

**ORIGINAL**  
**Official Transcript of Proceedings**

*Before the*

**Aug 25 9 23 AM '00**

**POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY**

**UNITED STATES POSTAL RATE COMMISSION**

**In the Matter of: POSTAL RATE AND FEE CHANGE**

**Docket No. R2000-1**

**VOLUME 39**

**DATE: Thursday, August 24, 2000**

**PLACE: Washington, D.C.**

**PAGES: 17406 - 17959**

**ANN RILEY & ASSOCIATES, LTD.**  
1025 Connecticut Avenue, N.W., Suite 1014  
Washington, D.C. 20036  
(202) 842-0034

1                               BEFORE THE  
2                               POSTAL RATE COMMISSION

3   - - - - -X

4   In the Matter of:                               :

5   POSTAL RATE AND FEE CHANGE                       : Docket No. R2000-1

6   - - - - -X

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8                               Third Floor Hearing Room

9                               Postal Rate Commission

10                              1333 H Street, N.W.

11                              Washington, D.C 20268

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13                              Volume XXXIX

14                              Thursday, August 24, 2000

15

16

17                      The above-entitled matter came on for hearing,  
18   pursuant to notice, at 9:30 a.m.

19   BEFORE:

20                      HON. EDWARD J.GLEIMAN, CHAIRMAN

21                      HON. GEORGE A. OMAS, VICE CHAIRMAN

22                      HON. W.H. "TREY" LeBLANC, COMMISSIONER

23                      HON. DANA B. "DANNY" COVINGTON, COMMISSIONER

24

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10	DENNIS STEVENS				
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## P R O C E E D I N G S

[9:36 a.m.]

CHAIRMAN GLEIMAN: Good morning. Today we continue hearings in Docket R2000-1 for the purpose of considering Postal Service requests to change rates and fees.

Before we begin today, I have a few announcements: In Presiding Officer's Ruling R2000-1/129, I adjusted the scheduled of witnesses so that Major Mailers Association Witness Bentley would appear on August 29th.

Mr. Bentley has filed supplemental testimony on behalf of Keyspan Energy, as well as a separate piece of testimony on behalf of Major Mailers.

I want to make clear that Mr. Bentley will present both pieces of testimony and be available for cross examination on them as our first witness on the 29th. Hopefully his attorney won't get tied up in traffic that morning.

The procedure we will follow is the one the Commission has used previously when a witness is sponsoring two pieces of testimony: First, we'll receive the evidence filed on behalf of Keyspan, and Mr. Bentley will be subject to cross examination on that testimony.

And then he'll stand up from the witness chair, sit back down, and become the Major Mailers' Witness, and



1 we'll allow cross examination on that testimony.

2 This is the same procedure we will follow when  
3 Postal Witness Prescott appears on Monday the 28th. First,  
4 we'll receive his testimony identified as USPS/RT-24, and  
5 then we will receive his testimony identified as USPS/RT-26.

6 Yesterday, we made a slight adjustment in the  
7 schedule that I believe eliminated an instance where a  
8 witness would be presenting two pieces of testimony on the  
9 same day.

10 This was Witness Neels, who is presenting  
11 testimony on behalf of United Parcel Service. I believe we  
12 reached an agreement, and I would like you gentlemen to  
13 listen, and ladies to listen carefully, because I need some  
14 help on this one.

15 I believe we reached an agreement that would have  
16 Witness Neels still appear on Monday the 28th to present  
17 USPS-RT-1, but his presentation of testimony which respond  
18 to Notice of Inquiry Number 4, and POIR Number 19, would  
19 take place on August 31st.

20 Mr. McKeever?

21 MR. MCKEEVER: Mr. Chairman, I apologize; I don't  
22 believe that we and Postal Service counsel were clear  
23 yesterday on that point.

24 We had made a prior request, unconnected with the  
25 Postal Service's latest request to push back Dr. Neels's

1 testimony. We had made a prior request that Dr. Neels  
2 appear on one day, so that he did not have to travel to  
3 Washington on the same day, rather, for different pieces of  
4 testimony, so that he didn't have to travel to Washington on  
5 two occasions.

6 Our preference, although obviously this is subject  
7 to the preference of the Chair, is that he appear on one  
8 day. We originally assumed that that would be Monday the  
9 25th, but then as indicated yesterday, Postal Service  
10 counsel called us and asked us if we would agree to push  
11 back his testimony with respect the NOI, the Notice of  
12 Inquiry, until the 31st.

13 And after some discussion, we agreed on that,  
14 although as I indicated, United Parcel's preference would be  
15 that Dr. Neels have to travel here from Boston only once.  
16 So our preference would be that whatever day he testifies,  
17 he testify with respect to both pieces of testimony.

18 And our suggestion would be that he would be  
19 slotted in on both pieces of testimony at the end of the day  
20 on Thursday, the last day of hearings.

21 However, we realize that he has been scheduled, to  
22 date, to appear on Monday the 25th, so whatever the Chair's  
23 pleasure is in that respect.

24 CHAIRMAN GLEIMAN: Well, he's scheduled for the  
25 28th right now.

1           MR. MCKEEVER: I meant the 28th; I'm sorry; I  
2 apologize.

3           CHAIRMAN GLEIMAN: What I would like to do is hold  
4 in abeyance, any changes with respect to the scheduling of  
5 Witness Neels till the end of the day today, and, if  
6 possible, either discuss with Mr. Rubin or perhaps get in  
7 touch with Mr. Koetting, who I believe was the attorney who  
8 was handling the matter yesterday.

9           And let's make sure that there is a general  
10 agreement between you gentlemen, and we will accommodate  
11 whatever you all decide to do.

12           I have no problem with having Mr. Neels appear  
13 with respect to both pieces of testimony on the 31st, except  
14 that I think we need to understand that it now looks like  
15 the 31st is getting to be a rather long day. You may want  
16 to back off on having him as the last witness of the day,  
17 because he may be a witness on Friday, September the 1st,  
18 given the potential length of that day.

19           But most certainly, we'll endeavor to accommodate  
20 your interest in having him travel to Washington only once.  
21 If you could get in touch with Mr. Koetting or someone else  
22 at the Postal Service, and then at the end of the day today,  
23 we'll wrap this one up one way or the other.

24           MR. MCKEEVER: We will do that, Mr. Chairman. We  
25 did make a commitment to the Postal Service that we would

1 agree to the 31st on the NOI testimony, come what may. So  
2 I'm aware of the risk that that presents, and I will touch  
3 base with Mr. Koetting and we will get back to you to make  
4 sure that all of us are on the same page.

5 CHAIRMAN GLEIMAN: One final point, and that is  
6 that while you did request that he be placed at the end of  
7 the list on the 31st, inasmuch as if it comes to it that he  
8 would be testified on two pieces on the 31st, I would  
9 respectfully respect that he be around earlier in the day so  
10 that we could dispense with the rebuttal testimony, separate  
11 and apart, and then have him come back on the stand,  
12 depending on where he falls in the NOI fort, POIR-19  
13 responses, that we not have rebuttal testimony in the middle  
14 of discussions of these other matters.

15 MR. McKEEVER: Agreed. He will be here that  
16 entire day, and we can deal with the purchase transportation  
17 variability testimony whenever the Chair wishes.

18 CHAIRMAN GLEIMAN: I appreciate it.

19 Another practice here at the Commission is to  
20 schedule the Office of the Consumer Advocate witnesses at  
21 the end of the day, especially if it's likely that the day  
22 will be extending into the evening.

23 And consistent with this practice, OCA Witness  
24 Smith is scheduled to be our final witness on the 31st, and  
25 while we would like to hear the rebuttal testimony, if it

1 comes to it, we would schedule Witness Neels just before  
2 Witness Smith.

3 MR. MCKEEVER: That is fine, Mr. Chairman, thank  
4 you.

5 CHAIRMAN GLEIMAN: Finally, let me remind everyone  
6 here today that we expect to conduct a portion of today's  
7 hearing on subjects that are under protective conditions.

8 Our final witness today, Witness Raymond, will  
9 present his testimony and respond to cross examination on  
10 matters that do not involve subject matter -- materials  
11 subject to protective conditions.

12 And when that process is complete, we'll take a  
13 brief recess, if it comes to it, and clear the hearing room  
14 of persons who are not otherwise authorized with respect to  
15 the materials in question, and then proceed to have cross  
16 examination relative to material that is on the ES tapes  
17 that have been submitted as Library Reference and are  
18 subject to protective conditions.

19 We'll then have cross examination on that  
20 material, and as is our practice, that cross examination  
21 would appear in a separate volume which would be sealed.

22 Anyone who wishes to be present during the cross  
23 examination on the ES tapes must sign the appropriate  
24 protective conditions established in Rule 1/28. Copies of  
25 the appropriate forms agreeing to the applicable protective

1 conditions are available in the docket room.

2 Does any participant have a matter that they would  
3 like to raise this morning?

4 [No response.]

5 CHAIRMAN GLEIMAN: If not, then we'll proceed to  
6 our witnesses. We have eight witnesses scheduled to present  
7 testimony today. They are witnesses Prescott, Campbell,  
8 Davis, Mayo, Kay, Stevens, Kent, and Raymond.

9 No participant has submitted a request for oral  
10 cross examination on one of these witnesses, so, Mr. Rubin,  
11 if you want to proceed with Witness Davis, we can perhaps  
12 dispense with that quickly.

13 MR. RUBIN: The Postal Service calls Scott J.  
14 Davis as its next witness.  
15 Whereupon,

16 SCOTT J. DAVIS,  
17 a witness, having been previously called for examination,  
18 and, having been previously duly sworn, was recalled to the  
19 stand, continued to be examined and continued to testify as  
20 follows:

21 CHAIRMAN GLEIMAN: Mr. Davis, as I recall, you're  
22 already under oath in the proceedings.

23 THE WITNESS: Yes.

24 DIRECT EXAMINATION

25 BY MR. RUBIN:

1 Q Mr. Davis, do you have two copies --

2 CHAIRMAN GLEIMAN: Could you flip your mike on,  
3 please? Thank you.

4 BY MR. RUBIN:

5 Q Mr. Davis, do you have two copies of a document  
6 entitled Rebuttal Testimony of Scott J. Davis on Behalf of  
7 the United States Postal Service?

8 A Yes, I do.

9 Q And is this designated as USPS-RT-21?

10 A Yes, it is.

11 Q Was this testimony prepared by you or under your  
12 supervision?

13 A Yes, it was.

14 Q And do you have any corrections to make to this  
15 testimony at this time?

16 A Yes, I do. I have corrected the header for pages  
17 4 through 7 of my rebuttal testimony, and the header which  
18 had read USPS-T-21 on these pages now reads USPS-RT-21.

