, so, this  
23 is going to be your answer, okay. So, what you really need  
24 is a cost of counting, and that is all you need, isn't it?

25 A No, because there is sortation above and beyond



1     that which a general First Class letter would receive.  
2     There is an incremental sortation cost to those BRM pieces  
3     that are manually sorted. So, therefore, you need, for  
4     those pieces that are manually sorted and counted, you would  
5     need a productivity.

6           Q     Well, that is kind of an astounding notion, and so  
7     maybe we ought to look at it, since it has always been my  
8     understanding that the BRM per piece fee was to recover --  
9     and this is when we are talking about a unitary per piece  
10    fee, was to cover solely counting, rating and billing of  
11    QBRM after the BRM had already been sorted to the recipient,  
12    is that your understanding, or is it not?

13          A     That is certainly not the way it was presented in  
14    R90 and that has been used since R90. Sortation to the  
15    customer level in the Postage Due Unit is an incremental  
16    cost to the service provided.

17          Q     Now, did you say R90; is that correct?

18          A     That's correct.

19                   [Pause.]

20          Q     Now, before we get to the document that I have  
21    just handed you, which is excerpts from Mr. Pham's study  
22    from R90-1, did you have occasion to examine any of the  
23    Commission decisions with respect to setting of the BRM or  
24    the BRAMAS or the QBRM per-piece fee?

25          A     I have seen the recommendation, yes.



1 Q The recommendation?

2 A What are you referring to, specifically?

3 Q Well, I'm referring, for example, to the  
4 Commission's decisions. I went back as far as R84-1, I  
5 believe.

6 Let me start off with R84-1. At page 390, the  
7 Commission says: The business reply fee is intended to  
8 cover the costs of calculating the postage due and  
9 collecting it from the user and make a contribution to  
10 institutional costs.

11 The user also pays the regular First Class  
12 single-piece rate for each item.

13 Is that consistent with your understanding?

14 MR. TIDWELL: The Postal Service will accept,  
15 subject to check, that counsel has read accurately from the  
16 R84 recommended decision, if that will speed things along.

17 CHAIRMAN GLEIMAN: Mr. Hall, does that stipulation  
18 satisfy your question.

19 MR. HALL: I asked the witness if it's consistent  
20 with his understanding of what's covered by which side of  
21 the fees. So I'm not sure that the fact that the counsel  
22 and I can stipulate that I've correctly read something --  
23 frankly, I wouldn't lend much credence to that. I'm more  
24 often likely to be wrong than right.

25 But I'm trying to get the witness's understanding.



1 MR. TIDWELL: Well, if counsel is more likely to  
2 be wrong than right, it might be useful for counsel to give  
3 the witness a copy, so that the witness can confirm whether  
4 counsel's reading is correct.

5 CHAIRMAN GLEIMAN: Well, I know that a copy of the  
6 1990 study, I believe, of Witness Pham, was provided. I  
7 think the witness is about to get a copy of the page out of  
8 the R84 decision.

9 MR. HALL: That's correct.

10 CHAIRMAN GLEIMAN: Counsel now has a copy. Well,  
11 you know, I'm not sure what -- there was a gesture and I  
12 know there's a level of frustration here, and maybe after we  
13 get a response to this question, we can all -- we'll take a  
14 break for a couple of minutes and get up and walk around the  
15 room and stretch and take a deep breath.

16 But it's -- as I understand what's on the table  
17 now, it's not a question of whether the document was read  
18 correctly into the record by cross examining counsel, but a  
19 question the cross-examining counsel had relative to what  
20 went on then and what the witness's understanding is about  
21 that, versus what is on the record in this case.

22 So, you know, we'll just have to keep our  
23 frustration levels in check here. And while I'm at it,  
24 counsel, let me just suggest, and this is directed not only  
25 at this witness, but at a host of other Postal Service



1 witnesses: That I found it somewhat frustrating, and we had  
2 a cross examination exhibit before out of R97 that was  
3 referred to in Interrogatory Response KE-T-29-2(b), and that  
4 was the Table 13.

5 I don't know about other people, my colleagues,  
6 the staff at the Commission, and other intervenors, but,  
7 quite frankly, I find it frustrating when Postal Service  
8 witnesses respond by citing something that's one page long,  
9 and they obviously have a copy of it in their hand, or one  
10 would think so, since they're citing it in their response,  
11 but they fail to include it as an attachment to the  
12 response, rather requiring hoards of intervenor counsel and  
13 Commission staff and Commissioners to go back and look up  
14 the documents themselves.

15 So, while I can appreciate your frustration with  
16 counsel for KeySpan not providing immediately, the document  
17 that he's making reference to, you know, it appears that  
18 he's not the only one that may be causing some frustration  
19 in his handling of documents.

20 So, we'll just keep that in mind for the next case  
21 or the next round or whatever, that perhaps people can  
22 include materials that they're referring to, especially when  
23 they're not voluminous.

24 MR. HALL: I certainly take to heart, your  
25 comments, and will endeavor to limit Postal Service



1 counsel's frustration with this. And in that regard, I have  
2 only one more document to refer to the witness, and I have  
3 already provided him with that.

4 CHAIRMAN GLEIMAN: We all appreciate that.

5 MR. TIDWELL: Mr. Chairman, if I may add, the  
6 Chairman's suggestion or reminder is a good one, and I'll  
7 certainly make a great effort to remind my colleagues of the  
8 exchange we've had here in reference to interrogatory  
9 responses.

10 CHAIRMAN GLEIMAN: And I will make clear for the  
11 record, and to you personally, Mr. Tidwell, that, you know,  
12 this is something actually that occurred to me earlier on,  
13 and I have discussed it with our General Counsel. It's not  
14 something that just welled up on the moment; that it was  
15 aimed specifically at you.

16 It's just something that what went on over the  
17 last few minutes brought back from my memory -- my somewhat  
18 rusty memory bank. So I just want you to understand that  
19 also.

20 BY MR. HALL:

21 Q Mr. Campbell, do you have before you an excerpt  
22 that I have provided from the Commission's R94-1 recommended  
23 decision?

24 A Yes, I do.

25 Q Good. And this is one I like to point out because



1 it really puts paid to Brooklyn Union, I believe. And, so,  
2 what is good for the goose, I guess, is good for the gander.  
3 And if we have to take our licks, we will be happy to do so.  
4 But, in any event, if you would turn to page V-145, and you  
5 see the indented paragraph there, and the Commission is  
6 saying, and I will read it, this portion of it, anyway, "The  
7 purpose of the BRMAS costing analysis is to measure the cost  
8 of the special services feature, i.e., counting, rating and  
9 billing for BRMAS mail. It is not to measure other  
10 attributes of BRM which may be common to other mail." Do  
11 you see that?

12 A I see that.

13 Q Is that your understanding of what the purpose of  
14 the QBRM costing analysis is?

15 A Yes. My understanding is that the costs  
16 associated with Business Reply Mail on a per piece basis are  
17 intended to capture the cost of the special service  
18 features. To me, that means above and beyond that which --  
19 the costs associated with general First Class mail.

20 Q Well, good, let's figure that out and just make  
21 sure we have hammered down all possibilities here. Regular  
22 First Class mail, you pay a fee and you get it sorted to the  
23 addressee and delivered to the address actually, right,  
24 isn't that correct?

25 A It is not always delivered, but, yes.



1           Q     Well, I wouldn't have said that, but if you want  
2     to, that is fine. But the point here is that the costs of  
3     sorting this mail to the addressee is included in the First  
4     Class rate, isn't that right?

5           A     Sortation to a certain level, yes. As you will  
6     note in my calculation, I remove a double counting of an  
7     incoming secondary in the calculations in my Library  
8     Reference 160. I remove any double counting for manual  
9     sortation down to the customer level based on an automation  
10    basic cost of an incoming secondary.

11                If you would like for me to point that out to you,  
12    I would be happy to.

13           Q     What I would like you to do is to confirm that the  
14    purpose there is to remove costs associated with sorting, so  
15    that all you are measuring, and all you intend to measure,  
16    and all that is appropriate to measure, is the cost of  
17    counting, rating and billing, which occurs after the  
18    sortation to the addressee, or, in this case, the QBRM  
19    recipient.

20           A     Given that sortation and counting occur  
21    simultaneously in the Postage Due Unit, my understanding,  
22    and Hien Pham used the term "distribution" in his study to  
23    mean sorting and counting, distribution is what I have --  
24    that is my understanding of the special service provided,  
25    distribution, which consists of sorting and counting, and



1 then rating and billing.

2 Q So, unlike other First Class mail users, a QBRM  
3 user has to pay something in addition to the First Class  
4 mail rate in order to have the mail sorted to him, is that  
5 what you are telling me?

6 A In a sense, perhaps.

7 Q Well, maybe -- it is almost a convenient time to  
8 take a break, and perhaps -- well, I could certainly use  
9 one. Maybe the witness could. But before we do that, could  
10 you please tell me where you found that? In other words,  
11 everything I have read you, and to shorten things and limit  
12 the frustration for your counsel, there are other things  
13 that I didn't read, but we can obviously deal with them on  
14 brief, since they are simply taken from Commission opinions,  
15 all those things say that the purpose of the BRMAS or QBRM  
16 costing analysis is to measure the cost of the special  
17 service features, i.e., counting, rating and billing.

18 A I feel I have captured the costs of the special  
19 service features in my study.

20 Q So you, in terms of counting, the productivity you  
21 used, I think we have already been over this, included not  
22 only counting, but counting and some sortation, is that  
23 correct?

24 A That is correct.

25 MR. HALL: Okay. This is a convenient time, and



1 then we will take it up after.

2 CHAIRMAN GLEIMAN: Well, I am pleased that it is  
3 convenient for you.

4 MR. HALL: Oh, I am sorry, I thought it was  
5 convenient for you.

6 CHAIRMAN GLEIMAN: That is okay. It is convenient  
7 for all us I think right now. We will come back on the  
8 hour.

9 [Recess.]

10 CHAIRMAN GLEIMAN: Counsel, whenever you are  
11 ready, it looks like the witness is ready and raring to go  
12 and Postal Service counsel says bring it on --

13 MR. HALL: Let's get it on.

14 CHAIRMAN GLEIMAN: Yes.

15 BY MR. HALL:

16 Q Let's see. Before the break, Mr. Campbell, I  
17 passed you out some excerpts from Mr. Pham's testimony in  
18 R90-1. I would like to have you turn to the first page  
19 there, page 3, and do you see the sentence that says, "In  
20 addition to distribution functions the BRMAS operation  
21 involves counting, rating and billing functions."

22 Do you see that?

23 A Yes, I do.

24 Q Okay. Now as you have discussed it, and I think  
25 you volunteered it before, distribution, as you think Mr.



1 Pham was using it and the way you use it, I guess -- I guess  
2 you don't like to use it, but the way you understand it is  
3 that it means sorting, is that right?

4 A The term "distribution" -- is that what you are  
5 asking?

6 Q Yes.

7 A Okay. My understanding is that distribution  
8 involves a simultaneous sortation and counting activity.  
9 You can call it what you may like to call it. I am familiar  
10 with the study that Hien performed and the survey, et  
11 cetera. We can call it a distribution function if you like.

12 Q I think you captured in your answer just then, you  
13 captured the same notion I am thinking of, and that is that  
14 the sorting and counting functions were integrated with each  
15 other, is that right?

16 A My understanding of sortation in this context is  
17 it is almost a premium sortation above and beyond that which  
18 other automation mail would receive.

