

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

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POSTAL RATE COMMISSION  
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POSTAL RATE AND FEE CHANGES, 2000 : Docket No. R2000-1  
\_\_\_\_\_ :

RESPONSES OF AMERICAN BANKERS ASSOCIATION AND NATIONAL  
ASSOCIATION OF PRESORT MAILERS WITNESS CLIFTON TO INTERROGATORIES  
OF USPS  
(USPS/ABA&NAPM-T1-25-29)

(June 15, 2000)

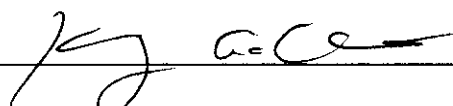
The American Bankers Association ("ABA") and the National Association of Presort Mailers ("NAPM") hereby provide the responses of witness Clifton to the following interrogatories of the United States Postal Service, which were filed on June 1, 2000: USPS/ABA&NAPM-T1-25-29.

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

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION  
NATIONAL ASSOCIATION OF PRESORT MAILERS

By: \_\_\_\_\_



Henry A. Hart, Esq.  
Reed Smith Shaw & McClay LLP  
1301 K Street N.W.  
Suite 1100 - East Tower  
Washington, DC 20005  
Ph: 202-414-9225  
Fax: 202-414-9299

Irving D. Warden  
Assoc. General Counsel  
American Bankers Association  
1120 Connecticut Ave., NW  
Washington, DC 20036  
Ph: 202-663-5035  
Fax: 202-828-4548

Counsel for  
National Association  
of Presort Mailers

Counsel for  
American Bankers Association

June 15, 2000  
Washington, D.C.

## RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**USPS/ABA&NAPM-T1-25.** Please confirm that your proposed “P” rate would apply to First-Class single-piece mail at all weight steps.

**RESPONSE:**

Not confirmed. As stated on page 36, line 5, of my testimony, the proposed “P” rate of 32 cents is “for the first ounce”. Under the proposal, letter mail in excess of one ounce up to the 3 ounce limit would be accepted, and my proposed rates for the second and third ounce of workshared letter mail are presented in Section VIII. of my testimony.

## RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**USPS/ABA&NAPM-T1-26.** In this docket, a number of other parties have made First-Class Mail single-piece discount proposals. For example, the OCA has proposed a rate for Courtesy Envelope Mail, Pitney Bowes has proposed a discount for traditionally metered mail and mail metered with Information Based Indicia (IBI), and E-Stamp and Stamps.com have proposed IBI discounts.

- (a) Is your “P” rate proposal intended as a replacement for these other single-piece discount proposals? Please explain.
- (b) How do you see your “P” rate proposal relating to these other proposals; that is, does the “P” rate supplement these other discounts? Please explain.

### **RESPONSE:**

(a) The “P” rate idea pre-dates any of the above discount proposals you mention and was not conceived as a replacement for those other single piece discount proposals.

(b) Of the four intervenors’ proposals you mention, at this time I can only answer that the proposed “P” rate would be a substitute, not supplement, for the OCA’s CEM proposal, which I am familiar with from past proceedings. At the time I prepared and filed my “P” rate proposal, I was not aware of the other intervenor proposals you mention. The “P” rate would be available as a meter imprint as well as a stamp. Whether the “P” rate were a substitute for or supplement to Pitney Bowes’ proposal would depend on the benchmark chosen. The “P” rate could certainly be available for electronic application, but I am not familiar enough with the E Stamp and Stamps.com proposals to answer the question beyond that. However, I can state that the spirit of the ‘P’ rate idea is to bring the benefits of automation and worksharing generally directly to as broad a segment of the general public as possible and to conform the discounts associated with that to the existing structure. The other single piece discount proposals do not

RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**RESPONSE TO USPS/ABA&NAPM-T1-26 (Continued)**

(c) accomplish that goal and would apply to a narrower, and in some cases, much narrower segment of the single piece aggregate.

## RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**USPS/ABA&NAPM-T1-27.** The TYAR First-Class Mail single-piece volume forecast in this docket is 52.9 billion pieces. Please confirm that, if half of these 52.9 billion pieces were to convert to the “P” rate, the revenue reduction would be \$529 million. If you are unable to confirm, please explain.