19 Q Thank you.

20 If you were to testify orally here today, would  
21 this be your testimony?

22 A Yes, it would.

23 MR. RUBIN: In that case, I will provide two  
24 copies of the Rebuttal Testimony of Scott J. Davis on Behalf  
25 of United States Postal Service to the Reporter, and I ask

1 that this testimony be entered into the record of this  
2 proceeding.

3 CHAIRMAN GLEIMAN: Is there any objection?

4 [No response.]

5 CHAIRMAN GLEIMAN: Hearing none, if counsel would  
6 provide two copies of the corrected Rebuttal Testimony of  
7 Witness Davis to the Reporter, I will direct that the  
8 material be transcribed into the record and received into  
9 evidence.

10 [Written Rebuttal Testimony of  
11 Scott J. Davis, USPS-RT-21, was  
12 received into evidence and  
13 transcribed into the record.]

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USPS-RT-21

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REBUTTAL TESTIMONY  
OF  
SCOTT J. DAVIS  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

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## AUTOBIOGRAPHICAL SKETCH

1 My name is Scott J. Davis. I am an Economist in Special Studies within Activity-  
2 Based Management, Finance at Postal Service Headquarters. I began working  
3 for the Postal Service in 1998. My primary responsibilities include developing  
4 costs for special services; assisting with the development of cost models for flat-  
5 shaped mail; and analyzing mail preparation requirements and discount eligibility  
6 rules. I have spent time in field offices while conducting cost studies and  
7 participating in committees. I have visited over thirty postal facilities including  
8 Associate Offices, Processing and Distribution Centers, Bulk Mail Centers, and  
9 Airport Mail Centers.

10 Prior to joining the Postal Service, I served as a Staff Accountant at Reston  
11 Hospital Center in Reston, VA. I performed general accounting duties including  
12 budget preparation, review of financial statements, and analysis and  
13 reconciliation of accounts.

14 I received a bachelor's degree in Economics from Duke University and a  
15 Master's of Business Administration degree from the School of Business at the  
16 College of William and Mary.

1 I. PURPOSE AND SCOPE OF TESTIMONY

2 The purpose of my testimony is to rebut witness Zimmerman's (PSA-T-1)  
3 proposals that there be no charge for Delivery Confirmation for electronic  
4 manifest Parcel Select mailers, and that the Postal Service scan every parcel at  
5 delivery. This testimony rebuts from a costing perspective rather than a policy  
6 perspective. This testimony demonstrates that even under costing assumptions  
7 less conservative than those which underlie the Delivery Confirmation costs  
8 presented in my direct testimony, there remain unit volume variable costs  
9 associated with the Delivery Confirmation electronic option for Standard Mail  
10 parcels.

11 II. GUIDE TO SUPPORTING DOCUMENTATION

12 Supporting documentation to this testimony is Library Reference I-108. Only  
13 one worksheet in that model has been changed for purposes of this testimony;  
14 linked worksheets update automatically. This testimony explains the changes  
15 made to the MS Excel model presented in LR-I-108. I do not have any other  
16 workpapers.

1    III. DELIVERY CONFIRMATION

2    **A. A charge for the Delivery Confirmation electronic option for Standard**  
3    **Mail (B) is appropriate since the Postal Service incurs costs in providing**  
4    **this service.**

5    The testimony of witness Zimmerman (PSA-T-1) states at page 20, lines 14-17:

6        There should be no charge to an electronic manifest Parcel Select  
7        mailer. That mailer's reduced rates are predicated on the work sharing  
8        performed by that mailer. It is very short-sighted for the Postal Service  
9        to selectively decide what kind of parcels they will maintain information  
10       about.

11   That the electronic option entails worksharing by the customer, and thus reduced  
12   cost to the Postal Service, is not disputed. A user of the electronic option is  
13   required to apply a Delivery Confirmation (DC) barcode to the mailpiece, submit  
14   an electronic manifest of the mailing of DC items to the Postal Service, and  
15   receive information about DC items electronically or through the Internet, rather  
16   than through the call center. These mailer-performed functions allow the Postal  
17   Service to avoid costs associated with acceptance, supplies (labels), and  
18   corporate call management. However, such worksharing does not replace all  
19   postal activities associated with providing the service. The Postal Service still  
20   incurs costs by scanning the DC item at delivery. The Postal Service also incurs  
21   a small information systems cost in transmitting data. I have presented a  
22   conservative estimate of these component costs in my direct testimony, USPS-T-  
23   30, p. 6.

1 **B. Even under less conservative costing assumptions than those which**  
2 **underlie the Delivery Confirmation costs presented in USPS-T-30, unit**  
3 **volume variable costs associated with the electronic Delivery**  
4 **Confirmation option for parcels remain.**

5 The Delivery Confirmation test year unit volume variable costs presented in  
6 USPS-T-30, and supported by USPS-LR-I-108, are derived under a set of  
7 conservative assumptions. The resulting unit volume variable costs, therefore,  
8 may be viewed as conservatively high.

9 Specifically, in deriving the Delivery Confirmation costs presented in USPS-T-30,  
10 it was assumed (1) that no carrier scanning time would be absorbed in other  
11 carrier activities; (2) that box section clerks would retrieve the handheld scanner  
12 from and return the handheld scanner to the cradle for each and every scan; and  
13 (3) that window clerks would retrieve the handheld scanner from and return the  
14 handheld scanner to the cradle for each and every scan. In evaluating witness  
15 Zimmerman's testimony, I discussed with Delivery Confirmation operations  
16 experts whether there might be any assumptions which would justify witness  
17 Zimmerman's apparent conclusion (at PSA-T-1, p. 20, lines 14-23) that there are  
18 no significant costs for electronic DC for Standard Mail parcels. I was advised  
19 that the assumptions in my original testimony might be overly conservative, and  
20 that alternative assumptions would be more realistic. Nonetheless, even under  
21 these assumptions, I found that there are still significant volume variable costs  
22 for electronic DC. I discuss these alternative assumptions below.

1   1. Assume that 50 percent of carriers' DC base transaction time is absorbed by  
2   other carrier activities. These activities include walking to the next delivery  
3   point, and deviation from regular delivery ("delivery deviation") caused by a  
4   host mailpiece that cannot be placed in the mail receptacle. The carrier's  
5   delivery deviation includes wait time at door.

6   The Delivery Confirmation cost study in my direct testimony assumed that none  
7   of the time required for scanning would be absorbed by the time required for  
8   non-DC activities. However, carriers can retrieve the handheld scanner en route  
9   to the next delivery point when they recognize they will need to scan an item at  
10   that delivery point. Furthermore, when delivering DC mail items that are too  
11   large to fit into a given mail receptacle, carriers will attempt to contact the  
12   addressee to deliver the item. The carriers can retrieve and ready their scanners  
13   while waiting for the addressee. Therefore, the time required to retrieve and  
14   ready scanners for use is absorbed by the time either en route to the addressee  
15   or while waiting for the addressee.

16   Similarly, carriers can return or holster their scanners after use while en route to  
17   the next delivery point. The carriers can also return or holster their scanners  
18   while returning to the normal route from which they have deviated. Therefore,  
19   the time required to return or holster scanners after use is absorbed either while  
20   en route to the next delivery point or during the delivery deviation caused by the  
21   host mailpiece.

22   Under these conditions DC causes no additional time (or costs) for these  
23   scanner retrieval and return activities, but the 2.46 seconds (from Docket No.

1 R97-1, USPS-T-22, p. A-1, Table A-1) required for machine scan time still  
2 remains.

3 Based on discussions with Delivery Services, a reasonable assumption is that 50  
4 percent of the carriers' DC base transaction time is absorbed by the carrier  
5 activities described above. This assumption is incorporated into the Excel model  
6 in USPS-LR-I-108 Section B (filename "del con input cost data.xls"; worksheet  
7 tab "I-1", "Input Sheet B-1: Activity Transaction Times"; cells D9, D10, D13, D14)  
8 by multiplying the base transaction time for city and rural carriers' successful and  
9 attempted deliveries by a 0.50 factor.

10 2. *Assume that for 100 percent of DC pieces delivered (or attempted for*  
11 *delivery) by box section clerks, there are no volume variable costs other than*  
12 *the 2.46 seconds of machine scan time.*

13 The cost study in my direct testimony assumed that box section clerks would not  
14 only retrieve the handheld scanner from the cradle for each scan, but also return  
15 the scanner to the cradle after each scan. However, to maximize efficiency, box  
16 section clerks may scan multiple DC mail items together, along with accountable  
17 mail requiring electronic signature capture. Thus, any individual DC transaction  
18 does not cause additional costs for retrieving the scanner from the cradle before  
19 use and returning the scanner to the cradle following use. It can be assumed,  
20 then, that the unit volume variable cost for box section clerks is limited to the  
21 2.46 seconds of machine scan time. This assumption is incorporated into the  
22 Excel model in USPS-LR-I-108 Section B (filename "del con input cost data.xls";



1 worksheet tab "I-1", "Input Sheet B-1: Activity Transaction Times"; cells D11,  
2 D15) by replacing the original base transaction time for box section clerks'  
3 successful and attempted deliveries with 2.46 seconds.

4 3. *Assume that for 50 percent of DC pieces delivered (or attempted to be*  
5 *delivered) by window clerks, POS One technology will be available and*  
6 *utilized for scanning. For these pieces, no volume variable costs other than*  
7 *the 2.46 seconds of machine scan time would be assumed.*

8 The cost study in my direct testimony assumed that window clerks would not  
9 only retrieve the handheld scanner from the cradle for each scan, but also return  
10 the scanner to the cradle after each scan. However, POS One technology has  
11 been deployed in many offices. POS One will allow window clerks to scan DC  
12 barcodes without having to use a handheld scanner, so that a handheld scanner  
13 need not be retrieved from or returned to the cradle for each scan. The best  
14 assumption for the test year is that 50 percent of DC window clerk transactions  
15 will be at windows with POS One technology. This assumption is incorporated  
16 into the Excel model in USPS-LR-I-108 Section B (filename "del con input cost  
17 data.xls"; worksheet tab "I-1", "Input Sheet B-1: Activity Transaction Times"; cell  
18 D12) by multiplying the scanner retrieval and replacement time for window clerks'  
19 deliveries by a 0.50 factor. Mechanically, replace the base transaction time in  
20 cell D12 with the formula " $=(0.5*6.39)+2.46$ ", where 0.5 is the proportion factor,  
21 6.39 represents the scanner retrieval and replacement time in seconds  
22 (embedded in the original base transaction time), and 2.46 is the machine scan  
23 time in seconds that applies to each transaction.