19 So in other words these pieces have come off  
20 automation. They have come to the Postage Due Unit. They  
21 require extra sortation along with counting simultaneously  
22 in order to obtain a count so that they can rate the BRM  
23 pieces and generate a bill.

24 These are all activities above and beyond the  
25 activity of general mail processing.



1 Q Well, we are talking about BRMAS.

2 A Okay. You are talking about BRMAS software or  
3 BRMAS pieces?

4 Q I am talking about the BRMAS processing or the  
5 BRMAS operation, as Mr. Pham uses the term.

6 A Okay.

7 Q I think he is saying what you are saying in  
8 effect, that in addition to distribution, i.e., sorting  
9 functions, the BRMAS operation involves counting, rating,  
10 and billing functions, meaning that in BRMAS it is all  
11 integrated into one operation, right?

12 A Exactly. You have hit the point exactly. That is  
13 exactly why I took out all BRMAS and BCS counting and  
14 sorting and rating functions out of my methodology.

15 Q Okay, good. Now I think we are getting somewhere  
16 here, and that is why Mr. Pham had to make a deduction from  
17 the costs that he found, right?

18 A Yes. If you are referring to sort of an incoming  
19 secondary subtraction, that is correct. He included those  
20 BRMAS --

21 Q On page 9, which is the second page of what I am  
22 showing you here, it says, "The costing of BRMAS qualified  
23 BRM pieces is shown in Table 1. The incremental cost of  
24 processing a BRMAS qualified pieces, 2.36 cents. However, a  
25 BRM piece which is successfully processed by BRMAS avoids an



1 incoming secondary distribution, i.e., sorting operation,  
2 for automation compatible First Class mail pieces."

3 That is what I am talking about. Is that what you  
4 are talking about?

5 A That is correct.

6 Q So Mr. Pham then deducted out an amount from the  
7 total BRMAS cost that he'd found of 2.36 cents, right, and  
8 the amount he deducted out was 1.35 cents, right?

9 A Exactly.

10 Q And that amount was the weighted cost of this  
11 operation. Do you understand that?

12 A Yes.

13 Q Now to find exactly how Mr. Pham did it, could you  
14 turn to the next page, which is indeed the Table 1 that we  
15 have been referencing.

16 Now we see that he deducted out what is called the  
17 cost avoidance (incoming secondary for automation compatible  
18 FCMPs), right? That is 1.35 cents?

19 A Yes.

20 Q And then to show you how that is calculated,  
21 there's a footnote that takes you to Exhibit USPS-23(e),  
22 which is the next page in the package I have given you. Do  
23 you see that?

24 A I see Exhibit 23(e). Yes.

25 Q And you see that Table 2, I guess, you could call



1 it there, or the subtable, entitled "Productivities" -- is  
2 that correct?

3 A Right.

4 Q And there he's deducting out various incoming  
5 secondary operations and weighing them, isn't he, by the way  
6 they first went into the calculation?

7 A Yes.

8 Q Okay. Now I would like to contrast what Mr. Pham  
9 did with what you have done in this case. In order to do  
10 that in a way that I can see, I am going to ask my  
11 compatriot to assist me with the computer here, and I would  
12 like you to refer to your Library Reference 160, Schedule B,  
13 page 2.

14 A Yes, I have got that.

15 Q First, you develop, at least it is on my line 25,  
16 what you called the weighted cost per piece direct and  
17 indirect. Do you see that, and the amount is 2.88 cents?

18 A Yes.

19 Q Now that line is arrived at by multiplying the  
20 66.5 percent that appears on line 8 for manual/other, is  
21 that right?

22 A Yes.

23 Q Times the cost per piece shown in Column G, line  
24 23, the marginal manual distribution productivity postage  
25 due unit of 4.32 cents, is that right?



1 A That is correct.

2 Q And those are all manual input costs, right?

3 A As I indicated earlier, I removed any automation  
4 cost associated with incoming secondary for my methodology,  
5 so those costs do not appear at all in this calculation.

6 Q Right, okay, but then you are going to make a  
7 deduction from this cost that you are arrived at, right?

8 A Correct.

9 Q And that occurs in the next line, so this is where  
10 you are taking out the cost avoidance. You put costs in and  
11 now you are taking out cost avoidance, and the way you do  
12 that, and you call it incoming secondary for manual pieces,  
13 first you multiply 41.6 percent --

14 A Yes.

15 Q -- which is the method of finest depth of  
16 sortation of BRM to customer manually, right?

17 A Exactly.

18 Q Times the unit incoming secondary sort for an  
19 automation basic presort First Class letter, is that right.

20 A Correct.

21 Q Okay, so you put in costs by saying by applying a  
22 percentage of 66.5 percent but you have taken out costs and  
23 only taken them out based on 41.6 percent, is that right?

24 A Correct, because 41.6 percent of the volume  
25 receive their finest depth of sortation to the customer



1 manually, and that is where this cost of sortation is  
2 located.

3 Q What about the remaining 25 percent that you have  
4 put in to begin with?

5 In other words, the difference between 66.5 and  
6 41.6?

7 A Right. Well, as you can see in the line above  
8 41.6 percent, the 66.5 percent corresponds to the method of  
9 final piece count. See that?

10 Q I do.

11 A That does not correspond to the method and finest  
12 depth of sortation of BRM. See, we have got this counting,  
13 as I indicated before. Some counting is done automation.  
14 Some counting is done manually in the Postage Due Unit.  
15 Then you have got a depth of sortation, which I have  
16 included in the second section; 41.6 percent are actually  
17 sorted to the customer level manually whereas the rest are  
18 sorted to the customer level fortunately or however you want  
19 to call it to customer by BCS, by BRMAS or by other method.

20 Q Well, in putting in and applying a number, a cost  
21 number that was based on a manual productivity of 951 pieces  
22 per hour of 4.32 cents, and making that applicable to 66  
23 percent of the pieces, I see where you put that cost in.  
24 You are including a sorting cost for 66.5 percent of the  
25 pieces.



1           A     That is a counting -- that is a counting cost.

2           Q     The method of final piece count may be that, but  
3     in terms of sortation, you are also including sort costs for  
4     that. This is -- they are 4.32 cents and, pardon me, the  
5     2.88 cents is a cost of sortation, isn't it?

6           A     If you will let me explain. My understanding is  
7     that these pieces, because they have received -- they have  
8     been pulled off automation and they are receiving a final  
9     sortation to the customer level manually in the Postage Due  
10    Unit, some of that is actually a premium sortation not  
11    experienced by an automation -- I am using the Automation  
12    Basic Presort First Class letter as the standard here. They  
13    are receiving premium sortation off automation in the  
14    Postage Due Unit. I have removed a portion -- I have  
15    subtracted out a portion of those incoming secondary costs  
16    because that is double counting. However, these pieces  
17    counted to the -- I'm sorry, sorted the customer level in  
18    the Postage Due Unit are receiving premium sortation.

19          Q     Well, you say it is premium sortation, but in what  
20    sense is it premium? In other words, let me ask you this,  
21    is the QBRM recipient getting it delivered or sorted to the  
22    floor on which the recipient is sitting at the time that he  
23    happens to get the mail delivered, or is he getting it  
24    simply sorted to himself as the final addressee, as any  
25    other First Class piece does?



1           A     Let me give you an example of what I am referring  
2 to. Suppose a customer uses QBRM to receive billing  
3 remittances for their cable bill. Under many circumstances,  
4 these customers would use a courtesy reply envelope. These  
5 would be processed completely on the DBCS. There would be a  
6 holdout most likely. Those pieces go straight from the bin  
7 to the customer. They are sorted to the customer level,  
8 bingo.

9                     Now, you are talking QBRM pieces for that same  
10 cable company, but those, by the very fact that they are  
11 QBRM pieces, they are going to come out off of the  
12 automation, into the Postage Due Unit, and they are going to  
13 have to receive additional sortation based on the fact that  
14 they are QBRM pieces.

15                    I have subtracted out, as you can see, almost  
16 nine-tenths of a cent of double counting of an incoming  
17 secondary.

18           Q     Well, this is all high volume QBRM that we are  
19 talking about in this particular schedule, isn't it?

20           A     As you can see in the low volume, on the next  
21 page, page 3 of 10, Section B, it is an equivalent  
22 subtraction. High and low volume customer BRM are counted  
23 -- you have got some high customers being counted in the  
24 Postage Due Unit. You have some low volume customers being  
25 counted on the DBCS. There is no rhyme or reason to how --



1 there is not necessarily a correlation between the counting  
2 and sorting method and the type of BRM customer.

3 I'll give you an example: I went to a processing  
4 and distribution center in Carol Stream, Illinois. I  
5 visited the Postage Due Unit.

6 In the Postage Due Unit, all of the pieces,  
7 regardless of whether or not they were high or low volume  
8 customers, got counts.

9 They were all taken into the Postage Due Unit to  
10 be counted and sorted and rated and billed. It didn't  
11 matter that they received high volume customer QBRM. They  
12 were all counted and sorted in the Postage Due Unit.

13 In this particular function of counting, there  
14 doesn't appear to be a volume-dependent counting method.

15 Q I don't think I really care about that particular  
16 aspect of it. All I'm trying to get from you is the fact  
17 that a First Class mail recipient or mailer, depending upon  
18 whether it's a QBRM person or somebody who's putting a stamp  
19 on a piece of mail and sending it out, is entitled to have  
20 it sorted to the addressee for whatever First Class rate he  
21 pays.

22 Is that true?

23 A One might look at it that way.

24 Q Thank you. Now, when you subtract out your cost  
25 avoidance for incoming secondary manual pieces, you do so on



1 the assumption that there's capacity on the bar code sorters  
2 to sort that on a automated basis; is that correct?

3 A These figures are -- the 2.11 cents that I list as  
4 the cost of an incoming secondary automation basic presort  
5 First Class letter, that is an average cost, unit cost for  
6 an incoming secondary.

7 That cost includes manual sortation; it includes  
8 automated sortation; it's based on, as you can see, Witness  
9 Miller's model of 10,000 pieces going through a mail  
10 processing scenario.

11 Q Right. I don't want to get -- that's the last  
12 place I want to go. That is the rate person's equivalent of  
13 -- well, I won't say that.

14 But all I'm trying to say is that the QBRM pieces,  
15 we agreed already, are approximately seven times more likely  
16 to receive a manual distribution in the incoming secondary  
17 than are the normal pieces.

18 A I don't --

19 Q So do you understand the concept --

20 A I don't think I fully agreed to that.

21 Q Well, in other words, you say that they don't get  
22 manual processing because you're saying that in terms of  
23 sortation, 41.6 percent of these mail pieces are processed  
24 and sorted manually in the incoming secondary.

25 And yet when you come to deduct out of costs, you



1 deducted out as if they were the 94 percent of normal First  
2 Class mail pieces that just sail through the system on  
3 automation.

4 Is that correct?

5 A That's not how I would characterize it, no.

6 Q But is that the effect of what you did? That's  
7 the cost --

8 Is that cost that you've deducted there, is that  
9 associated with the average First Class mail piece processed  
10 on automation?

11 A No.

12 Q You're right; it's not. It assumes it's automated  
13 basic, and doesn't it assume 90 percent, approximately,  
14 automated processing, and ten percent manual?

15 A That would be in Witness Miller's testimony.

16 Q I think we have an interrogatory to you on it, but  
17 we've got 400 interrogatories to you, and I'm not sure that  
18 we can find it.

19 Let's just say if it's there, it's there, right?

20 Now, we were trying to figure out if you did any  
21 studies of QBRM counting for manual counting, another words,  
22 piece-by-piece, and you said that you didn't do them. You  
23 didn't do that, right?