### **RESPONSE:**

Not confirmed. Your calculation does not include the impact of the proposed rate on test year volumes, and it ignores many other collateral effects associated with elasticities and cross elasticities, including the possibility that the “P” rate might affect the own price elasticity of single piece mail. As stated in my testimony, there are no test year implications for the proposal as it would take at least that long to begin the process of investments in collection boxes that would need to take place before the volumes of “P” rate mail began to ramp up. Finally, under your hypothetical, while there might be some loss in test year revenues, (generically the difference between revenue from added volume and revenue lost on existing volume from the 32 cent rate) there would very likely be an increase in the test year net surplus, because the cost avoidance of the automated basic, 3 digit and 5 digit prebarcoded rate categories at which “P” rate mail would be delivered to the Postal Service would lower USPS costs by more than any revenue loss.

RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**USPS/ABA&NAPM-T1-28.**

- (a) On page 55 of your testimony, you assert that “. . . in the 1-2 ounce range, the cost of pieces in excess of the first full ounce is \$132,843,601.” Please describe how this number was calculated, or provide an appropriate citation to your testimony or workpaper.
- (b) On page 55 of your testimony, you assert that “Over the full extra ounce range, 2 to 11+ ounces, the average cost of presort mail pieces in excess of the first full ounce is 10.4 cents. . .” Please describe how this number was calculated, or provide an appropriate citation to your testimony or workpaper.

**RESPONSE:**

- (a) From Table 2, LR-I-91 revised:

Volume for 0-1 ounce range (B6) = 1,691,261,970.73122

Total Cost for 0-1 ounce range (B23) = \$4,544,533,830.71217

Full ounce total unit cost for 0-1 ounce range =  $4,544,533,830.71217 / 1,691,261,970.73122 * 1$   
= \$0.167941673

Total cost for 1-2 ounce range (C23) = \$337,762,242.138771

Volume for 1-2 ounce range (C6) = 1,220,177,443.84764

Cost of pieces in excess of full ounce =  $337,762,242.138771 - 0.167941673 * 1,220,177,443.84764$   
= \$132,843,601

- (b) Following the same procedure as in part (a) and applying it to the other weight incremental ranges in Table 2, LR-91-91 revised we obtain:

Total cost of pieces in excess of the first full ounce cost = \$275,205,641.06347

Total number of additional ounces purchased (M26) = 2,639,970,578.04238

RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**RESPONSE TO USPS/ABA&NAPM-T1-28 (Continued)**

Average cost of presort mail in excess of the first full ounce =

$275,205,641.06347 / 2,639,970,578.04238 = 10.4$  cents

## RESPONSE OF ABA&NAPM WITNESS CLIFTON TO USPS INTERROGATORIES

**USPS/ABA&NAPM-T1-29.** At a number of places in your testimony, you criticize the First-Class Mail weight study prepared for this docket as unreliable. For example, Section IX of your testimony, at page 46, describes how the extra ounce cost data for First Class Presort Mail Pieces is not statistically significant due to too few IOCS tallies. Yet, at the same time, you cite that same weight study data in support of your proposal to extend the heavy-weight discount to presort pieces weighing between 1-2 ounces (see Section XII at page 56). Please reconcile your use of the data in support of your proposal with its purported unreliability.

### **RESPONSE:**

This interrogatory mis-characterizes my testimony in several respects. Formally, my critique is limited to the First Class presort letters and all shapes weight study. I do not accept witness Daniel's data, and base my recommendations in the first instance on what I believe is known with some degree of certainty, namely the figures from Table Eleven on page 54 and discussion surrounding it. These figures rely on an older study of First Class presort extra ounce costs before the IOCS sample sizes were cut, and also note the consistency between those figures and those introduced in this case for Standard A Regular.

Second, on page 56, line 28, I state "If I were to base . . ." my conclusions on witness Daniel's study; and again on page 57, line 1, I state "Even if one accepted witness Daniel's . . ." . I do not know for certain how the Commission will evaluate Witness Daniel's First Class presort data, whether it will agree with my view or have a more positive view of it. Thus, I point out that even if one accepts her data, there is more than ample support within that data base to justify my proposed extension of the heavy piece discount to the second ounce. Accordingly, these conditional statements do not require any reconciliation with my own conclusion that her data base for First Class presort is wholly unreliable.



**DECLARATION**

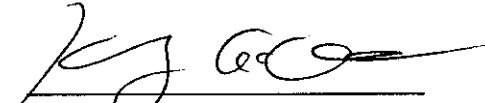
I, James A. Clifton, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
James A. Clifton

Dated: 5-15-00

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Henry A. Hart

1301 K Street, N.W., Suite 1100  
Washington, D.C. 20005  
Ph: (202) 414-9225  
fax: (202) 414-9299  
email: [hhart@rsm.com](mailto:hhart@rsm.com)

June 15, 2000