1 IV. RESULTS AND CONCLUSIONS

2 Even under a more realistic, less conservative set of costing assumptions, unit  
 3 volume variable costs exist for the Delivery Confirmation electronic option.  
 4 Based on these three revised assumptions, the resulting delivery costs are  
 5 \$0.073, and the resulting total unit volume variable cost for the Standard Mail  
 6 electronic option is \$0.079. See Table 1 below. The presence of unit volume  
 7 variable costs associated with scanning at delivery challenges witness  
 8 Zimmerman's notion (at PSA-T-1, p. 20, lines 15-19) that the Postal Service  
 9 should scan every parcel. Furthermore, the presence of unit volume variable  
 10 costs also supports and justifies a Delivery Confirmation fee for electronic  
 11 manifest Parcel Select mailers.

<b>Table 1:            Test Year Delivery Confirmation Unit Volume Variable Costs            Under Less Conservative Costing Assumptions<sup>1</sup></b>	
<u>Cost Category</u>	<u>Standard Mail Electronic</u>
Acceptance	\$0.000
Delivery <sup>2</sup>	\$0.073
Postmasters	\$0.001
Corporate call management	\$0.000
Information systems	\$0.005
Supplies	\$0.000
Total volume variable cost	<del>\$0.000</del> \$0.079

<sup>1</sup> Source: USPS-T-30, p. 7, Table 1, substituting new Delivery cost.

<sup>2</sup> Revised delivery cost of \$0.073 also applies to Standard Mail retail and Priority Mail DC cost estimates.

1 CHAIRMAN GLEIMAN: No party had requested oral  
2 cross examination in advance of today's hearing. Is there  
3 any party here today who wishes to cross examine this  
4 witness?

5 [No response.]

6 CHAIRMAN GLEIMAN: There doesn't appear to be. I  
7 don't believe that there are any questions from the Bench.

8 And that being the case, we want to thank you, Mr.  
9 Davis. We appreciate your appearance and contributions to  
10 our record, and you are excused.

11 THE WITNESS: Thank you.

12 [Witness Davis excused.]

13 CHAIRMAN GLEIMAN: Mr. Todd, I believe you have  
14 our next witness.

15 MR. TODD: I would ask Mr. Roger Prescott to come  
16 to the stand, please.

17 CHAIRMAN GLEIMAN: Mr. Prescott, I believe, also  
18 was under oath, having previously appeared.

19 MR. TODD: Actually, Mr. Chairman, I don't believe  
20 that is the case, because he -- well, no, that is the case.  
21 Pardon me.

22 CHAIRMAN GLEIMAN: He's been here wearing one hat  
23 or another.

24 MR. TODD: Yes, all right.

25 CHAIRMAN GLEIMAN: You know, after awhile, the

1 faces start to look familiar from one case to another, so  
2 it's always best to check.

3 Whereupon,

4 ROGER C. PRESCOTT,  
5 a witness, having been previously called for examination,  
6 and, having been previously duly sworn, was recalled to the  
7 stand, continued to be examined and continued to testify as  
8 follows:

9 DIRECT EXAMINATION

10 BY MR. TODD:

11 Q Mr. Prescott, I have shown you testimony entitled  
12 Rebuttal Testimony of Roger C. Prescott on Behalf of the  
13 Mail Order Association of America, which is marked as  
14 MOAA-RT-2.

15 Have you had a chance to examine this testimony?

16 A Yes, I have.

17 Q Is this the testimony that was prepared by you or  
18 under your supervision?

19 A Yes, it was.

20 Q And do you continue to submit and adopt this  
21 testimony here today as though it were given orally?

22 A Yes, I do.

23 MR. TODD: Mr. Chairman, I am handing two copies  
24 of the identified testimony to the Reporter, with the  
25 request that it be transcribed and admitted into the record.

1           CHAIRMAN GLEIMAN: It is so ordered; the Rebuttal  
2 Testimony of Witness Prescott will be transcribed into the  
3 record and received into evidence.

4                           [Written Rebuttal Testimony of  
5 Roger C. Prescott, MOAA-RT-2, was  
6 received into evidence and  
7 transcribed into the record.]  
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**MOAA-RT-2**

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

**POSTAL RATE AND FEE CHANGES, 2000**

**Docket No. R2000-1**

**REBUTTAL TESTIMONY  
OF  
ROGER C. PRESCOTT**

**On Behalf Of  
MAIL ORDER ASSOCIATION OF AMERICA**

Communications with respect to this document may be sent to:

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**Counsel for Mail Order  
Association of America**

**Due Date: August 14, 2000**

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**LIST OF EXHIBITS**

<b><u>EXHIBIT</u></b> <b>(1)</b>	<b><u>TITLE</u></b> <b>(2)</b>
Exhibit MOAA-RT-2A	Comparison of Proposed Rates for Bound Printed Matter-- USPS' Witness Kiefer v. AAP's Witness Siwek (105%)
Exhibit MOAA-RT-2B	Comparison of Proposal Rates for Bound Printed Matter-- USPS' Witness Kiefer v. AAP's Witness Siwek (117.6%)
Exhibit MOAA-RT-2C	Calculation of TYAR Revenues Based on MOAA's Proposed Rates and USPS Target Revenues
Exhibit MOAA-RT-2D	Comparison of Proposed Rates for Bound Printed Matter-- USPS' Witness Kiefer and MOAA's Restatement (117.6%)



MOAA-RT-2

**REBUTTAL TESTIMONY  
OF  
ROGER C. PRESCOTT**

1       My name is Roger C. Prescott. I am an economist and Executive Vice President of the  
2       economic consulting firm of L. E. Peabody & Associates, Inc. The firm's offices are located at  
3       1501 Duke Street, Suite 200, Alexandria, Virginia 22314. I am the same Roger C. Prescott who  
4       submitted Direct Testimony in this proceeding dated May 22, 2000 on behalf of Mail Order  
5       Association of America ("MOAA-T-1").<sup>1/</sup> My qualifications and experience were attached as  
6       Appendix A to my Direct Testimony. In this current proceeding, Postal Rate Commission  
7       ("PRC") Docket No. R2000-1, Postal Rate and Fee Changes, 2000 ("Docket No. R2000-1"), the  
8       United States Postal Service ("USPS") submitted proposed changes to the rates for Standard (B)  
9       Bound Printed Matter ("BPM") mail. The USPS' proposed rates, for the first time, include  
10      destination entry discounts for BPM mail.

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<sup>1/</sup> I also submitted Direct Testimony in this proceeding on behalf of E-Stamp Corporation.

1                                   **I. PURPOSE OF TESTIMONY**

2           I have been requested by Mail Order Association of America ("MOAA") to review the  
3           proposed rates for BPM as shown in Witness Stephen E. Siwek's direct testimony submitted on  
4           behalf of the Association of American Publishers ("AAP-T-2"). Specifically, I have been asked  
5           to evaluate Witness Siwek's proposed adjustments to the USPS' rates and destination entry  
6           discounts for BPM mail. Witness Siwek's proposed rates are summarized in AAP-T-2,  
7           Attachment-6, Page 1 to his testimony. In addition, I have been asked to evaluate the  
8           reasonableness of Witness Siwek's proposed discounts versus the discount proposed in my Direct  
9           Testimony for BPM mail entered at the Destination Delivery Unit ("DDU").

10          The detail supporting Witness Siwek's proposed rates is shown in Attachment-7 to Witness  
11          Siwek's testimony. Witness Siwek has used the model for BPM rates as submitted by USPS'  
12          Witness Kiefer (USPS-T-37) in presenting his proposed rates. Witness Kiefer's rate structure was  
13          summarized in Library Reference USPS-LR-I-325 ("LR-325").<sup>2/</sup> A comparison of the rates for  
14          BPM mail as proposed by the USPS and Witness Siwek are included as Exhibit MOAA-RT-2A  
15          to this testimony.

16          The results of my review and analysis are summarized under the following topics:

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<sup>2/</sup> LR-325 reflected some minor changes to the volumes for BPM mail that were not included as part of Witness Kiefer's workpapers. My restatement here relies on LR-325. Witness Siwek relied on Witness Kiefer's workpapers which did not incorporate the volume changes.

- 1       II.   Summary and Conclusions
- 2       III.   Witness Siwek's Critique of USPS' Rates for BPM
- 3       IV.   Comparison of Rate Proposals for BPM

## II. SUMMARY AND CONCLUSIONS

Based on my review and analysis of the rates for BPM proposed by the parties in this proceeding, I conclude the following:

1. Witness Siwek has proposed that the destination entry discount equal \$0.195 per piece at the destination Bulk Mail Center ("DBMC") with no increase in the discount for mail entered at the destination Sectional Center Facility ("DSCF") and DDU. Such a rate structure provides no incentive for mailers to enter mail deeper into the USPS' mail system. Witness Siwek's proposal also fails to recognize the substantial additional cost savings to the USPS from mail entered at the DSCF and DDU.
2. Based on the USPS' proposed cost coverage of 117.6 percent, Witness Siwek's basic rate per piece would be increased from \$0.865 per piece to \$0.959 per piece.
3. Witness Siwek's claim that the initial destination entry discounts for Parcel Post mail only considered discounts for DBMC is irrelevant to this proceeding. In Docket No. R90-1<sup>2/</sup>, only DBMC discounts were instituted for Parcel Post because the USPS did not develop the cost savings for Parcel Post entered at the DSCF or DDU.
4. Witness Siwek's argument that the mailing requirements and the exact volumes applicable for the discounts are unknown are misplaced and do not support a rejection of the USPS' proposed discounts. The unknowns associated with instituting new destination entry discounts in this proceeding are no different than past proceedings where discounts were instituted for other subclasses prior to the publication of mailing requirements (e.g., Third Class Bulk Rate Regular mail in Docket No. R90-1). Furthermore, Witness Siwek has not offered any conclusive evidence that the USPS' volumes are wrong nor has he offered any alternative volume proposals.
5. In my Direct Testimony, I proposed a modest adjustment to the per piece and per pound discounts for BPM mail entered at the DDU. My proposal reflected a passthrough of 50 percent of the cost savings calculated by the USPS. My proposed discounts for BPM mail entered at the DDU equal \$0.331 per piece and \$0.044 per pound. As shown in this Rebuttal Testimony, my proposal is revenue neutral with the USPS' proposed aggregate revenues for BPM when the base rate for presorted BPM mail is increased from the USPS' proposed rate of \$0.905 per piece to \$0.910 per piece, an increase of \$0.005 per piece.