24 A Again, based on my field observations, I felt I  
25 did not need to conduct a new study. I felt that the



1     sorting and counting does not change over time; that the  
2     manual, labor-intensive activities associated with this  
3     don't -- simply don't change over time.

4           Q     Right, and I might not necessarily disagree with  
5     that, except here, you are proposing something entirely new.

6           A     How so?

7           Q     You're proposing a new fee structure that's based  
8     only -- it separates out the rating and billing function and  
9     leaves you with counting.

10           So now you could develop something for manual  
11     counting; couldn't you?

12           You started this process in April of 1999. Are  
13     you telling me you couldn't have developed a manual counting  
14     productivity before the case was filed?

15           A     I'd be happy to refer you to a counting  
16     productivity -- I'm sorry, a sorting productivity, just for  
17     illustrative purposes, used in my Library Reference 160,  
18     Section L, an incoming secondary manual sortation.

19           Q     Well, I'm not interested in manual sortation. I'm  
20     interested in manual counting.

21           A     As I indicated --

22           Q     Manual sortation means, for example -- I mean,  
23     let's use an old fashioned example here. You have like a  
24     whole bunch of pigeonholes, right, and each one is for a  
25     different addressee, and a clerk stands there and he looks



1 at an envelope and he puts it in a pigeonhole, and that's  
2 how the mail gets sorted, right?

3 And then one-by-one, he goes to the pigeonhole,  
4 pulls out the pieces, and counts them, and then records an  
5 amount for that addressee.

6 Is that a fair description of the process?

7 [Pause.]

8 I don't think you need to refer to anything. I'm  
9 just describing something that isn't in your workpapers.

10 A I was actually going to refer you to one of my  
11 observations at a processing and distribution center where  
12 they actually did sort the QBRM into those pigeonholes, and  
13 then proceeded to count the pieces.

14 Q Okay, so --

15 A Tray-by-tray, so, in other words --

16 Q But I have accurately described, in essence, how  
17 the process works, right?

18 A Yes.

19 Q Okay, so, now, I'm going to focus simply on  
20 counting. And I want a number, a productivity for counting.

21 A Again, if I need to remind you, the counting and  
22 sorting activities are frequently conducted simultaneously.

23 In fact, Hien Pham's study found that this was the  
24 case.

25 Q Well, he found it was the case for BRMAS. This is



1 nothing like and automated processing; is it?

2 A All of my --

3 Q It's nothing like a manual processing?

4 A All of my manual processing productivities came  
5 from Witness Pham's study.

6 Q Yes.

7 A Period.

8 Q But we've already agreed that Witness Pham, when  
9 he did his subtraction, he took out a weighted average of  
10 the cost, based, for example -- and we've -- I pointed you  
11 to that on Exhibit USPS-23(e), page 1 of 2, the line marked  
12 Manual Incoming Secondary under the heading Productivities.

13 A That's right, and I pointed out earlier that I  
14 removed BRMAS and BCS counting and sorting costs entirely  
15 from my methodology, because I didn't want to double-count.

16 So those are removed entirely from the  
17 methodology. Therefore, the only incoming secondary  
18 subtraction that I would perform is for the subtraction  
19 based on manual counts in the Postage Due Unit, which is  
20 what I did in my presentation.

21 Q Then why didn't you subtract out a manual incoming  
22 secondary, if that's what you were doing?

23 A Because these pieces would have otherwise been  
24 processed on automation.

25 Q Where there was no capacity to process them in the



1 first place?

2 A Let me remind you that the 2.11 cents, which is  
3 the cost of an incoming secondary for an automation basic  
4 presort letter, that includes a degree of manual sortation  
5 in it. It's pulled from Witness Miller's testimony.

6 It also has a degree of automation costs in there.

7 Q And we already agreed those degrees were,  
8 respectively, 90 percent for automation, and ten percent for  
9 manual, approximately; isn't that what we agreed to?

10 A I did not agree to that, no.

11 Q Okay, well, why don't you look at KeySpan  
12 Interrogatory Number 27(a)?

13 A I confirmed that 90 percent of the piece handlings  
14 are processed on automated equipment in the incoming  
15 secondary. I didn't confirm anything about manual.

16 Q Well, if 90 percent are processed on automated  
17 equipment, aren't the 10 percent then manual?

18 A Perhaps. I confirmed the automated portion, yes.

19 Q Okay. But the automated portion that you got into  
20 the calculation in the beginning was not 90 percent, it was  
21 more like 54 percent, right? It was more like 54 percent,  
22 meaning the difference between 100 percent and the 46.1  
23 percent that you used as manual?

24 A My recollection from the proceedings, I believe in  
25 -- off the top of my head, I think it is R94 and -- I'm



1     sorry, R90 and R97, it was pointed out that the appropriate  
2     incoming secondary subtraction comparison is that of an  
3     Automation Basic Presort letter. That was affirmed, in  
4     fact, by the Commission.

5           Q     Yes, but they weren't focusing on just manual  
6     pieces going into it, as you are doing, is that correct? In  
7     other words, a basic difference between what you have done  
8     and what Mr. Pham did was Mr. Pham developed all of these  
9     numbers, such of which you are using, including a manual  
10    sorting and counting productivity of 951 pieces per hour.  
11    But that wasn't really a problem as far as others were  
12    concerned, or even as Mr. Pham was concerned, because he  
13    assumed that BRMAS would be very successful in the test  
14    year, and he based his rates on that success, isn't that  
15    true?

16          A     I don't see how that relates to the 951 pieces per  
17    hour.

18          Q     All I am saying is that that wasn't -- the 951  
19    pieces per hour results in a very high cost for processing,  
20    since Mr. Pham, in effect, Mr. Pham assumed, did he not,  
21    that -- okay, if you look at Table 1, page 10 of the  
22    document that we have been looking at from Mr. Pham's study,  
23    he assumed that the BRMAS coverage factor, net of rejects,  
24    was going to be 85 percent. So, whatever he assumed, or  
25    whatever numbers he came up with that said, oh, yes, here is



1 the cost of manually counting and sorting something, didn't  
2 really matter because he was basically assuming that there  
3 would be very little manual activity in the -- when the  
4 rates were in effect, isn't that correct?

5 A That doesn't address the credibility of the 951  
6 pieces per hour.

7 Q I am not -- I just asked you a simple question.  
8 Would you like the reporter to read it back so you could  
9 answer it? I think you can do it with a yes or no answer.

10 A Yes, please repeat the question, recorder.

11 [The reporter read the record as requested.]

12 THE WITNESS: I would hardly say that manual  
13 counting hardly counts. No, I disagree with the statement  
14 -- the question.

15 BY MR. HALL:

16 Q Well, let's get at it more directly. Mr. Pham,  
17 you will agree, won't you, used a BRMAS coverage factor of  
18 85 percent?

19 A Yes.

20 Q What is your BRMAS coverage factor?

21 A It is in the neighborhood of 14 percent.

22 Q So, it would be fair to say, wouldn't it, that  
23 assuming a BRMAS coverage factor of 85 percent assumes that  
24 there will be very little manual processing going on,  
25 doesn't it?



1 A Correct.

2 Q And using a BRMAS coverage factor of only 14  
3 percent, as you have used, assumes that almost all of the  
4 activity will be manual, doesn't?

5 A A lot of it, yes.

6 Q Thank you. Now, let's get -- to close off this  
7 area, you are familiar, because you have developed the costs  
8 for nonletter sized BRM, you have developed the per piece  
9 fee, is that correct?

10 A Yes.

11 Q And the cost for the per piece fee that you have  
12 developed is approximately .57 cents or so, isn't it?

13 A Right.

14 Q And is it true that that per piece fee cost  
15 includes only the cost of counting?

16 A That would be the cost of -- the end result is a  
17 count, yes.

18 Q Thank you. So, we have already been through, that  
19 you didn't develop a manual counting productivity  
20 separately, but you could have done so, couldn't you? This  
21 is not rocket science, is it?

22 A I think another study would have had to have been  
23 conducted, but, yes, one could have done that, yes.

24 Q Okay. But the study wouldn't take very long,  
25 would it?



1           A     I haven't considered the timeframe, no.

2           Q     Well, you wouldn't have to, for example, go to the  
3     top of the highest peak in the United States and measure  
4     clerks counting at high altitudes and then compare them to  
5     people in Death Valley counting at altitudes below sea  
6     level, would you? So, you wouldn't need a great deal of  
7     unique site input for that? Couldn't you probably get  
8     some --

9           A     Some field observations?

10          Q     Well, some people in the local Post Office. Say,  
11     okay, guys, ready, set, go -- click, with a stopwatch, and  
12     then develop something that was fairly representative?

13          A     As I indicated in my testimony, and my field  
14     observations confirmed that manual sorting and counting is  
15     indeed a very laborious process today, as it was 1990. I  
16     felt -- I did not feel the need to conduct a new study.

17          Q     But once again, if I heard your answer correctly,  
18     you were observing sorting and counting?

19          A     Correct, because they are conducted  
20     simultaneously, yes.

21          Q     Right. But we have already agreed that it is  
22     relatively impossible for a clerk to be counting at the same  
23     time he is sorting into pigeonholes, isn't that right?

24          A     No.

25          Q     That is not right?



1           A     I observed sorting and counting occurring as a  
2     discrete activity.

3           Q     Didn't you observe them as discrete activities,  
4     plural, one activity which was sorting and another activity  
5     which was counting, after the sorting had been completing?

6           A     That is not how I would have characterized it, no.

7           Q     Well, tell me, did you see clerks putting in the  
8     pigeonhole for Commissioner LeBlanc and saying one for him,  
9     and then one for Mr. Gleiman, and one for Mr. Omas, and now  
10    two for Mr. Gleiman and, remember, I have got one for Mr.  
11    Omas and one for Mr. LeBlanc, and I have got three for Mr.  
12    LeBlanc, two for Mr. Gleiman, one for Mr. Omas, is that the  
13    way it went? Was he actually, in his head, or she, in her  
14    head, doing a simultaneous operation of computing the number  
15    at the same time the sorting operation occurred? Because I  
16    tell you, I want to meet this person. This has got to be  
17    the true rocket scientist to be capable of keeping all of  
18    that in his or her head.

19          A     This person was actually part of the trip that I  
20    arranged to Chicago with you. She actually works at one of  
21    those processing and distribution sites.

22          Q     And we were very hurt that you left us at the  
23    door. But that is for another day. And, so, she was  
24    keeping a running tabulation in her head as she was sorting,  
25    a running count in her head as she was sorting to how many



1 people?

2 A As I recall, she had a pen or pencil in one hand,  
3 with a pad. She sorted trays that were before her. She  
4 would make a notation of a count as she is sorting.

5 Q Well, she would sort them. I mean you have to  
6 pick up the pieces and figure out who they go to, right?

7 A Right. At the end of her --

8 Q Or were they already --

9 A At the end of the activity, her pad of paper had,  
10 for one account, had a number of marks, because she is doing  
11 a mark, a count, a sort, a mark, et cetera. It is  
12 simultaneous.

13 Q So, she was doing this piece by piece?

14 A That is correct.

15 Q That just boggles the mind.

16 A I was there.

17 Q Well, okay, and that may have occurred in one Post  
18 Office, but, you know, is that the way, is that the most  
19 efficient way to operate?

20 A That mail could certainly be more efficiently  
21 processed, but, in reality, it isn't. I am reflecting the  
22 true cost of these activities.