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<sup>2/</sup> PRC Docket No. R90-1, Postal Rate and Fee Changes, 1990 ("Docket No. R90-1").

1                   **III. WITNESS SIWEK'S CRITIQUE OF USPS' RATES FOR BPM**

2           AAP's Witness Siwek's proposal lowers the USPS' recommended per piece and per pound  
3 rates and recommends an increase in the DBMC discount to 19.5 cents per piece with no  
4 additional per piece discounts for BPM mail entered at the DSCF or DDU. Witness Siwek's  
5 proposal also includes a reduction of the USPS' cost coverage from 117.6 percent to 105 percent.<sup>4/</sup>  
6 A comparison of the USPS' rate proposal and Witness Siwek's proposal can be found in my  
7 Exhibit MOAA-RT-2A. In discussing his rate proposal, Witness Siwek feels the PRC should not  
8 adopt destination entry discounts for DSCF and DDU at this time pending further analyses by the  
9 USPS. His rejection of discounts for mail entered at the DSCF and DDU is based on the  
10 destination discounts for Parcel Post mail instituted in Docket No. R90-1. In that proceeding only  
11 a DBMC discount was adopted for Parcel Post with the SCF and DDU discounts established later  
12 in Docket No. R97-1.<sup>5/</sup> Witness Siwek raises three (3) other issues regarding the USPS' proposed  
13 rate structure for BPM mail:

- 14           1. The destination entry requirements are not finalized yet;  
15           2. The survey for BPM destination entry volume patterns is statistically flawed; and,  
16           3. The USPS' proposal reflects a disparate and discriminatory pattern of cost savings  
17           passthroughs, favoring DSCF and DDU mailers at the expense of DBMC mailers.

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<sup>4/</sup> In addition to his rate proposal in Attachment - 6 and Attachment - 7, Witness Siwek presents a proposed rate structure that reflects a coverage ratio of 117.6 percent with per piece discounts set at 12.9 cents per piece (Siwek, page 25 and Attachment - 4, Table 2, Tr. 30/14585 and Tr. 30/14614). However, he states that this is not intended to be his final proposed rate structure.

<sup>5/</sup> PRC Docket No. R97-1, Postal Rate and Fee Changes, 1997 ("Docket No. R97-1").

1 My analysis of Witness Siwek's criticisms of the USPS' rate proposal for BPM mail is  
2 discussed under the following topics:

- 3 A. Intended Cost Coverage
- 4 B. Comparison to Parcel Post
- 5 C. Destination Entry Requirements
- 6 D. Volume Projections
- 7 E. Discriminatory Pattern of Passthroughs

8 **A. INTENDED COST COVERAGE**

9 Witness Siwek's reductions in the USPS' recommended Basic piece and pound rates, along  
10 with his proposed tripling of the USPS' DBMC discount (from the USPS' proposed 6.2 cents per  
11 piece to 19.5 cents per piece), results in a reduction of the cost coverage from the USPS' proposed  
12 117.6 percent to 105 percent. The analysis of the appropriate revenue requirement is beyond the  
13 scope of this Rebuttal Testimony. However, for purposes of evaluating the various proposals (and  
14 presenting my rate proposal) I have used the USPS' revenue target of \$563.9 million (i.e., 117.6  
15 percent). Maintaining Witness Siwek's recommended discounts at the USPS' proposed 117.6  
16 percent cost coverage increases the USPS' proposed basic per piece rate of \$0.905 per piece to  
17 \$0.959 per piece<sup>6/</sup>. A comparison of Witness Siwek's final proposed rate structure and his  
18 proposed discounts with the 117.6 percent cost coverage target is shown in Exhibit MOAA-RT-2B  
19 to this testimony.

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<sup>6/</sup> Witness Siwek's AAP-LR-1 (Response to USPS-AAP-T2-3), recreates USPS Witness Kiefer's original BPM  
workpaper which showed a target revenue of \$563.4 million.

1     **B. COMPARISON TO PARCEL POST**

2           Witness Siwek argues that the PRC "should not adopt additional discounts for DSCF and  
3     DDU entry pending further analyses by the Postal Service..."<sup>7/</sup> Witness Siwek also states that the  
4     USPS' "overall program for multiple BPM discounts [BMC, SCF, DDU] ...is flatly inconsistent  
5     with the way in which dropship discounts were first introduced in Parcel Post."<sup>8/</sup> Witness Siwek  
6     points out that the DBMC discounts were first adopted for Parcel Post in Docket No. R90-1 while  
7     DSCF and DDU discounts were not instituted for Parcel Post until Docket No. R97-1. He then  
8     recommends that the PRC "follow the pattern that it previously established in Parcel Post."<sup>9/</sup>  
9     While Witness Siwek is factually correct, his characterization of the implementation schedule for  
10    Parcel Post destination entry discounts is misplaced.

11           The USPS in R90-1 supported the proposed DBMC discounts with a cost study.<sup>10/</sup> In Docket  
12    No. R90-1, the USPS limited the proposed discounts to only DBMC entered mail because the  
13    USPS had not developed the cost savings for Parcel Post entered at the DSCF or DDU. The PRC  
14    in the Docket No. R90-1 decision stated that "parcel post mailers should be afforded the  
15    opportunity to lower their postage rate by preparing and tendering their parcels in a manner  
16    resulting in lower Postal Service costs."<sup>11/</sup> Then, in Docket No. R97-1, the USPS expanded the  
17    cost study of worksharing for Parcel Post mail to include destination entry at the DSCF and  
18    DDU.<sup>12/</sup> Thus, the discounts for DSCF and DDU Parcel Post mail were not established until the

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<sup>7/</sup> Tr. 30/14583.

<sup>8/</sup> Tr. 30/14583.

<sup>9/</sup> Tr. 30/14583.

<sup>10/</sup> Docket No. R90-1, Direct Testimony of Nicholas H.C. Acheson, USPS-T-12, pages 18-32.

<sup>11/</sup> Docket No. R90-1 decision, page V-344 to V-345.

<sup>12/</sup> Docket No. R97-1 decision, page 477 and pages 490-493.

1 cost studies were submitted to support the proposed discount. In Docket No. R90-1 and Docket  
2 No. R97-1 the USPS stated that it wanted to meet the needs of large-volume business mailers and  
3 promote mutually beneficial worksharing. The same can be said today for destination entry  
4 discounts for BPM mail.

5 The USPS' proposed discounts in Docket No. R2000-1 are supported by a cost study which  
6 shows there are large cost differences between BPM mail at the Basic level and mail entered at the  
7 BMC, DSCF and DDU. The PRC stated in Docket No. R90-1 that "it is appropriate to encourage  
8 mailers of nonmachinables to enter them in a manner which avoids as much handling as  
9 possible."<sup>13/</sup> This logic applies to the establishment of destination entry discounts for DBMC,  
10 DSCF and DDU. However, Witness Siwek's proposal does not offer an incentive to enter mail  
11 at the DSCF or DDU, while the discounts proposed by the USPS and me provide such an  
12 incentive.

13 Witness Siwek's recommendation of waiting to establish additional discounts infers that the  
14 institution of destination discounts are foreign to the USPS and PRC. In the Docket No. R90-1  
15 proceeding which Witness Siwek relies upon, the USPS also proposed new destination entry  
16 discounts for Third Class Bulk Rate Regular Mail ("TCBRR").<sup>14/</sup> USPS' Witness Acheson  
17 developed the cost study for TCBRR mail as well as the cost study for Parcel Post mail. In  
18 Witness Acheson's study for TCBRR mail, he developed the cost savings for TCBRR mail entered  
19 at the DBMC, DSCF and DDU. The new discounts for all three destination entry levels were

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<sup>13/</sup> Docket No. R90-1 decision, page V-344.

<sup>14/</sup> This is now categorized as Standard (A) mail.



1 accepted by the PRC.<sup>15/</sup> The PRC again cited that the discounts for TCBRR mail were set at a level  
2 which "provides sufficient incentive to mailers".<sup>16/</sup>

3 In Docket No. R2000-1, the USPS has supported the BPM discounts with cost savings and,  
4 as I stated in my Direct Testimony, adopted a very conservative passthrough policy. Discounts  
5 should be offered for all three destination entry levels. However, as shown below the discounts  
6 proposed by the USPS will not provide enough incentive to encourage mailers to enter BPM at the  
7 DDU and therefore, should be increased.

8 **C. DESTINATION ENTRY REQUIREMENTS**

9 Witness Siwek states that:

10 "the entry requirements that will govern these discounts will not be finalized until  
11 after the rate case. Better proof that these destination proposals are premature  
12 could scarcely be imagined."<sup>17/</sup>

13 Witness Siwek's issues regarding the publication of the final requirements is irrelevant to this  
14 proceeding. His statement is an extreme oversimplification of the procedures to institute new rules,  
15 rates and discounts. Whenever new discounts or other changes to the Domestic Mail Manual  
16 ("DMM") are made, the "requirements" are not known until after the regulations are written.  
17 Following Witness Siwek's concept to its logical conclusion, changes to the rate structure would  
18 never be made. The PRC in the past has had adequate information to approve new discounts prior  
19 to the actual completion of the regulations. In Docket No. R90-1, the final requirements to qualify

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<sup>15/</sup> Docket No. R90-1 decision, page V-283-V-285.

<sup>16/</sup> Docket No. R90-1 decision, page V-284.

<sup>17/</sup> Tr. 30/14576.

1 for the Parcel Post discounts discussed above were not written until after the decision in that  
2 proceeding. When the PRC in Docket No. R90-1 instituted the DBMC discount for Parcel Post,  
3 it noted that the PRC "assume[s] the Postal Service will make any necessary changes to its  
4 operational manuals to reflect the proposal and its acceptance."<sup>18/</sup>

5 **D. VOLUME PROJECTIONS**

6 Witness Siwek's critique of the flaws in the statistical validity of the volumes is also  
7 misplaced. Witness Siwek feels that the survey utilized to develop the volumes receiving the BPM  
8 discounts is "fraught with a set of statistical oddities and infirmities that call into question many  
9 of its basic results".<sup>19/</sup> He goes on to state that because the BPM survey "is a first time effort, the  
10 USPS has no track record against which to assess the survey results".<sup>20/</sup>

11 As with any newly proposed discount, the initial volumes that will utilize the discounts must  
12 be estimated. The PRC has historically accepted the results of the best volume estimates  
13 available.<sup>21/</sup> The relevant issue here is whether or not the cost savings projected by the USPS will  
14 cover the discounts. Witness Siwek has not shown that the USPS' cost savings are misstated nor  
15 has he revised the USPS' volume estimates in his rate proposal. If the volumes are in doubt, this  
16 supports a lower passthrough to make sure that the USPS cost savings are covered by the discount.  
17 As two-thirds of the estimated pieces receiving the discounts will be entered at the DBMC, this

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<sup>18/</sup> Docket No. R90-1 decision, page V-356.

<sup>19/</sup> Tr. 30/14578.

<sup>20/</sup> Tr. 30/14579.

<sup>21/</sup> For example, see the volume estimates made in establishing the TCBRR destination entry discounts in Docket No. R90-1.

1 adds further support to a lower passthrough of the cost savings for that discount. In summary, the  
2 USPS' volumes are the best evidence in this proceeding.

3 **E. DISCRIMINATORY PATTERN OF PASSTHROUGHS**

4 The final issue raised by Witness Siwek relates to the fairness of the USPS' proposed  
5 discounts. Witness Siwek argues that "the destination entry discounts that have been proposed by  
6 the Postal Service reflect a disparate and discriminatory pattern of cost saving pass-throughs."<sup>22/</sup>  
7 Witness Siwek states that on a percentage basis the passthroughs are "unreasonable" because only  
8 16 percent of the cost savings generated by the BPM DBMC mail are realized in rate discounts  
9 as compared to a passthrough of 47 percent and 45 percent for DSCF and DDU mail  
10 respectively.<sup>23/</sup>

11 Any passthrough of less than 100% of the cost savings will result in a higher contribution to  
12 the USPS' institutional costs, but a lower passthrough percentage of costs does not necessarily  
13 mean a higher contribution in actual dollars. Table 1 below shows the cost savings, discounts and  
14 contribution per piece for the USPS' proposed discounts.

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<sup>22/</sup> Tr. 30/14584.

<sup>23/</sup> Tr. 30/14584.

Table 1				
<u>Comparison of Contribution Per Piece--USPS Proposed Discounts</u>				
Destination <u>Discount</u> (1)	Per Piece			
	<u>Cost Savings</u> <sup>1/</sup> (2)	<u>USPS Discount</u> <sup>2/</sup> (3)	<u>Contribution</u> <sup>3/</sup> (4)	
1. DBMC	\$0.385	\$0.062	\$0.323	
2. DSCF	0.535	0.246	0.289	
3. DDU	0.661	0.297	0.364	
<sup>1/</sup> USPS-T-27, Attachment I, Table 3 (revised 04/14/2000) and page 17.				
<sup>2/</sup> USPS-LR-I-325.				
<sup>3/</sup> Column (2) - Column (3).				

As shown in Table 1 above, DDU per piece contribution equals \$0.364 per piece. The discount for DDU mail contributes \$0.041 per piece more to institutional costs than DBMC mail (\$0.364 per piece minus \$0.323 per piece).<sup>24/</sup> Under Witness Siwek's proposal the contribution at the DBMC would be reduced to \$0.190 per piece while the contribution at the DDU level increases to \$0.466<sup>25/</sup> per piece (over 2.5 times the DBMC level of contribution). This is much more "disparate and discriminatory" than the USPS proposal and provides no incentive for mailers to enter BPM mail at either the DSCF or the DDU.

<sup>24/</sup> The contribution per piece at the DDU level is still larger than the contribution at the DBMC level under my proposal.

<sup>25/</sup> DDU cost savings of \$0.661 per piece - \$0.195 per piece = \$0.466 per piece.

1 **IV. COMPARISON OF RATE PROPOSALS FOR BPM**

2 The rates proposed by the USPS and the volumes for BPM mail were summarized in Witness  
 3 Kiefer's workpapers and LR-325. In aggregate, the USPS proposal generates \$563.9 million in  
 4 revenues and fees.<sup>26/</sup> The USPS' proposed rate structure contained the base rate and DDU  
 5 discounts as summarized in Table 2 below:<sup>27/</sup>

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<u>Item</u>	<u>Amount</u>
(1)	(2)
1. Base Rate for Presorted BPM--Per Piece	\$0.905
2. Destination Entry Discounts for DDU	
a. Per Piece	\$0.297
b. Per Pound	\$0.031
<sup>1/</sup> Witness Kiefer's workpapers, Library Reference LR-I-325, WP-BPM-28.	

18 In the USPS' proposal, the base rate for presorted BPM mail equals \$0.905 per piece. The  
 19 destination entry discounts for DDU under the USPS' proposal equals \$0.297 per piece and \$0.031  
 20 per pound. The USPS' proposed discounts reflected a passthrough of the cost savings ranging  
 21 between 35 percent and 45 percent.<sup>28/</sup>

<sup>26/</sup> Witness Kiefer's workpapers, Library Reference LR-I-325, WP-BPM-28.

<sup>27/</sup> All components of the USPS' proposal are compared to the proposal I presented in Exhibit MOAA-RT-2D.

<sup>28/</sup> See Table 2 of my Direct Testimony on behalf of MOAA (Tr. 30/14360).

In my Direct Testimony, I proposed a modest change to the DDU discount to provide better incentives for mail to be dropped further into the USPS system. I proposed a passthrough of 50 percent of the cost savings which increased the DDU discount to \$0.331 per piece and \$0.044 per pound. As recognized by the PRC, incentives should be provided to mailers in order for the mailer to perform the worksharing. Using a 2.6 pound mail piece as an example,<sup>29/</sup> Table 3 below compares the rate savings from entering the mail at the DDU instead of the DBMC as presented in the USPS' proposal, Witness Siwek's proposal<sup>30/</sup>, and my proposal.

Table 3  
Summary of Savings Between  
Destination Entry at DBMC and DDU--2.6 Pounds

Item (1)	Proposal		
	USPS (2)	Siwek (3)	MOAA (4)
1. Per Piece Discount			
a. DBMC	\$0.062	\$0.195	\$0.062
b. DDU	<u>0.297</u>	<u>0.195</u>	<u>0.331</u>
c. Difference (L1b - L1a)	\$0.235	\$0.000	0.269
2. Per Pound Discount			
a. DBMC	\$0.004	\$0.009	\$0.004
b. DDU	<u>0.031</u>	<u>0.036</u>	<u>0.044</u>
c. Difference (L2b - L2a)	\$0.027	\$0.027	\$0.040
3. Savings to Enter at DDU Instead of the BMC-- 2.6 Pound Piece [L1c + (L2c x 2.6 pounds)]	\$0.305	\$0.070	\$0.373

<sup>29/</sup> This is the average weight for BPM mail entered at the DDU.

<sup>30/</sup> This example relies on the proposed rates shown by Witness Siwek with the coverage ratio at 105 percent.

1        Using a 2.6 pound BPM piece as an example, the USPS proposal would produce a savings  
2        to the mailer of 30.5 cents per piece by entering the mail at the DDU instead of the DBMC.  
3        Witness Siwek's proposal produces a savings of 7.0 cents per piece. My proposal would provide  
4        the mailer with a savings of 37.3 cents per piece by entering mail at the DDU instead of the  
5        DBMC.

6        The USPS has 29 DBMC facilities located in various parts of the USPS. In contrast, the  
7        USPS has over 25,000 DDU facilities. To provide incentive for the mailer to develop a  
8        dropshipping network to such a vast number of DDU facilities, the rate structure must provide  
9        substantial rate incentives.

10       In my opinion, the USPS' proposal which provides a discount of 30.5 cents for a 2.6 pound  
11       piece may not reflect a sufficiently large enough discount to cover the costs for the mailer to  
12       perform the worksharing to deliver the mail to the DDU. Clearly, Witness Siwek's proposal of  
13       providing a discount of only a 7.0 cents per piece (Table 3, Line 3) will provide little incentive  
14       for any mailer to perform worksharing in order to enter mail at the DDU. Witness Siwek's  
15       proposal may well eliminate any mail from switching the point of entry from the DBMC (or SCF)  
16       to the DDU. In order to provide incentives and cover costs for entering at the DDU, my discounts  
17       should be accepted.

18       I recognize that if my proposal to increase the DDU discount is accepted and the USPS  
19       revenue target is set at \$563.9 million, then the base rate per piece must be increased in order for  
20       the proposed rates to be revenue neutral. I have utilized Witness Kiefer's spreadsheet to calculate  
21       the impact on the base rate. Exhibit MOAA-RT-2C attached to this Rebuttal Testimony

1 reproduces Witness Kiefer's calculations shown on his workpaper WP-BPM-28 with two  
 2 adjustments. First, I substituted my proposed discounts of \$0.331 per piece and \$0.044 per pound  
 3 for the discounts proposed by Witness Kiefer (Exhibit MOAA-RT-2C, Line "ac"). Next, I  
 4 adjusted the USPS' base rate per piece for presorted BPM mail (Exhibit MOAA-RT-2C, Line "h"  
 5 to "p") until the aggregate revenues equal the USPS' target revenues of \$563.9 million (Exhibit  
 6 MOAA-RT-2C, Line "an"). Table 4 below summarizes the results of my calculation.

Table 4	
Restated Base Rate Per	
<u>Piece and Discount for DDU</u>	
<u>Item</u>	<u>Amount</u>
(1)	(2)
1. Base Rate for Presorted BPM-Per Piece	\$0.910
2. Destination Entry Discount for DDU	
a. Per Piece	\$0.331
b. Per Pound	0.044
Source: Exhibit MOAA-RT-2C.	

18 Other than the rates shown in Table 4 above, the USPS' proposed rates remain unchanged.  
 19 As shown in Table 4 above, my proposed discounts for DDU mail are revenue neutral with the  
 20 USPS' proposal when the base rate equals \$0.910 per piece.

21 Table 5 below summarizes the difference between the USPS' proposal and my restated rates  
 22 and discounts.



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MOAA-RT-2

Table 5  
Comparison of USPS Proposal and MOAA Restatement

<u>Item</u> (1)	<u>USPS Proposal<sup>1/</sup></u> (2)	<u>MOAA Restatement<sup>2/</sup></u> (3)	<u>Difference<sup>3/</sup></u> (4)
1. Base Rate for Presorted BPM-Per Piece	\$0.905	\$0.910	\$0.005
2. Destination Entry Discount for DDU			
a. Per Piece	\$0.297	\$0.331	\$0.034
b. Per Pound	\$0.031	\$0.044	\$0.013

<sup>1/</sup> Table 2 above.