23 Q And what was the average volume per account that  
24 you saw? Was this a customer with a few pieces, the normal  
25 pieces that the Chairman receives? Or was it somebody like



1 KeySpan Energy receiving 20,000 pieces a day?

2 A As I recall, a number of these accounts were  
3 receiving heavy volumes.

4 Q And, so, by heavy volumes, you mean how many  
5 pieces? Because I believe you indicated you have no recall,  
6 or is this when you were just there? Is this what you are  
7 recalling from a trip you just made there, or is it the one  
8 that you describe in the attachments to our interrogatory  
9 request about the field observations that you conducted  
10 before you came to your conclusions?

11 A These observations were made in April of 1999, as  
12 I indicated in my response to KE/USPS-T29-31.

13 Q Okay. Now, for the high volume people that you  
14 observed here, how did this work?

15 A How did what work?

16 Q The mail showed up in trays, and it wasn't sorted  
17 to, say, just low volume, several low volume QBRM  
18 recipients, it was, according to you, sorted -- or not  
19 sorted to any recipients, it was just a mish-mash of mail,  
20 is that right?

21 A I can read you my notes from that trip, if you  
22 would like, in my response.

23 Q Well, I mean you can certainly refer to your  
24 notes, but I would like to have an answer to my question.

25 A I will not read the entire response but I will say



1 that on automation all BRM pieces that were addressed to a  
2 five-digit zip code were aggregated.

3 Q Does that mean, are you using the term "five  
4 digit" as a proxy for high volume?

5 A No. What I am saying is that all BRM at this  
6 particular site were aggregated to the five-digit zip code  
7 level on automation. They were aggregated into trays and  
8 taken to the Postage Due Unit.

9 From there the sortation occurs. As I recall this  
10 particular site had maybe, I observed the Postage Due clerk  
11 sorting and counting maybe seven or eight accounts at this  
12 particular moment in time. As I indicated towards the end  
13 of my notes it took her -- one tray required about 45  
14 minutes to sort and count.

15 Q One tray of how many pieces?

16 A 500 pieces.

17 Q And that was sorted to how many different  
18 accounts?

19 A I don't have that information.

20 Q Certainly not one account.

21 A Correct.

22 Q I think I am referring to the same document you  
23 are referring to, and I am going to read you a portion. You  
24 said "My notes indicate that BRM for low volume customers is  
25 sorted into cases by P.O. Box while a large volume . . ."



1 I don't know why that was expurgated, but in any  
2 event BRM trays are stacked in APCs.

3 Do you see that? I am looking on the unnumbered  
4 page that is the fifth page from the start of your response.

5 A Okay. Yes, this was a different location than  
6 what I was reading from earlier.

7 Q Okay, so that is a different thing than you were  
8 describing?

9 A Right. This was at <sup>Palatine</sup>~~Palatine~~. I was describing  
10 at Carol Stream, Illinois P&DC.

11 Q Then in response to Part (h) you go on and  
12 describe that again -- "BRM for low volume customers is  
13 sorted into cases by P.O. box while large volume customer  
14 BRM trays are stacked in APCs" -- meaning that in the trays  
15 for the large customers, that is all their mail. Right?  
16 That is what you saw, wasn't it?

17 A In this particular location the mail coming off  
18 automation was aggregated by a customer account, yes.

19 Q Okay, and so then what the clerk needs to do is to  
20 count them, is that correct?

21 A That is right.

22 Q Okay, and the counting process there is not  
23 anything to do with simultaneously sorting. That is a one,  
24 two, three, four, five, six, et cetera, et cetera, isn't it?

25 A For that specific location, yes.



1 Q And for that specific location and any other  
2 location where that occurs across the country you could have  
3 developed a manual counting percentage, couldn't you?

4 A Productivity?

5 Q Productivity.

6 A That could have been done, yes. However, I felt  
7 it unnecessary, as I indicated.

8 Q Because you already had a number that included  
9 sorting?

10 A The premium sorting associated with Business Reply  
11 Mail, yes.

12 Q Right, of 951 pieces per hour. Well, Mr.  
13 Campbell, I happen to have here some letter sized QBRM  
14 that's envelopes that are addressed to Brooklyn Union, a  
15 Keyspan Energy Company.

16 A I think I have seen those before, actually.

17 Q Well, that's interesting. Perhaps you can tell us  
18 where you saw them.

19 A I did pay a visit to Brooklyn, I believe it is the  
20 Brooklyn Post Office.

21 Q But this occurred this year, after you had already  
22 written your testimony?

23 A Correct.

24 Q Right, okay. Now I would like you to accept  
25 subject to check, just for illustrative purposes, that 951,



1 pieces per hour if we are only talking about counting 951  
2 pieces per hour, is the equivalent of approximately one  
3 piece every four seconds.

4 So that the Commissioners can see what this means  
5 first-hand, I will count and every fourth second after I  
6 have said "Mississippi" I would like to put one envelope on  
7 the desk.

8 A Do you have trays that I could use? I do need to  
9 do some sorting.

10 Q No, there is no sorting involved. This is a high  
11 volume customer.

12 MR. TIDWELL: Mr. Chairman, the Postal Service  
13 objects.

14 If counsel wants to demonstrate that, I don't  
15 think it is necessary to the process to have a demonstration  
16 that counsel is suggesting.

17 The productivity that the witness has referred to  
18 is for sorting and counting and to try to insinuate that  
19 somehow the witness has applied it to counting is contrary  
20 to the witness's testimony and I don't know what purpose  
21 would be served by a demonstration seeking to measure or to  
22 compare a 951 piece per hour count to in this context where  
23 it is contrary to what the witness has testified to.

24 I don't know how we are going to enhance -- how  
25 the transcript is going to be enhanced for those who are



1 going to be reading it with counsel going "Go" and "Go" and  
2 "Go."

3 MR. HALL: Very quickly, Mr. Chairman, the witness  
4 has already agreed that if it is a high volume customer that  
5 the mail comes in a tray already sorted to that customer but  
6 he is still using a 951 piece per hour productivity.

7 CHAIRMAN GLEIMAN: Well, I am not sure exactly how  
8 the transcript will be enhanced by this either, but I am  
9 kind of curious and would like to see it just for a minute  
10 or two, a brief time.

11 What I found most objectionable was the suggestion  
12 that he was going to yell out "Mississippi" -- my colleague  
13 over here wants him to yell out "Loo-si-yah'-na" and I would  
14 prefer to yell out "Maryland." But go ahead if  
15 "Mississippi" is the right one.

16 MR. TIDWELL: I am with you on "Maryland."

17 MR. HALL: And I would be too, but I just, this is  
18 what I learned as a child on my grandmother's knee and so  
19 that is all I can say.

20 Are you ready?

21 CHAIRMAN GLEIMAN: Out of deference to your  
22 grandmother -- I have deferred to mine frequently in  
23 comments.

24 MR. HALL: She taught me everything I know.

25 BY MR. HALL:



1 Q Are you ready, Mr. Campbell?

2 A You want me to count these, correct?

3 Q Well, I would like to have you hold them as if you  
4 are prepared to count them and when I say four "Mississippi"  
5 I would like you to put one down.

6 A Could I make just a clarification before I do  
7 this, please?

8 Q Certainly.

9 A That this activity typically requires moving about  
10 the Postage Due Unit, removing trays from APCs, putting the  
11 tray on a table, counting, et cetera.

12 It is not a matter of sitting at a desk and  
13 counting envelopes. That is not what this captures.

14 Q Well, it will capture it for one tray, wouldn't  
15 it?

16 A I would say no. You have to go get the tray. You  
17 have to unband it if they are banded for whatever reason.  
18 There's a lot of activities associated with sorting and  
19 counting.

20 Q I am sure that there are a lot of activities  
21 associated with sorting and counting and I am sure your  
22 counsel will help you to explain all of that, but now let's  
23 go and let's count these. Ready?

24 One Mississippi, two Mississippi, three  
25 Mississippi, four Mississippi.



1           One Mississippi, two Mississippi, three  
2 Mississippi, four Mississippi. You are getting ahead of me.

3           Two Mississippi, three Mississippi, four  
4 Mississippi.

5           One Mississippi, two Mississippi, three  
6 Mississippi, four Mississippi.

7           I think that is probably enough. This is not just  
8 a real rapid-fire operation, is it?

9           A     No.

10          Q     Thank you. Now one of the other categories to  
11 which you applied the 951 pieces per hour productivity was  
12 special counting machines, is that right?

13          A     Correct.

14          Q     Okay, and in response to Keyspan Interrogatory  
15 T29-32, you provided as Library Reference 157 a  
16 specification sheet for one special accounting machine that  
17 the Memphis Post Office has on order, is that correct?

18          A     Correct.

19          Q     And if -- I'm sorry, it is Library Reference 257.  
20 The specification sheet or the essence of that is also  
21 available on the web for anybody including Mr. Tidwell, who  
22 may want to access it while we are discussing this. It is  
23 at [www.opex.com](http://www.opex.com).

24                In any event, do you have a copy of that in front  
25 of you?



1 A Not in front of me, no.

2 [Pause.]

3 BY MR. HALL:

4 Q Now doesn't that Library Reference show that the  
5 machine has a throughput of 36,000 pieces per hour with a  
6 maximum load of 400 pieces?

7 A If one were to continuously run envelopes through  
8 this machine without stopping, yes, it appears that the  
9 throughput is 36,000 pieces per hour.

10 Q And you can keep on running pieces through there,  
11 can't you?

12 A I'm sorry? Would you repeat the question?

13 Q You can keep -- in other words the hopper takes  
14 400 pieces, right, but you can keep loading letters into the  
15 hopper as it is counting them, isn't that correct?

16 A That is a possibility.

17 Q Well, we called up the manufacturer and that is a  
18 distinct possibility that was offered as a distinct feature,  
19 that you don't have to wait until it's run through the 400  
20 and then open up something and do it. You can continuously  
21 feed.

22 Now it also has a counter on it, doesn't it, so  
23 that it will give you an LCD readout and gives you the  
24 ability to set that at any particular level you want if that  
25 is what you want, but it will also run up to -- I guess we



1 were told a million pieces. Is that your understanding?

2 A I am not familiar with that particular figure.

3 Q Okay. But you didn't inquire about that when you  
4 got the Library Reference, did you?

5 A Not specifically that, no.

6 Q Did you call up the manufacturer and ask him any  
7 questions about it?

8 A I called the Memphis P&DC to ask them why they  
9 actually ordered a counting machine and it is because their  
10 old one, as I said before, has seen better days. It is  
11 broken and they characterized it as -- well, their prior  
12 machine was, in fact, a counting machine. This is actually  
13 an envelope opener with a counter.

14 Q I hope we are not going to insinuate into this  
15 record the notion that you are going to be opening First  
16 Class mail?

17 A Of course not.

18 Q Okay, so that is kind of irrelevant. I mean it is  
19 a feature but it is not one that you would use for this  
20 application, is it?

21 A Correct.

22 Q Now I think we have already agreed that for the  
23 10.4 percent of the QBRM that you found or from the figures  
24 you took from the 1997 study that were shown as counted by  
25 special counting machines, you assumed the same PPH of 951



1 as you used for hand counting, isn't that right?

2 A That's correct because that involves a degree of  
3 premium sortation which is not captured in any type of  
4 sorting machine or counting machine rather productivity or  
5 throughput.

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## 1 EVENING SESSION

2 [6:00 p.m.]

3 BY MR. HALL

4 Q Well, what kind of sortation do you do on a  
5 counting machine?

6 A The QBRM pieces would have to be sorted to the  
7 customer level, as I indicated, manually, sometimes on  
8 automation before they are counted on such a counting  
9 machine. So, you can -- sure, you can run them on a  
10 counting machine, but that doesn't incorporate the cost to  
11 sort, the premium sort involved with the QBRM pieces.