<sup>2/</sup> Table 4 above.

<sup>3/</sup> Column (3) minus Column (2).

My rate proposal increases the USPS' proposed base rate by 0.5 cents per piece. My proposal increases the destination discount proposed by the USPS by 3.4 cents per piece and 1.3 cents per pound. All of the other rates proposed by the USPS remain unchanged. A comparison of the USPS' proposed rates with my proposal is shown in Exhibit MOAA-RT-2D to this Rebuttal Testimony.

**Comparison of Proposed Rates for Bound Printed Matter --  
USPS' Witness Kiefer v. AAP's Witness Siwek (105%)**

<u>Item</u> (1)	<u>Per Piece</u> <u>Rate</u> (2)	<u>Per Pound Rate</u>						
		<u>Zones 1&amp;2</u> (3)	<u>Zone 3</u> (4)	<u>Zone 4</u> (5)	<u>Zone 5</u> (6)	<u>Zone 6</u> (7)	<u>Zone 7</u> (8)	<u>Zone 8</u> (9)
<b>USPS Proposal 1/</b>								
1. Single	\$1.58	\$0.08	\$0.11	\$0.16	\$0.23	\$0.30	\$0.39	\$0.46
2. Basic Presort								
a. Origin Entry	0.905	0.064	0.092	0.138	0.209	0.286	0.376	0.450
b. DBMC	0.843	0.060	0.086	0.132	0.201			
c. DSCF	0.659	0.035						
d. DDU	0.608	0.033						
3. Carrier Route Discount	0.077							
4. Barcode Discount	0.030							
<b>As Proposed by Siwek Based on 105% Cost Coverage 2/</b>								
5. Single	\$1.42	\$0.07	\$0.09	\$0.14	\$0.20	\$0.27	\$0.35	\$0.41
6. Basic Presort								
a. Origin Entry	0.865	0.060	0.085	0.129	0.197	0.272	0.359	0.429
b. DBMC	0.670	0.051	0.070	0.112	0.177			
c. DSCF	0.670	0.026						
d. DDU	0.670	0.024						
7. Carrier Route Discount	0.077							
8. Barcode Discount	0.030							
<b>Differences (Siwek less USPS)</b>								
9. Single	-\$0.160	-\$0.010	-\$0.020	-\$0.020	-\$0.030	-\$0.030	-\$0.040	-\$0.050
10. Basic Presort								
a. Origin Entry	-0.040	-0.004	-0.007	-0.009	-0.012	-0.014	-0.017	-0.021
b. DBMC	-0.173	-0.009	-0.016	-0.020	-0.024			
c. DSCF	<b>0.011</b>	-0.009						
d. DDU	<b>0.062</b>	-0.009						
11. Carrier Route Discount	0.000							
12. Barcode Discount	0.000							

1/ USPS-T-37, Table 16.

2/ AAP-T-2, Attachment No.6, page 1.

**Note: Differences where Siwek proposes increases to USPS' proposal are in bold.**

**Comparison of Proposed Rates for Bound Printed Matter --  
USPS' Witness Kiefer v. AAP's Witness Siwek (117.6%)  
(USPS Target Revenues and 19.5 Cents Per Piece Discount)**

<u>Item</u> (1)	<u>Per Piece</u> <u>Rate</u> (2)	<u>Per Pound Rate</u>						
	<u>Zones 1&amp;2</u> (3)	<u>Zone 3</u> (4)	<u>Zone 4</u> (5)	<u>Zone 5</u> (6)	<u>Zone 6</u> (7)	<u>Zone 7</u> (8)	<u>Zone 8</u> (9)	
USPS Proposal 1/								
1. Single	\$1.58	\$0.08	\$0.11	\$0.16	\$0.23	\$0.30	\$0.39	\$0.46
2. Basic Presort								
a. Origin Entry	0.905	0.064	0.092	0.138	0.209	0.286	0.376	0.450
b. DBMC	0.843	0.060	0.086	0.132	0.201			
c. DSCF	0.659	0.035						
d. DDU	0.608	0.033						
3. Carrier Route Discount	0.077							
4. Barcode Discount	0.030							
Based on Siwek's Proposed Discounts and 117.6% Cost Coverage 2/								
5. Single	\$1.58	\$0.08	\$0.11	\$0.16	\$0.23	\$0.30	\$0.39	\$0.46
6. Basic Presort								
a. Origin Entry	0.959	0.064	0.092	0.138	0.209	0.286	0.376	0.450
b. DBMC	0.764	0.055	0.077	0.121	0.189			
c. DSCF	0.764	0.030						
d. DDU	0.764	0.028						
7. Carrier Route Discount	0.077							
8. Barcode Discount	0.030							
Differences (Siwek less USPS)								
9. Single	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
10. Basic Presort								
a. Origin Entry	0.054	0.000	0.000	0.000	0.000	0.000	0.000	0.000
b. DBMC	-0.079	-0.005	-0.009	-0.011	-0.012			
c. DSCF	0.105	-0.005						
d. DDU	0.156	-0.005						
11. Carrier Route Discount	0.000							
12. Barcode Discount	0.000							

1/ USPS-T-37, Table 16.

2/ AAP-T-2, Attachment-6, Page 1. Basic Presort rates increased to account for lost revenues from decreased cost coverage.

**Note: Differences where Siwek proposes increases to USPS' proposal are in bold.**

<div> <div>Exhibit MOAA-RT-2C</div> <div>Page 1 of 1</div> </div>							
<div> <div>Calculation of TYAR Revenues</div> <div>Based on MOAA's Proposed Rates and USPS Target Revenues</div> </div>							
Single Piece Bound Printed Matter							
	Per Piece Component <sup>(1)</sup>			Per Pound Component <sup>(2)</sup>			Preliminary Total Revenue <sup>(3)</sup>
	Pieces <sup>(A)</sup>	Per Piece Rate <sup>(B)</sup>	Revenue <sup>(C)</sup>	Pounds <sup>(D)</sup>	Per Pound Rate <sup>(E)</sup>	Revenue <sup>(F)</sup>	
[a] Zones 1&2	15,008,843	\$1.58	\$23,715,551	33,510,230	\$0.08	\$2,880,818	\$28,398,370
[b] Zone 3	2,612,976	\$1.58	\$4,128,502	6,034,288	\$0.11	\$663,772	\$4,792,273
[c] Zone 4	4,187,006	\$1.58	\$6,631,270	9,322,227	\$0.16	\$1,491,556	\$8,122,826
[d] Zone 5	4,108,221	\$1.58	\$6,487,829	10,135,257	\$0.23	\$2,331,109	\$8,818,938
[e] Zone 6	1,927,084	\$1.58	\$3,044,761	4,589,316	\$0.30	\$1,376,795	\$4,421,556
[f] Zone 7	1,213,216	\$1.58	\$1,916,881	3,013,426	\$0.39	\$1,175,236	\$3,092,117
[g] Zone 8	1,682,498	\$1.58	\$2,658,347	4,021,856	\$0.46	\$1,850,054	\$4,508,401
Presort Bound Printed Matter							
	Per Piece Component <sup>(4)</sup>			Per Pound Component <sup>(5)</sup>			Preliminary Total Revenue <sup>(6)</sup>
	Pieces <sup>(A)</sup>	Per Piece Rate <sup>(B)</sup>	Revenue <sup>(C)</sup>	Pounds <sup>(D)</sup>	Per Pound Rate <sup>(E)</sup>	Revenue <sup>(F)</sup>	
[h] Zones 1&2	317,818,921	\$0.910	\$289,169,162	815,205,489	\$0.064	\$52,173,150	\$341,342,312
[i] Zone 3	65,536,390	\$0.910	\$59,628,619	164,276,451	\$0.082	\$15,113,434	\$74,742,053
[j] Zone 4	44,374,361	\$0.910	\$40,374,239	105,129,653	\$0.138	\$14,507,892	\$54,882,131
[k] Zone 5	31,838,742	\$0.910	\$28,968,841	65,684,459	\$0.209	\$13,728,052	\$42,696,893
[l] Zone 6	12,616,190	\$0.910	\$11,478,904	24,064,460	\$0.286	\$6,882,436	\$18,361,340
[m] Zone 7	9,604,011	\$0.910	\$8,738,258	18,673,784	\$0.376	\$7,021,343	\$15,759,601
[n] Zone 8	12,205,433	\$0.910	\$11,105,176	23,863,897	\$0.450	\$10,738,754	\$21,843,929
Revenue Discounts							
	Per Piece Component <sup>(7)</sup>			Per Pound Component <sup>(8)</sup>			Preliminary Total Discount <sup>(9)</sup>
	Pieces <sup>(A)</sup>	Per Piece Discount <sup>(B)</sup>	Discount <sup>(C)</sup>	Pounds <sup>(D)</sup>	Per Pound Discount <sup>(E)</sup>	Discount <sup>(F)</sup>	
[q] Carrier Route Zones 1&2	98,035,875	\$0.077	\$7,548,762	---	---	---	\$7,548,762
[r] Zone 3	4,834,388	\$0.077	\$372,248	---	---	---	\$372,248
[s] Zone 4	2,569,876	\$0.077	\$197,880	---	---	---	\$197,880
[t] Zone 5	1,480,320	\$0.077	\$113,985	---	---	---	\$113,985
[u] Zone 6	563,054	\$0.077	\$43,355	---	---	---	\$43,355
[v] Zone 7	451,826	\$0.077	\$34,791	---	---	---	\$34,791
[w] Zone 8	342,749	\$0.077	\$26,392	---	---	---	\$26,392
[x] DBMC Zones 1&2	168,676,243	\$0.062	\$10,457,927	432,654,531	\$0.004	\$1,730,618	\$12,188,545
[y] Zone 3	28,682,350	\$0.062	\$1,790,706	72,397,793	\$0.006	\$434,387	\$2,225,092
[z] Zone 4	8,435,442	\$0.062	\$522,997	19,984,854	\$0.006	\$119,909	\$642,907
[aa] Zone 5	204,514	\$0.062	\$12,680	421,919	\$0.006	\$3,375	\$16,055
[ab] DSCF	79,039,048	\$0.246	\$19,443,606	202,735,141	\$0.029	\$5,879,319	\$25,322,925
[ac] DDU	35,567,571	\$0.331	\$11,772,868	91,230,814	\$0.044	\$4,014,156	\$15,787,022
[ad] Barcoding	107,510,176	\$0.030	\$3,225,305	---	---	---	\$3,225,305
Revenue Summary							
	Per Piece Component <sup>(10)</sup>		Per Pound Component <sup>(11)</sup>		Total <sup>(12)</sup>		
	[A]		[B]		[C]		
[ae] Single Piece Revenue Before Discounts	\$48,583,141		\$11,569,340		\$60,152,482		
[af] Adjusted					\$62,073,238		
[ag] Presort Revenue Before Discounts	\$449,462,997		\$120,165,060		\$569,628,057		
[ah] Adjusted					\$568,895,116		
[ai] Total Revenue Discounts	-\$55,563,500		-\$12,161,764		-\$67,745,264		
[aj] Net Revenue Before Fees	\$442,482,638		\$116,552,636		\$563,223,089		
[ak] Total Fees					\$698,000		
[al] Net Revenue With Fees					\$563,921,089		

Source: USPS-LR-325, Kiefer, WP-BPM-26 adjusted for MOAA's proposed discounts and restated Base Rate per piece

**Comparison of Proposed Rates for Bound Printed Matter --  
USPS' Witness Kiefer v. MOAA's Restatement (117.6%)**

<u>Item</u> (1)	<u>Per Piece</u> <u>Rate</u> (2)	<u>Per Pound Rate</u>						
		<u>Zones 1&amp;2</u> (3)	<u>Zone 3</u> (4)	<u>Zone 4</u> (5)	<u>Zone 5</u> (6)	<u>Zone 6</u> (7)	<u>Zone 7</u> (8)	<u>Zone 8</u> (9)
<b>USPS Proposal 1/</b>								
1. Single	\$1.58	\$0.08	\$0.11	\$0.16	\$0.23	\$0.30	\$0.39	\$0.46
2. Basic Presort								
a. Origin Entry	0.905	0.064	0.092	0.138	0.209	0.286	0.376	0.450
b. DBMC	0.843	0.060	0.086	0.132	0.201			
c. DSCF	0.659	0.035						
d. DDU	0.608	0.033						
3. Carrier Route Discount	0.077							
4. Barcode Discount	0.030							
<b>As Proposed by MOAA Based on 117.6% Cost Coverage 2/</b>								
5. Single	\$1.58	\$0.08	\$0.11	\$0.16	\$0.23	\$0.30	\$0.39	\$0.46
6. Basic Presort								
a. Origin Entry	0.910	0.064	0.092	0.138	0.209	0.286	0.376	0.450
b. DBMC	0.848	0.060	0.086	0.132	0.201			
c. DSCF	0.664	0.035						
d. DDU	0.579	0.020						
7. Carrier Route Discount	0.077							
8. Barcode Discount	0.030							
<b>Differences (MOAA less USPS)</b>								
9. Single	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
10. Basic Presort								
a. Origin Entry	<b>0.005</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000
b. DBMC	<b>0.005</b>	0.000	0.000	0.000	0.000			
c. DSCF	<b>0.005</b>	0.000						
d. DDU	-0.029	-0.013						
11. Carrier Route Discount	0.000							
12. Barcode Discount	0.000							

1/ USPS-T-37, Table 16.

2/ MOAA-T-1C.

**Note: Differences where MOAA proposes increases to USPS' proposal are in bold.**

1 CHAIRMAN GLEIMAN: That brings us to oral cross.  
2 One part, the Association of American Publishers, has  
3 requested oral cross examination. Is there anyone else who  
4 wishes to cross examine the witness?

5 [No response.]

6 CHAIRMAN GLEIMAN: If not, Mr. Przypyszny, when  
7 you're ready, you may proceed.

8 CROSS-EXAMINATION

9 BY MR. PRZYPYSZNY:

10 Q Good morning, Mr. Prescott.

11 A Good morning.

12 Q My name is John Przypyszny, I am counsel to the  
13 Association of American Publishers. I would like to start  
14 by asking you some questions that pertain to page 6 of your  
15 testimony. Could you please turn there?

16 A Yes, I have it.

17 Q Now, as I understand the gist of what you are  
18 saying on page 6, you refer to the difference between the  
19 cost coverage proposed by the Postal Service for Bound  
20 Printed Matter, which is 117.6 percent and that proposed by  
21 AAP, which is 105 percent, is that correct?

22 A That is what that section deals with, yes.

23 Q Okay. Now, you also state on page 6, I think this  
24 is at line 12 to be exact, that, quote, "The analysis of the  
25 appropriate revenue requirement is beyond the scope of this

1     rebuttal testimony." Now, are you stating that you have no  
2     position regarding the appropriate cost coverage for Bound  
3     Printed Matter?

4             A     No, I have a position. What I have done in my  
5     analysis, on my proposal for modifying the discounts is I  
6     have accepted the Postal Service's cost coverage of 117.6  
7     percent. But in my critique of Witness Siwek, I have shown  
8     the impact of his proposal which is a proposal of cost  
9     coverage of 105 percent.

10            Q     So you are saying that you have accepted the  
11     Postal Service proposed cost coverage of 117.6 percent?

12            MR. TODD: Well, I object to that question, that  
13     is not what the witness said. It is not a question of  
14     accepting it or not. It may be helpful for me at this  
15     point, Mr. Chairman, to say that MOAA, as a participant in  
16     this proceeding, does have a position on cost coverage which  
17     will, if it has not already done so, become clear upon  
18     brief.

19            The fact is, however, that our request to Mr.  
20     Prescott was to analyze the destination discount issue and  
21     he felt that this was most clearly analyzed by accepting for  
22     the purpose of the analysis the revenue requirement that has  
23     been requested by the Postal Service. And therefore, he  
24     simply does not have, or he has not taken a position as a  
25     part of his being a witness in this testimony on the overall

1 question on what the cost coverage for Bound Printed Matter  
2 should be.

3 CHAIRMAN GLEIMAN: Perhaps you would like to  
4 restate your question and put the predicate in a different  
5 context. If not, then we will have to move on to another  
6 question.

7 BY MR. PRZYPYSZNY:

8 Q On what basis can you propose a rate for Bound  
9 Printed Matter without committing to a specific cost  
10 coverage for Bound Printed Matter?

11 MR. TODD: I would again object to the question.  
12 I suppose if the witness can answer it, fine, but I mean it  
13 seems to me an improper predicate. I think I have explained  
14 what Witness Prescott was asked to do. He is not supporting  
15 a cost coverage of 117.6 percent, or 105 percent, or any  
16 other level. He is simply analyzing the discount levels  
17 that are appropriate for destination entry, and doing so,  
18 for the sake of clarity, on the basis of the revenue or cost  
19 coverage which the Postal Service has requested in its case  
20 to this Commission.

21 MR. PRZYPYSZNY: Mr. Chairman, may I respond,  
22 please?

23 CHAIRMAN GLEIMAN: Certainly.

24 MR. PRZYPYSZNY: I am glad that counsel for MOAA  
25 is able to answer a question that I am posing to their



1 witness. And they have set out some rates here and they  
2 have some cost coverages, and there is also a line in the  
3 testimony of the witness which says that the appropriate  
4 revenue requirement is beyond the scope of his rebuttal  
5 testimony.

6 Now, I appreciate that Mr. Todd says that perhaps  
7 in their brief they will state what their cost coverage they  
8 are proposing is, but that doesn't really do much for the  
9 Association of American Publishers and their rights to  
10 cross-examine a witness and their position on the cost  
11 coverage. And I think it is a very reasonable question to  
12 say, in light of the fact that you have proposed rates here,  
13 what is the cost coverage that you are proposing.

14 CHAIRMAN GLEIMAN: Well, in his criticisms of  
15 Witness Siwek's testimony, as I recall, there is some  
16 discussion of what level of cost coverage that may have been  
17 laid on the table by that witness was too low or too high.  
18 So I think to the extent that there is criticism of the cost  
19 coverage that may have been laid on the table by the other  
20 witness, that cost coverage questions, within limits, are  
21 not unreasonable.

22 If the witness doesn't think he can answer the  
23 questions, then he won't answer them, or won't be able to  
24 answer them, and then will inform us of that fact.

25 What concerns me is that, and with respect to the

1 first objection that was raised, was that one might  
2 incorrectly characterize the witness' testimony as a  
3 predicate to a question, and I don't think that is the case  
4 with respect to this second question. So let's let Mr.  
5 Przypyszny proceed with his cross-examination.

6 You certainly can raise objections along the way  
7 to specific questions if you choose. And if the witness is  
8 unable to respond, then he will not respond.

9 BY MR. PRZYPYSZNY:

10 Q Would you like me to restate my second question?

11 A Please.

12 Q On what basis can you propose rates for Bound  
13 Printed Matter without committing to a specific cost  
14 coverage for purposes of your testimony?

15 A You have to start with a target revenue, and then  
16 you have your discounts from which you have revenue  
17 reductions. My testimony focused on the passthrough for the  
18 discounts and the cost savings. To the extent you would  
19 change the revenue target, it would not change my opinions  
20 as to what the level of the discounts are.

21 Specifically, where I have recommended that the  
22 discount for Bound Printed Matter entered at the DDU would  
23 be increased to a 50 percent passthrough, I would maintain  
24 that recommendation at whatever level of cost coverage that  
25 you have. In other words, in my opinion, the impact would

1 be on the base rates in terms of when you adjust the cost  
2 coverage or the target revenues. You would still have, in  
3 my opinion, the same level of discount for the destination  
4 entry.

5 Q Okay. So then, maybe to restate this also a  
6 different way, when you say the analysis of the appropriate  
7 revenue requirement is beyond the scope of this rebuttal  
8 testimony, would it be correct to say you have not taken a  
9 position in your testimony regarding what the appropriate  
10 revenue requirement or cost coverage should be?

11 A Well, I think I have taken a position. In my  
12 restatement of the discounts, is you look at my Exhibit 2C,  
13 the target revenues in Exhibit 2C are the Postal Service's  
14 target revenues. Now, in my analysis of Witness Siwek, I  
15 have looked at the discounts that he proposed, and his rates  
16 that he has proposed at 105 cost coverage, and I have also  
17 shown what his discounts would do to the base rates if you  
18 increase the coverage ratio to 117.6 percent. So I think  
19 there is a position as to what the impact is of the coverage  
20 ratio.

21 Q And that position is, again, clearly?

22 A I thought I did put it clearly. The position I  
23 have on the rates is shown in my text on my exhibits. I  
24 have laid out what I believe.

25 Q Okay. And the position on the cost coverage is,

1 what rate are you proposing?