12 Q Well, if we are only looking for counting, the  
13 cost of counting, then the cost of sortation is irrelevant,  
14 isn't it?

15 A If one were looking for a counting productivity,  
16 then they would certainly look at something like you are  
17 showing me, yes.

18 Q Okay. Now, why didn't you develop a reasonable  
19 productivity based on the capabilities of special counting  
20 machines?

21 A Again, this type of study would not have -- would  
22 have required a lot of time, as you know, from looking at  
23 the data I provided you. Very few sites actually utilize  
24 counting machines, and when they do, they use them in  
25 emergencies when they find their end of run counts



1 unreliable. You can't capture those types of things with a  
2 cost study.

3 Q Well, this is all something you learned --

4 A If I had done --

5 Q -- after the fact. Now, this is not something --  
6 you are telling me now they how used them, this is something  
7 you only learned after you put in your testimony, isn't that  
8 right?

9 A I have always known that the counting machines  
10 are, out of the 10,000-plus sites that process BRM, they are  
11 only used at a few sites. I have always known that.

12 Q Well, that is obvious from the 10.4 percent, isn't  
13 it?

14 A Do you have the listing of 75 sites in front of  
15 you there? I think there are four sites.

16 Q You also have the backup from the 1997 study,  
17 don't you, and that would show you that there are relatively  
18 few sites that use them, right?

19 A Right.

20 Q But, nonetheless, they are used for 10.4 percent  
21 of the total QBRM, and that is not chump change, is it?

22 A No.

23 Q Okay. So my question stands, why didn't you  
24 develop a reasonable productivity based on the capabilities  
25 of these machines? And I think your answer is, it would



1 have taken time, is that right?

2 A Again, let me refresh your memory back to when we  
3 first sat down a couple of hours ago, my objective here was  
4 to use current data to deaverage QBRM to the fullest extent  
5 possible using reasonable methods, and that was my  
6 objective, and I feel I have met the objective.

7 Q Well, I expect I will be arguing this on brief,  
8 but let me suggest to you that perhaps you or the person or  
9 persons who assigned the task to you and gave you  
10 instructions put unreasonable restrictions on what you were  
11 going to do, in light of the costs involved and the  
12 ambitiousness of the task that you were undertaking.

13 Now, didn't you -- you did, I believe, in response  
14 to one of our interrogatories, indicate that it was only  
15 because you didn't have time, that you didn't have a chance  
16 to study these things.

17 A Can you point me to that, please?

18 Q This will probably strain the capabilities of our  
19 search and find system that we have here, but we will  
20 undertake to do it. Look at the response to T-29-44(c), if  
21 you will, please. Now, there we were asking you, we were  
22 specifically focusing you in on high volume QBRM, but after  
23 all, that is what you are proposing a deaveraged rate  
24 structure for, I mean that is what the Postal Service is  
25 doing, and that is what you have developed costs for, isn't



1     that correct?

2             A     Yes.

3             Q     Okay.  And your answer is, in part, and I will  
4     read it to you to refresh your recollection, "Given certain  
5     time constraints with an impending rate case filing, I was  
6     unable to conduct a study such as the one you describe."  
7     And you even went further to volunteer the fact that "I  
8     believe the data obtained from such a study could improve  
9     the cost estimates presented in this rate case filing."

10            Now, let's go on to -- oh, I have one or two more  
11    questions on special counting machines.  Would you agree or  
12    would you accept, subject to check, that at least based on  
13    this one counting machine that we have discussed, that the  
14    counting productivity would be something like 25 times as  
15    fast as the 951 pieces per hour that you assumed?

16            A     I have no basis to make that estimate.

17            Q     I am asking you to accept it, subject to check,  
18    and we will be happy to provide you with our calculations.

19            A     Subject to check, yes.

20            Q     And, so, also subject to check, that is equivalent  
21    to about 10 pieces being counted per second, as opposed to  
22    one piece being counted every four seconds or so as the test  
23    that we -- as the Mississippi, it shall now be famously  
24    known as the Mississippi test that we just did, is that  
25    correct?  I am asking you to accept this --



1           A     Yes, please note that this, the 951 does not  
2     compare to this productivity you are referring to because  
3     the 951 involves a premium sortation and counting. So, I  
4     can't really make a comparison.

5           Q     Even though you have already agreed that counting,  
6     special counting machines don't do any sorting?

7           A     Exactly. There is a degree of premium sortation  
8     before moving these QBRM pieces over to the counting  
9     machine. Yes.

10          Q     And that is not paid for in the First Class rate?

11          A     Not the premium sortation that I have talked  
12     about, no.

13          Q     Okay. Maybe this is a good time to ask you where  
14     you in your testimony you have supported this notion of  
15     getting something above and beyond the First Class rate for  
16     what you are now characterizing as premium sorting?

17          A     I believe I have addressed that in a response to  
18     an interrogatory.

19          Q     No, I am asking you where in your testimony it is.  
20     If you are proposing to get money for premium sortation, I  
21     would have thought you would have at least said so in your  
22     testimony and said the reason, explained to the Commission  
23     why this should be something different than the normal First  
24     Class rate treatment. You confirm that it isn't in your  
25     testimony.



1           A     I think it is implicit through my presentation of  
2     the costs.

3           Q     Okay. Well, would you look at your response to  
4     KeySpan Interrogatory 30-H? How about part (e), there we  
5     asked you the question, do QBRM recipients pay for sortation  
6     and separation of their reply pieces down to the customer  
7     level as part of the First Class postage they pay on their  
8     reply pieces? And you have said, yes, QBRM recipients pay  
9     for sortation down to the customer level as part of First  
10    Class postage.

11          A     Above and beyond that which is required for an  
12    Automation Basic Presort First Class letter. That is  
13    contained in the same response.

14          Q     I see that, and that is the first time I have seen  
15    that. I didn't see that in your testimony. This is  
16    something new that -- this is a departure from the normal  
17    concept that the per piece fee is to recover the costs of  
18    counting, rating and billing. And I am asking you if you  
19    have supported that in your testimony? Because you are not  
20    allowed to support -- well, I guess, I don't want to fight  
21    with your counsel. I will have to fight with your counsel  
22    over that, so let me just move along. But it is not in your  
23    testimony, right?

24          A     It is in my cost presentation, yes.

25          Q     There is no explicit justification for it in your



1 testimony, is there?

2 A I didn't believe there would be so much ambiguity  
3 as obviously has been the case, so, no.

4 Q Thank you. Now, for the 8.9 percent of QBRM  
5 counted by weighing techniques, you assumed the same  
6 productivity as for hand-counting, namely, 951 pieces per  
7 hour, didn't you?

8 A Where are you looking now? I'm sorry.

9 Q Well, I am looking at your presentation. If we go  
10 back, for example, to your Library Reference 160.

11 A Okay, yes. Please repeat the statement.

12 Q For the 8.9 percent of QBRM counted by weighing  
13 techniques, you assumed the same productivity as for  
14 hand-counting, namely, 951 pieces per hour, didn't you?

15 A That is correct. I think you have  
16 mischaracterized the -- you have just kind of lumped  
17 together several types of weight averaging methods. There  
18 are three that I am aware of, some which are much slower  
19 than others. There is a differential counting method, there  
20 is a counting of identical pieces, and there is a bulk  
21 weighing method. So, when you use the term 8.9 percent,  
22 that is sort of improper. You can't lump them all into one  
23 category.

24 Q Well, I did lump them into the same category for  
25 the reason that you applied the same productivity, namely,



1 951 pieces per hour to each of those components of the  
2 category, isn't that correct?

3 A Yes.

4 Q Now, why didn't you find or develop a reasonable  
5 productivity based on the number of pieces per hour for the  
6 various weighing techniques?

7 A Again, building upon what I have stated before, a  
8 couple of things. I have again used available data to  
9 deaverage, to the extent possible, the costs associated with  
10 distributing, rating and billing QBRM pieces. This data is  
11 actually not available, that you are asking about.

12 Q Well, you had some -- you were using the 951  
13 pieces per hour as a proxy, I think you used that term,  
14 didn't you?

15 A Like Witness Schenk's methodology, that is how I  
16 did it, yes.

17 Q Right. All I am not suggesting to you is perhaps  
18 you had some other more directly applicable proxies that you  
19 didn't consider. Now, I think we have already discussed the  
20 fact that you were unaware at the time you wrote your  
21 testimony of the 1987 BRM study, isn't that correct?

22 A Correct. I call that -- I don't call that a  
23 study, but, yes, I was unaware of that.

24 Q Well, based on that study, --

25 A One site, yes, that was based on one site.



1 Q Wasn't the conclusion of that study that, on a  
2 nationwide basis, it was -- weight averaging was used for  
3 over 50 percent of the pieces?

4 A That was before BRMAS was introduced. Most pieces  
5 were, in fact, brought in to the Postage Due Unit.  
6 Automation was not really -- had not been deployed at that  
7 point fully.

8 Q Right. And, so, then BRMAS was deployed, and  
9 based upon the numbers that you are using anyway, BRMAS was  
10 an abject failure, wasn't it?

11 A BRMAS has certainly not lived up to the  
12 expectations that the Postal Service would have hoped for.

13 Q Right. So, some people are using weight  
14 techniques, right? Even though BRMAS is in there.

15 A A portion are using weight techniques.

16 Q And for those people you had a productivity in  
17 that study if you had known about it, isn't that correct?

18 A I probably wouldn't have used it because it is  
19 based on one site, again.

20 Q Well, in terms of, if you want to look at weight  
21 averaging, why would you look -- why wouldn't you look at  
22 weight averaging rather than looking to hand-counting, which  
23 is an entirely different operation, isn't it?

24 A That is correct.

25 Q And especially when you are looking at high volume



1 transactions, isn't that correct?

2 A That is correct.

3 Q Okay. Now, regardless of the fact that you may  
4 have found some reason not to like it, the 1987 BRM study  
5 used a productivity of 6,390 pieces, isn't that correct?

6 A Based on what you have indicated in the  
7 interrogatory, yes.

8 Q And that is interrogatory, KeySpan Interrogatory  
9 T-29-32(c), is that correct?

10 A Yes.

11 Q Okay. And you had another proxy available to you,  
12 and one that was a little more recent even, didn't you? You  
13 had -- there was a productivity developed for weight  
14 averaging of nonletter size BRM packets, wasn't there, in MC  
15 99-2?

16 A That is correct.

17 Q And that is shown on Library Reference 160,  
18 Schedule K-1?

19 A Yes.

20 Q And that productivity is 7,272 pieces per hour,  
21 isn't it?

22 A For nonletter size BRM pieces where there is no  
23 way to process on automation, yes, that is the productivity  
24 for weight averaging.

25 Q Well, you have got 8.9 percent of the letters that



1 you could be processing on productivity, you are counting by  
2 weighing techniques anyway, right? So, I am not sure I  
3 understand. Is that an objection to using an available  
4 productivity?

5 A Again, this is a productivity for, as you  
6 mentioned to Witness Mayo, big, bulky, nonletter size BRM  
7 pieces.

8 Q That's absolutely right.

9 A That is another, that is just another  
10 productivity.

11 Q That's right. So, wouldn't that be using that  
12 productivity, wouldn't that be conservative in the sense  
13 that it is a lot easier, isn't it, to weight and determine  
14 the number of pieces if you have uniform letter size pieces  
15 in trays than it is to weigh and determine a number based on  
16 bulky parcels?

17 A One could certainly take that approach.

18 Q I am asking you not if one could take that  
19 approach, I am asking you wouldn't it be less -- wouldn't it  
20 be -- wouldn't you have a higher productivity, in other  
21 words, it would be loss costly to use, apply weight  
22 techniques to letter sized QBRM than it would be to apply  
23 weight techniques to nonletter sized bulky packages, as is  
24 done -- as was done in MC 99-2, and the Postal Service is  
25 proposing to continue in this case?



1           A     I would expect that productivity to be a  
2 conservative productivity.

3           Q     And so then why wouldn't you have used that? Or  
4 will you agree now that that should be used?

5           A     That is one approach to this methodology, yes.

6           Q     And you would think that would be appropriate, an  
7 appropriate adjustment to make to your methodology?

8           A     Again, one could apply this productivity and  
9 perhaps obtain a reasonable estimate as weight averaging  
10 productivities for letter size mail.

11          Q     Now, let's look at the remaining pieces. Now, I  
12 think we are back to the -- okay, now, we are back down to  
13 the 41.6 percent. If you look at what has been marked as  
14 KeySpan Cross-Examination Exhibit XE-1. I'm sorry. I  
15 misspoke, since we are talking about counting, I am talking  
16 about 47.2 percent. Do you see that on the exhibit?

17          A     Yes.

18          Q     Okay. And there you assumed the same  
19 productivity, namely, the famous, or infamous 951 pieces per  
20 hour that we have been discussing would be applicable and  
21 the appropriate productivity to use whether or not the  
22 pieces are received in high volumes or in low volumes, isn't  
23 that true?

24          A     Yes, that is the case because that is what  
25 actually happens in the field. High volumes and low volumes



1 are not necessarily -- many times they are counted using the  
2 same methods.

3 Q Okay. And, in other words, by virtue of your  
4 assumption, you are assuming that the Postal Service  
5 personnel will hand-count 47.2 percent of all QBRM letters,  
6 whether or not they are received in high volumes or low  
7 volumes, is that right?

8 A My understanding is that the Postal Service  
9 postage due clerks will manually count 47.2 percent of QBRM  
10 pieces. This is not to say that some low volume customers  
11 aren't processed using automation, some high volume  
12 customers aren't manually counted. There are -- there is a  
13 wide range of counting methods used for a wide range of  
14 customer account sizes.

15 Q I appreciate that. But now we are just focusing,  
16 we got back to down to -- let's try to keep on the same  
17 brass tack here. We are back down to the 47.2 percent that  
18 you used as the number for manual counting.

19 A Right.

20 Q As the percentage, is that correct?

21 A Correct.

22 Q Okay. And you continue to believe that this  
23 assumption that high volume and low volume, there will be no  
24 difference in the way that the mail is counted, that it must  
25 be counted manually, that there will be no difference. Let



1 me start again, please.

2 And you continue to believe, as evidenced in your  
3 responses to KeySpan-T-29-4(d) and 44, that it is still  
4 reasonable to make the assumption that there won't be any  
5 difference in the productivity for manual counting based on  
6 whether or not it is high volume or low volume, is that  
7 correct?

8 A Again, I want to get the point across that --

9 Q I am sure you want to get a point across.

10 A Yes. Manual --

11 Q It is going to get a lot quicker if you say yes or  
12 no, and then when you -- when it comes time for your counsel  
13 to deal with redirect, he can explain how I have, you know,  
14 led you astray and correct the record.

15 A Well, I would prefer to explain my answers  
16 carefully before responding yes or no.

17 CHAIRMAN GLEIMAN: I think if counsel asks for a  
18 yes or no answer to a question, he is right in regards to  
19 what he can expect, and it is your counsel's task to then  
20 reconstruct things along with you later on in the  
21 proceedings if he so wishes and you so wish.

22 THE WITNESS: Would you repeat the question then,  
23 please?

24 MR. HALL: I would like to have the reporter read  
25 it, if we could.



1 [The reporter read the record as requested.]

2 THE WITNESS: Correct.

3 BY MR. HALL:

4 Q So, now, if we could, let's examine this  
5 assumption that you are making and see how reasonable it is.  
6 Suppose you are a postal clerk in the Postage Due Unit and  
7 QBRM is brought in to you. And there is one tray that  
8 includes QBRM for five different accounts, and there are  
9 four trays that include QBRM for one account. And for  
10 purposes of what we are going to talk about, can we  
11 understand that a tray has 500 pieces in it? I know there  
12 are different sizes.

13 A Sure.

14 Q But there are certainly trays that hold about 500  
15 pieces, is that right?

16 A Correct.

17 Q Now, since we have five users, five different  
18 accounts in one tray, you would consider this to be probably  
19 low volume QBRM, if it was roughly equal per account, right?

20 A I would say so, yes.

21 Q Now, for the case where one account is receiving  
22 four full trays, that would be high volume QBRM, in your  
23 mind, wouldn't it?

24 A Yes.

25 Q Now, is it your testimony that you, as the clerk,



1 will hand-count the low volume pieces?

2 A At some sites that may be the case.

3 Q Now, you are left with four trays with QBRM all  
4 addressed to the same recipient. Will you hand-count those  
5 letters as well?

6 A At many sites, that would be the case.

7 Q Well, wouldn't it make more sense in terms of  
8 operations to, say, take 10 letters to get an average weight  
9 and then divide the average into the total weight of all  
10 four trays?

11 A I wouldn't necessarily agree that it makes more  
12 operational sense, no.

13 MR. HALL: By the time we are finished here, Mr.  
14 Campbell, you are going to love Brooklyn Union's QBRM.

15 CHAIRMAN GLEIMAN: I think it is time to take  
16 another break. We are going to take 15 minutes. Anyone  
17 that has a car in the garage who was unable to lock the car  
18 and take their keys with them should probably take part of  
19 this 15 minutes to go down to the garage and retrieve their  
20 keys and lock their car, or whatever else it is that the  
21 garage attendant tells you to do. I am never quite sure of  
22 what the rules are. Supposedly, there is someone here until  
23 10:00, but we wouldn't want anybody to have to stay over  
24 until Monday morning waiting for their car.

25 So, attend to what you have to attend to, and if



1 you have got a car, attend to that, and we will be back at  
2 quarter of the hour.

3 [Recess.]

4 CHAIRMAN GLEIMAN: Counsel, whenever you are  
5 ready.

6 MR. HALL: Thank you.

7 BY MR. HALL:

8 Q Okay. So, now, Mr. Campbell, I am looking at you  
9 over three trays of QBRM mail, letter sized QBRM, and I will  
10 tell you that those trays contain, in total, 1,375 sealed  
11 letters with inserts that simulate the typical return mail  
12 that Brooklyn Union gets. And I want to get an  
13 understanding from you of, in terms of logic, which would be  
14 faster, to count that, have a clerk count that by hand,  
15 namely, one piece at a time, or to simply take out 10  
16 pieces, or 20 pieces, or whatever is an appropriate number  
17 of pieces, put them on a scale, determine the weight and  
18 then have the calculation of the number arrived at through a  
19 weight counting technique. Do you have that in mind?

20 A I would expect that the weighing method is more  
21 efficient from a time standpoint, yes.

22 Are we -- can I ask a question? Are we assuming  
23 this is the only BRM account at that site, or might there be  
24 other high volume recipients at that site?

25 Q This is the mail that has come in at that



1 particular moment. There may be other high volume mailers  
2 at that site. There may be other low volume mailers at that  
3 site.

4 A Okay.

5 Q But as sort of a practical matter, wouldn't you  
6 agree that there is a number, which is relatively low, where  
7 it makes more sense to actually physically count them, as we  
8 have been describing, just like you count cards or  
9 something? But above that number, it is going to make sense  
10 to determine the number of pieces based on a weight count, a  
11 weighting technique?

12 A Well, the reason I asked the question earlier, if  
13 this was a site with a number of high volume customers,  
14 customer accounts, then this probably would be processed on  
15 a BRMAS and automation sort<sup>would</sup> plan type of activity. So the  
16 most efficient method<sup>A</sup> not be to weight this mail. The most  
17 efficient method really would be, in the context of the  
18 operations and the other --

19 Q I didn't mean to confuse you.

20 A Okay.

21 Q Once again, we were just talking about, remember,  
22 this 47.2 percent that is going to be all manual.

23 A Okay.

24 Q So, sort of by definition, the bar code, the BRMAS  
25 or an EOR report isn't available, for whatever reason.



1 A Okay. Thank you.

2 Q So we are just dealing with the question of --  
3 your only choices are to count them by hand, one, two,  
4 three, four, or to determine the number by weight, weighing  
5 techniques.

6 A From a counting method perspective, I expect that  
7 the weighing would most likely be the most efficient. From  
8 a revenue protection aspect, I don't know that that is  
9 necessarily what is recommended to the field. I will just  
10 leave it at that.

11 Q Is that because you believe, or you have any  
12 studies which show, that counting pieces one by one is  
13 accurate, whereas, determining the piece counts based on  
14 weighing techniques is not accurate?

15 A I think manual counting is probably more accurate,  
16 while weight averaging certainly takes less time.

17 Q Okay. But, again, that is just your own belief,  
18 it is not based on any studies that the Postal Service has  
19 done particularly, is it?

20 A No.

21 MR. HALL: Okay. I think we are getting close  
22 here, and I say that more so that other people won't start  
23 throwing things at me than to be forthcoming with everybody.

24 But I have another document that I would like to  
25 have marked as a cross-examination exhibit, and I believe



1 this will be KeySpan Cross-Examination Exhibit Number 2.

2 CHAIRMAN GLEIMAN: To be consistent, we will make  
3 that Campbell-KE-XE-2. Whether that is correct or not, that  
4 is how we started, so we will go down that path.

5 [Cross-Examination Exhibit No.  
6 Campbell-KE-XE-2 was marked for  
7 identification.]

8 MR. HALL: If I may identify it for the record, it  
9 is a two page exhibit, the first page of which is entitled  
10 "QBRM Volumes and Counting Methods for Top 75 Permit  
11 Account" -- it should say "Accounts, Fiscal Year '99 (AP6)  
12 Through Fiscal Year 2000 (AP6)."

13 BY MR. HALL:

14 Q Mr. Campbell, have you seen this exhibit before  
15 already?

16 A Yes, I have.

17 Q And we e-mailed it to your counsel yesterday in  
18 order to have you -- in order not to surprise you with it.

19 A Much appreciated.

20 Q Well, there are a lot of numbers here, and I want  
21 to thank you in terms of the work that you have done to  
22 produce the facts that are depicted on the second page in  
23 particular. And those are taken from your revised, as of, I  
24 believe, April 24 responses to KeySpan Energy Interrogatory  
25 T-29-49, and specifically, if you look at the source



1 indication at the bottom, that was Attachment 2 to that  
2 response. Do you recognize that data, or those data?

3 A I recognize the first three columns. I presented  
4 the other data a little differently in my attachment, yes.

5 Q Okay. And we have added, I will tell you, I  
6 believe we have added the total columns down below and the  
7 total and percentage rows down at the bottom, and also the  
8 total pieces on the righthand side. Okay. We have also  
9 converted the percentages you showed on your document to  
10 pieces.

11 Now, I would like you to look also at this point  
12 at Attachment 2 to Interrogatory Response 49, because I want  
13 to see if I understand what you have given us here. First,  
14 when you say that it is Fiscal Year '99 (AP6) through Fiscal  
15 Year 2000 (AP6), that is a 12 month period, is that right?

16 A That is my understanding, yes.

17 Q Okay. In the column that you have, which is the  
18 fourth column from the left, entitled "1996 Practices Study  
19 Data," you have an X appearing in certain -- next to certain  
20 of the rows there. Am I correct that that is supposed to  
21 signify the fact that the particular office participated in  
22 that study in 1997 -- 1996?

23 A Right. It was actually FY '96, calendar year '96.  
24 That is correct, the X means that that postal site  
25 participated in the Practices Study and the percentages in



1 the corresponding row were received by that site on  
2 questionnaires, or on a survey, yes.

3 Q Okay. I think I will get to that, and I have a  
4 further question along that line in just a second, but in  
5 the next column you have FY 2000 data, and where you have an  
6 X there, is that to signify that a particular office didn't  
7 participate in the 1996 data, but you obtained the data  
8 through the PERMIT system and then supplied information as  
9 to counting method based upon telephone interviews that you  
10 or people under your direction and supervision conducted?

11 A Right. Let me clarify one thing, the account  
12 volumes in the third column, those are all from the time  
13 period FY '99 through 2000. Is that understood?

14 Q Yes.

15 A Okay.

16 Q Yes.

17 A The Xs in the column FY 2000 data represent data I  
18 obtained by telephoning each of these sites and inquiring  
19 about their activities, counting methods for Business Reply  
20 Mail. These calls were made subsequent to your  
21 Interrogatory Number 49, KE/USPS-T-29-49.

22 Q Okay. Now, do I understand, again, back to that  
23 third column, that what we are talking about there is, in  
24 each instance, one account?

25 A That volume represents the total volume for one



1 account received by the customer identified in the customer  
2 column.

3 Q Okay.

4 A For this year.

5 Q Okay. And under the heading, the columns that  
6 appear under the heading "Counting Method, Customer Method,"  
7 shaded, which doesn't appear -- happen to appear on this,  
8 but it does, I guess, on the electronic version, if you have  
9 an office that participated in the 1996 Practices Study,  
10 then I believe you have indicated that the percentages you  
11 have supplied were the percentages that pertained to the  
12 total office at that time, is that correct?

13 A Correct.

14 Q And the source of that information is what?

15 A The Practices Study from FY '97.

16 Q Okay. And specifically in terms of the -- let's  
17 see, it is -- what is this, Library Reference --

18 A ~~LRI -- USPS LRI-179~~ · LR-M-USPSLR-H-179.

19 Q Okay. And which subheading or which table in  
20 there? You have A through K and then L or something, is  
21 that right?

22 A I'm sorry.

23 Q Which subheading in particular, or subdivision of  
24 that Library Reference is the source for this data, do you  
25 know?



1           A     The counting method percentages found in the table  
2     corresponding with an X in the Practices Study column, those  
3     percentages came from the Practices Study for that specific  
4     Post Office or postal site.

5           Q     Okay. And, so, if we wanted to find those  
6     percentages, we would simply go to that Library Reference  
7     and they would appear there?

8           A     Oh, I see what you are saying. No, those were  
9     underlying spreadsheets that were not a part of the  
10    Practices Study or Library Reference.

11          Q     Now, where -- I want to understand that if you  
12    have, let's take the first one, first customer to have  
13    participated in the 1996 Practices Study is customer number  
14    82, I believe, at Post Office 6? Do you see that, in the  
15    second row there?

16          A     In the second row, yes, I see that.

17          Q     Okay. And you have an associated account volume  
18    of 9.4 million pieces per year, is that right?

19          A     For that customer account, that is correct.

20          Q     That's right. Then you have, for the office, you  
21    have a breakdown of 23.5 percent manual and 78.5 percent  
22    EOR, is that right?

23          A     I think that reads 76.5 EOR.

24          Q     Okay. I will accept that, your eyes are a lot  
25    better than mine. Now, in terms of how this particular



1 customer's QBRM is processed, you don't necessarily mean to  
2 imply that it is exactly broken down into manual and EOR in  
3 those percentages?

4 A Correct.

5 Q And I suppose it could be in either percentage,  
6 but probably in this case it would be more likely to be in  
7 the EOR reports, isn't that right?

8 A Probably so. Yeah, the Practices Study didn't get  
9 to that level of detail.

10 Q Okay. I think you have -- okay. Now, let me try  
11 to describe to you what we have done on the page 1 of the  
12 cross-examination exhibit. First, for the -- I am working  
13 from the bottom up.

14 A Okay.

15 Q But I am not dealing with percentages quite yet.  
16 That data is simply the sum for manual, and for EOR, and for  
17 BRMAS, and special counting machines and the weight  
18 averaging categories that we have used based on the  
19 assumption, which we have just indicated is probably, at  
20 least in part, contrary to fact, that -- in other words, we  
21 have applied the percentages that appear for the offices to  
22 the individual customers, and I think we have agreed, like  
23 in the case of number 2, that he could be not 23 percent  
24 manual, but he is probably more likely to fall into the 75  
25 percent that is EOR. So we think we have been a little



1 conservative in what we have done here, but at least that  
2 was our intention.

3 A Can I ask you a question quickly?

4 Q Sure.

5 A Did you apply, for those that -- for those sites  
6 that have FY 2000 counting methods, did you apply the  
7 percentage just for the customer, in other words, the shaded  
8 cell, to the account volume, or did you apply the  
9 percentages across the site, which is what I have under  
10 counting methods?

11 Q Okay. I guess what my expert is telling me is  
12 that we didn't just use the shaded cell that you provided.  
13 We used whatever you showed as the percentages for the  
14 office.

15 A Yes, okay.

16 Q And was that correct, to be doing it that way?

17 A Well, that would, as I said before, that would be  
18 one approach.

19 Q Okay.

20 A I think the shaded cells would more accurately  
21 reflect the processing of that particular customer account,  
22 if you see what I mean.

23 Q If you'd give us just one moment. We're trying to  
24 retrieve that data.

25 But while we are doing that, does it appear that



1 we have tried to be fairly conservative in what we have done  
2 by the way we have applied it since we didn't apply the ones  
3 in the individual cells? We did apply them across the  
4 board, as it were.

5 A Well, I think the most conservative approach,  
6 perhaps the way I would have done it, would be to only take  
7 the column FY 2000 data, since that is the most current  
8 data, and use the current counting methods.

9 Q Okay.

10 A I think the Practices Study data when applied to  
11 current account volumes may not -- it's sort of a mismatch.

12 Q Okay. I appreciate that.

13 Well, now to get to some of these percentages,  
14 which I would like to discuss with you, first, based upon  
15 how we have done it here, which you say is a little bit of a  
16 mismatch, this would imply for the 1996 data that for  
17 example that you had 38 percent that was processed on manual  
18 and that if you looked at the 2000 data, which I believe you  
19 say is a little more current and representative, that even  
20 applying it on the across the board basis that we have been  
21 discussing you see the manual percentage decline  
22 significantly, down to 13 percent.

23 Is that a fair conclusion based upon your review  
24 of the data? Or at least do you understand how we did it?

25 A That is what the data -- I understand how you did



1 it.

2 That is what it would appear to suggest.

3 Q Okay. Now when we came up then to the total  
4 column, we have totalled the information from 1996 and 2000  
5 and I believe come up with a weighted average so that that  
6 would show on a weighted average basis if we combined that  
7 data that the manual percentage is really 22 percent.

8 Do you see that?

9 A I see that, yes.

10 Q Okay. Now it occurs to us based upon the  
11 presentation that we have here that -- a couple of things --  
12 that it looks like the level of manual processing is  
13 significantly less than as shown in the 1997 -- the 1996  
14 data that comes from the 1997 BRM Practices Survey.

15 Is that probably a fair conclusion?

16 A I wouldn't conclude that. I have a couple of  
17 things I might want to point out, but we can wait if you  
18 would like.

19 Q No, why don't you go ahead now.

20 A Okay. The one thing that I noticed that I believe  
21 it was late last night that I was looking at this analysis  
22 for FY 2000 and I compared it to Attachment 1 of my response  
23 to Number 49, KE/USPS-T29-49.

24 I noted that about a third of the customers that  
25 are now part of the top 75 were not in the top 75 in 1998,



1 in Fiscal Year 1998, so these particular customers' volumes,  
2 you know, in 1998, were much lower. Because of that fact  
3 they may have had to use some sort of manual counting  
4 technique or other nonautomated counting, so in a nutshell  
5 many of these top 75 customers now are not top 75 customers  
6 in FY '98, and so it is another mismatch. This is apples  
7 and oranges, whatever you want to call it.

8 One would really need to update all of these data  
9 and match today's volumes with today's counting practices,  
10 such as the column FY 2000 data.

11 Q Okay, so that you think would be more realistic to  
12 do and we would then apply the cells that you have provided  
13 for us, the percentages in the cells that you provided?

14 A That would be more appropriate.

15 Q Okay.

16 A In other words, you are mixing a timeline versus a  
17 volume mismatch that these percentages to me don't mean a  
18 whole lot, as you have shown them at the bottom of the page  
19 of page 1 of 2.

20 Q Well, we have taken, I guess we have taken --  
21 which set of numbers at the bottom?

22 A Most specifically the 1996 dataline, because you  
23 are using '96 practices with today's volumes, when in fact  
24 in 1996 that customer may have had little or no volume at  
25 that site.



1           In fact, I did make a comparison. I found a third  
2 of the customers in the FY 2000 data were not among the top  
3 75 in the FY '98 data.

4           Q     Right.

5           A     In addition, as I pointed out earlier, I think it  
6 would be more appropriate to use the shaded cell across the  
7 board, which -- that is the counting method used for that  
8 customer account. I think it is inappropriate to use the  
9 percentages across for that representative of the entire  
10 site for that one customer account.

11          Q     I'm sorry, I am trying to sit over here and look  
12 at a computer screen and talk to you at the same time, but  
13 let me see if I understand correctly.

14                Let's take on line I believe 16 -- I am still  
15 working with your full annual number here -- on line 16 I  
16 believe you have Customer 84 at Site 47. He has 2,950,000  
17 pieces and you have shaded in weight averaging at 80  
18 percent.

19                So you mean that we should use weight averaging  
20 for that entire 2,950,000 pieces?

21                Is that what you mean?

22          A     Exactly.

23          Q     Okay.

24          A     And likewise for, say, Customer 49 in line 4, Post  
25 Office 21, that particular customer uses an end of run



1 count.

2 Q Okay.

3 A Yes.

4 Q Good. Right, so that although it says 80 percent,  
5 for that customer it would be 100 percent?

6 A Exactly.

7 Q I got you. Okay. Just one second, if I can  
8 confer.

9 [Discussion off the record.]

10 MR. HALL: I think based upon the witness's  
11 answers, Mr. Chairman, I will not move that exhibit into  
12 evidence. I believe that we can produce and perhaps we will  
13 even have more information forthcoming as a result of our  
14 follow-up data request.

15 We can produce something that will be more  
16 representative and put it in our own testimony, so I  
17 withdraw that exhibit if it had ever reached any sort of  
18 status at all.

19 CHAIRMAN GLEIMAN: It had reached no status other  
20 than the basis for questions that you may have asked.

21 It has not been offered up for either  
22 transcription or evidence, so we will leave it at that.

23 MR. HALL: Okay.

24 BY MR. HALL:

25 Q I note here that, and I think for our purposes



1     what we really need is this Attachment 2 data, because it is  
2     a whole year, at least you talked about certain of the  
3     customers not being in the top 75 if you looked at the  
4     earlier stub period, but I guess that could be attributable  
5     to a variety of factors including seasonality of receipts.  
6     Is that correct?

7           A     Well, Attachments 1 and 2 both -- well, Attachment  
8     1 covers a nine AP period. Attachment 2 covers a full year.  
9     I wouldn't attribute that to seasonality but maybe just in  
10    1998 that customer didn't have a certain promotion going or  
11    they didn't, maybe they didn't exist.

12                   There's just a variety of factors.

13           Q     Right, because I guess it is true that customers  
14    will come and go, and as you say, in the promotion business  
15    they will wax and wane in terms of their QBRM receipts.

16           A     That's correct.

17           Q     Good. Now there are three customers in that top  
18    75 for the annual period that we have been discussing on  
19    Attachment 2, for which you don't show any information, and  
20    so we have excluded it.

21                   But have you since gotten the information for  
22    those customers?

23           A     No.

24           Q     Okay. Perhaps I guess we have outstanding and it  
25    will probably be covered when they respond to our follow-up



1 data requests since that's asked for a lot more information,  
2 so we will await that data.

3 The one thing I did want to discuss with you was  
4 on this exhibit we have -- the total number of pieces you  
5 show on there I believe is almost 183 million. That, since  
6 it involves only 75 customers, that is already well in  
7 excess, isn't it, of the total volume that Witness Mayo had  
8 assumed will convert to the QBRM service -- to the high  
9 volume QBRM service.

10 A Well, one thing we need to keep in mind, as you  
11 and I just discussed, some of these promotion BRM pieces,  
12 seasonality, that type of thing, those customers may not  
13 choose the high volume option because it just may not make  
14 sense for them.

15 They may get a million pieces one day and then the  
16 rest of the year they don't get any. It just depends on the  
17 customer, so the customer has the right to choose the low  
18 volume option or the high volume option.

19 Q Oh, certainly, and presumably being economic  
20 animals they will choose one that makes sense or dollars and  
21 cents in terms of savings to them, isn't that right?

22 A Absolutely.

23 Q Right, so -- and in the case of the customer that  
24 you posit, the one who receives one million pieces in one  
25 day, which I guess is possible or theoretically possible



1     anyway, even for that customer it would make sense to have  
2     chosen the high volume amount because he would still save  
3     money as compared with continuing on as a low volume QBRM  
4     customer, isn't that right?

5           A     I'm sorry, which type of customer?

6           Q     The one that you said receives a million pieces in  
7     one day. For that customer, even though he receives a  
8     million pieces in one day and he receives a million pieces  
9     total in one year, it would still make sense for him to  
10    choose the option where he pays the fixed quarterly fee for  
11    an entire year in order to achieve the lower per piece fee,  
12    isn't that right?

13          A     Right, my point, and that was probably a poor  
14    example of my point, but depending on a customer's specific  
15    circumstances it may not be appropriate or it may not make  
16    economic sense for that customer to choose the high volume  
17    option but they have the choice again.

18          Q     Right.

19          A     Right.

20          Q     Okay. I think we understand the operating  
21    parameters there.

22                   Let me ask you just a couple more questions to see  
23    if I can get an understanding and perhaps even work with  
24    your counsel and you to limit the data that you have to  
25    produce in terms of the follow-up interrogatory which is



1       numbered Keyspan T29-53.

2                   [Pause.]

3                   BY MR. HALL:

4           Q       I have got it right here. One of the things I  
5       sort of want to understand is the PERMIT system data versus  
6       the CBCIS system data.

7                   Are you familiar with both systems?

8           A       I am generally aware of both systems. I don't use  
9       the systems but I am aware of them.

10          Q       Who does use them?

11          A       We have inhouse personnel that I make a request  
12       and they will use the system to get the data I am asking  
13       for.

14          Q       Okay, so that perhaps to refine our search  
15       capability on this, to come to some reasonable and  
16       accommodatable agreement on what can be produced we could do  
17       that through some informal meeting, call it a technical  
18       conference or whatever, if we can work it out with your  
19       counsel.

20                   MR. HALL: I guess this is really directed to  
21       Postal Service through Mr. Tidwell.

22                   MR. TIDWELL: The Postal Service will be happy to  
23       sit down with counsel. I would be delighted to be anywhere  
24       but the hearing room next week and we'd be delighted to talk  
25       to you on the phone after having an opportunity to confer



1 with the managers of the PERMIT systems and the CBCIS system  
2 to try to give you a sense or to give Keyspan a sense of  
3 what data are available that are responsive to this request  
4 and how timely they can be provided.

5 At this point the witness and I have not had much  
6 opportunity to do anything other than pass this request on  
7 to people we think have access to responsive information and  
8 won't know until next week how much of this we might  
9 actually be able to provide.

10 CHAIRMAN GLEIMAN: I am pleased to hear that you  
11 are going to try and work this thing out informally but I am  
12 disappointed to know that you would rather be anyplace but  
13 the hearing room. I just can't understand.

14 [Laughter.]

15 MR. HALL: I only have one more line of cross  
16 examination and I actually think I am fairly close to my  
17 estimate of the time that I made informally.

18 CHAIRMAN GLEIMAN: Good.

19 MR. HALL: And let's see if we can't get it  
20 wrapped up quickly.

21 It involves another prop, of course, since I like  
22 to be dramatic whenever possible.

23 If I could ask my assistant -- my lovely  
24 assistant -- who is wearing bangles -- to provide a sack to  
25 the witness.



1 THE WITNESS: A sack of money, I hope?

2 CHAIRMAN GLEIMAN: Everything is behind Door 2. I  
3 was going to see if there is something different behind Door  
4 Number --

5 MR. TIDWELL: We are going to object if he asks  
6 the witness to climb inside the sack. I'm going to state it  
7 right now.

8 COMMISSIONER LeBLANC: It's like Santa Claus.

9 BY MR. HALL:

10 Q Mr. Campbell, the sack that I am having passed to  
11 you is a Number 3 sack which I think is routinely used for  
12 nonletter sized BRM small parcels.

13 CHAIRMAN GLEIMAN: Counsellor, just don't ask us  
14 to include this cross examination exhibit in the transcript.

15 BY MR. HALL:

16 Q Would that be your understanding, that sacks are  
17 used to transport and weigh and count nonletter sized QBRM  
18 of this type?

19 A That's my understanding, yes.

20 Q Okay. Now I want to get some sense with you,  
21 since I think it was probably just a question of perception,  
22 of not having something concrete before you, but let me ask  
23 you to accept subject to check that in that sack are small  
24 nonletter sized parcels or simulated envelopes that would be  
25 nonletter sized parcels, and that in that sack there are 112



1 such parcels.

2 In the trays that you have already seen and are  
3 sitting right here before you, we have, if you will recall,  
4 1,375 pieces of letter-shaped QBRM. Do you have those  
5 numbers in mind?

6 A 1,375 pieces?

7 Q Yes, versus 112 in the sack.

8 A Yes.

9 Q Now will you accept subject to check that in order  
10 to have the same number of small or nonletter sized bulky  
11 packages you would need 89 sacks like the one that is on  
12 your table there?

13 A Yes, subject to check.

14 Q No, I didn't say that to get up to 10,000 pieces.  
15 This goes to an interrogatory that we asked you, to compare  
16 10,000 pieces of letter-shaped QBRM with 10,000 nonletter  
17 sized QBRM.

18 So 89 sacks at 112 per sack would equal 10,000  
19 pieces.

20 A That seems reasonable.

21 Q And in terms of trays -- okay.

22 A This reminds me of a Total Cereal commercial.

23 Q This is getting beyond me, but -- and each tray  
24 holds approximately 500 so that there would be roughly 20  
25 trays that would contain the same 10,000 letter shaped



1 pieces, right?

2 Can we imagine 20 trays here, rather than the  
3 three that are there?

4 A Yes.

5 Q Good. Now I think we asked you based upon the  
6 comparison and we presented you with to agree with us that  
7 it would be easier using weight techniques to determine the  
8 number of pieces of letter shaped QBRM than it would be to  
9 weight and count the 89 sacks of nonletter sized BRM  
10 packages.

11 Do you recall that?

12 A I do.

13 Q Okay. Now imagining as you can that you have 89  
14 sacks before you in 20 trays, does that seem reasonable that  
15 it would indeed be much easier to count the 20 trays of  
16 letter shaped mail, letter shaped QBRM than it would be to  
17 count the bulky parcels?

18 A I think it would be more -- you said more  
19 efficient?

20 Q Yes. Less time-consuming, right.

21 A That sounds right.

22 Q And therefore less expensive in terms of that  
23 particular activity.

24 A Given the options, given which options? Between  
25 manual and weighing?



1 Q Simply weighing the letters or weighing the  
2 parcels.

3 A Right. I imagine it would be less time consuming  
4 to weigh the letters.

5 MR. HALL: Good. Those are all the questions I  
6 have. Thank you.

7 CHAIRMAN GLEIMAN: There is no follow-up, correct?  
8 Correct.

9 [Laughter.]

10 CHAIRMAN GLEIMAN: Questions from the bench?  
11 There are no questions from the bench.

12 Would you like some time, very little time -- five  
13 minutes is good -- to talk with your witness about redirect?

14 [Recess.]

15 CHAIRMAN GLEIMAN: Mr. Tidwell.

16 MR. TIDWELL: Mr. Chairman, we have very brief  
17 redirect.

18 CHAIRMAN GLEIMAN: We appreciate that.

19 REDIRECT EXAMINATION

20 BY MR. TIDWELL:

21 Q Mr. Campbell, a long, long time ago you had a  
22 discussion with counsel for Keyspan, it seemed like a long  
23 time ago but it was earlier today, in reference to Witness  
24 Kingsley's response to Keyspan Interrogatory T10-6.

25 In that question they asked Witness Kingsley to



1 provide an estimate of percentage of First Class letters  
2 that were sorted in incoming secondary for each year  
3 included in her responses to parts (a) and (b) of that  
4 question.

5 She responded by indicating that the Postal  
6 Service did not track operations by class and she went on to  
7 say, and I quote, "Of the barcoded letter volumes, the  
8 following are the percentages of letters finalized on  
9 automation for incoming secondary operations for which  
10 actual figures were available: FY '95, 78 percent; FY '99,  
11 93 percent" -- and then she gives a reference then to  
12 testimony at page 8.

13 Now is it your understanding that her reference to  
14 letter volumes in response to that interrogatory is letter  
15 shape pieces of all classes of mail or just First Class,  
16 Standard A, and Periodicals?

17 Is that consistent with your understanding?

18 A My understanding is that refers to all classes of  
19 mail.

20 Q And therefore it is not restricted to First Class  
21 or even QBRM?

22 A Yes, that is my understanding.

23 MR. TIDWELL: That's all we have, Mr. Chairman.

24 CHAIRMAN GLEIMAN: Any recross?

25 There is none.



1 MR. HALL: And in conclusion -- no thank you.

2 CHAIRMAN GLEIMAN: Good choice.

3 With that, Mr. Campbell, your time served is up.

4 That completes your testimony here today. We appreciate  
5 your appearance, your contribution to the record.

6 We thank you and you are excused.

7 THE WITNESS: Thank you very much.

8 [Witness excused.]

9 CHAIRMAN GLEIMAN: That concludes today's hearing.

10 We will reconvene Monday next at 9:30 a.m., and we  
11 will receive testimony from Postal Service Witnesses Bozzo,  
12 Degen and Van-Ty-Smith.

13 You all have a lovely weekend.

14 [Whereupon, at 7:39 p.m., the hearing was  
15 recessed, to reconvene at 9:30 a.m., Monday, May 1, 2000.]

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