2 A The rates I have proposed are in Exhibit --

3 Q I'm sorry. What cost coverage are you proposing?

4 A Well, in Exhibits 2C and 2D, I have accepted the  
5 Postal Service's cost coverage of 117.6. If that cost  
6 coverage is adjusted, then, in my opinion, the mechanism to  
7 reflect a change in the cost coverage would be to adjust the  
8 base rate. My restate base rate per piece is .91 -- 91  
9 cents, 91.0 cents.

10 If the cost coverage were adjusted, then I believe  
11 that base rate per piece would be adjusted also, so that you  
12 would hit your target revenues.

13 Q But to go back to something you said before, the  
14 model that you have here in terms of the discounts you are  
15 proposing, you are saying that they could work at other cost  
16 coverages as well?

17 A When you say the model, you mean my Exhibits 2C --

18 Q Yes, your rate structure.

19 A Yes. In my opinion, you would keep the same  
20 discounts and you would change the base rate.

21 Q Okay. Can I refer you now to Exhibit 2D of your  
22 testimony?

23 A Yes, I have it.

24 Q Okay. Now, as I understand, this exhibit presents  
25 your proposed rates, and compares those rates against what

1 the Postal Service has proposed. Generally, would you say  
2 that is a correct statement?

3 A Yes.

4 Q Okay. Now, as I understand it, this exhibit  
5 indicates that you are actually proposing a per piece rate  
6 for Origin Entry and for DBMC mail and for DSCF mail that is  
7 BPM mail dropped at those locations that is .005 cents  
8 greater than proposed by the Postal Service, is that  
9 correct?

10 A Yes, for the non-drop shipped and the drop-shipped  
11 at the BMC and drop-shipped at the SCF, the per-piece rate  
12 is increased by half a cent, yes.

13 Q Now, the DDU per-piece rate, though is .029 cents  
14 lower than proposed by the Postal Service; is that correct?

15 A Yes.

16 Q Okay. Now, when you calculated these rates, did  
17 you use the exact model set forth in Postal Service Witness  
18 Kiefer's workpapers? I think that was library reference 11.  
19 Are you familiar with his workpapers?

20 A Library reference 11?

21 Q I think that was the electronic version of the  
22 workpapers.

23 A I don't recall it has library reference 11, but I  
24 used Witness Kiefer's model as adjusted by the revised  
25 volumes that were submitted by Witness Crum.

1 Q Okay. Now --

2 A I believe in library reference 325.

3 Q Now, his model is roughly composed of 29 different  
4 workpapers, as I recall, and there's a variety of inputs  
5 that he has from which you derive the Postal Service's  
6 proposed rates for bound printed matter.

7 I guess I would just like to know, did you follow  
8 this model, did you work on something that used all these  
9 inputs in the same way that I would say that Witness Siweck  
10 did, which I think is referenced in his attachment 7, when  
11 you calculated your rates that you're proposing for bound  
12 printed matter?

13 A Well, the basis for my calculation in Exhibit 2D  
14 is Exhibit 2C.

15 Q Okay. So 2C is how you derived 2D.

16 A Yes.

17 Q Okay. Can you now refer to Exhibit 2B.

18 A Yes, I have it.

19 Q Now, the heading of this exhibit states that it  
20 compares bound printed matter rates proposed by the Postal  
21 Service with those proposed by AAP Witness Siweck at 117.6  
22 percent cost coverage; is that correct?

23 A Yes.

24 Q But unlike your proposals Witness Siweck has not  
25 proposed per-piece rates higher than those proposed by the

1 Postal Service. That's a correct statement.

2 A I didn't follow that question.

3 Q Okay. You have proposed per-piece rates for  
4 origin entry, DBMC and DSCF mail, bound printed matter  
5 dropped at those locations, you have proposed per-piece  
6 rates higher than proposed by the Postal Service. Witness  
7 Siweck has not. Is that correct?

8 A No. Witness Siweck's proposed rates are higher  
9 than the Postal Service's proposal.

10 Q For DSCF, DDU and DSCF, per-piece rates?

11 A Well, looking at Exhibit 2B, the rates in Exhibit  
12 2B for -- the per-piece rate for origin entry and for  
13 destination SCF and the DDU, the rates would be higher under  
14 Witness Siweck's analysis than under the Postal Service's  
15 proposal.

16 Q Okay. But what you have there in Exhibit 2B, that  
17 is not Witness Siweck's proposal. I just want to clarify  
18 that. What you have done is you have taken his proposal and  
19 you have adjusted it based on your model, which -- a model  
20 that is based on higher rates at the DBMC, DSCF and DDU  
21 per-piece rates into account for that at 117.6 percent cost  
22 coverage. But this is not -- these aren't -- you won't find  
23 these rates anywhere in Witness Siweck's testimony, will  
24 you, or in his workpapers?

25 A There are several pieces to that question. The

1 rates in 2B do not appear in Witness Siweck's. That was the  
2 last part of that. But in terms of the first part of your  
3 question, what this does is this takes the per-piece  
4 discount that Witness Siweck is proposing, which is 19-1/2  
5 cents, and recognizes if the cost coverage were increased to  
6 what was proposed by the Postal Service, that the per-piece  
7 base rate has to be increased also.

8 If you were looking at the rates that do appear in  
9 Witness Siweck's testimony, you would look at Exhibit 2A,  
10 and if you look at Exhibit 2A, you see that Witness Siweck's  
11 proposal is higher than the Postal Service's proposal for  
12 the destination SCF and DDU.

13 Q Okay. But is not higher at the DBMC and the  
14 origin entry.

15 A In Exhibit 2A?

16 Q Exhibit 2A.

17 A No, it is not. The per-piece is not.

18 Q Okay. Just to clarify, Witness Siweck again -- he  
19 has proposed a 105 percent cost coverage, not 117.6.

20 A What he has identified as his final proposal  
21 relies on 105 percent cost coverage. He also does an  
22 analysis at 117.6 percent where he is proposing a 12.9 cent  
23 per-piece discount.

24 Q Okay.

25 A When asked by MOAA if that was his proposal, he



1 said that the 12.9 was not his final proposal; the 19-1/2  
2 cent discount was his final proposal.

3 Q You're referring to an exhibit in his testimony  
4 that is not his rate proposal; is that correct?

5 A Well, it was a rate proposal. I'm not sure it was  
6 his final proposal.

7 Q It is not his final proposal. I think that was  
8 what Witness Siweck said; is that correct?

9 A I believe so.

10 Q Okay. Let me refer you to page 11 of your  
11 testimony, lines 1 and 2.

12 A Yes, I have it.

13 Q Okay. Now, you state there that the Postal  
14 Service volumes are the best evidence in this proceeding.

15 Just to clarify, you are referring to the  
16 predicted volumes that will use the drop-ship discounts; is  
17 that correct, the volumes that are predicted by the Postal  
18 Service to be the drop-ship discounts?

19 A Not exclusively, no. My opinion, the volumes at  
20 all levels, whether it be the carrier route or the single  
21 piece or the non-drop-ship, the volumes put forth by the  
22 Postal Service should be used.

23 Q When you say that those volumes are the best  
24 evidence, are you stating that they're the best evidence  
25 because they are the only evidence?

1           A     No. I'm saying that they're the best evidence  
2     because they have been compiled in a diligent manner and  
3     have been subject to review and critique.

4           Q     Now, if there were flaws in evidence, though, and  
5     it was the only evidence presented in a proceeding, you  
6     would not say that the Commission has to accept and rely on  
7     that evidence.

8           MR. TODD: Well, it does seem to me this asks for  
9     a legal conclusion. If the Chair wants the witness to  
10    answer and the witness can answer, I don't have any  
11    objection, but it does strike me that we've crossed the line  
12    from his opinion to an area of legality.

13          CHAIRMAN GLEIMAN: Well, let's let Witness  
14    Prescott play lawyer if he wishes to.

15          THE WITNESS: I don't wish to play lawyer.

16          MR. TODD: You needn't be so emphatic.

17          [Laughter.]

18          BY MR. PRZYPYSZNY:

19          Q     You would agree, though, the Commission is  
20    obligated to make a determination whether volume estimates  
21    and really a cost study which relies upon those volume  
22    estimates is acceptable and valid prior to relying on such  
23    data.

24          A     As part of the analytical process, the analysts  
25    have to determine what the volumes should be for each rate

1 category, yes.

2 Q Okay. Can I refer you to page 12 of your  
3 testimony, table 1.

4 A Yes, I have it.

5 Q Okay. Now, just to clarify, you state that the  
6 DDU per-piece contribution is equal to .364 cents per piece;  
7 is that correct?

8 A In line 3 in table 1, column 4, yes.

9 Q Okay. And is it your view that the cost savings  
10 calculated by the Postal Service with respect to BPM mail  
11 that's going to be dropped at the DDU are correct?

12 A I have no basis to say that they're not correct;  
13 however, I know that Witness Kiefer stated that there were  
14 concerns that all of those cost savings for entering -- all  
15 the cost savings related to the entry at the BMC would, in  
16 reality, be achieved. But I think the proposed passthroughs  
17 compensate for any potential error in the cost savings.

18 Q You just referred to Witness Kiefer, but neither  
19 your direct or rebuttal testimony really addresses whether  
20 those cost savings or those cost calculations are correct.

21 A Well, I think it does address it because I'm using  
22 those cost savings in determining what the discount should  
23 be and what my recommendations are for the discounts.

24 Q So by using them, you're implying that they're  
25 correct.

1 A Yes.

2 Q Now, for the sake of argument, if the Postal  
3 Service cost savings calculations were wrong or perhaps  
4 later adjusted by the Postal Service, then your calculation  
5 of contribution in table 1 would also be incorrect; is that  
6 right? I should say incorrect or need to be adjusted.

7 A Well, it would depend. It would depend on, if you  
8 had a redetermination of what the cost savings were, if that  
9 had any impact on the level of the discounts. If you change  
10 the discount, that changes the contribution also.

11 MR. PRZYPYSZNY: May I approach the witness?

12 CHAIRMAN GLEIMAN: Certainly. Watch out and make  
13 sure counsel doesn't trip you on your way over there.

14 MR. TODD: Mr. Chairman, I would point out for the  
15 record that although if the witness is able to do so, I  
16 would not object to him responding to questions, this is the  
17 first time that I have seen these, and I believe it's the  
18 first time that Mr. Prescott has seen these cross  
19 examination exhibits.

20 MR. PRZYPYSZNY: Perhaps I could describe what  
21 these exhibits are, and where they originate.

22 CHAIRMAN GLEIMAN: That would be helpful.

23 MR. PRZYPYSZNY: Okay.

24 Attached to the Exhibit 1, which I have marked  
25 AAP/MOAA-EX-1 is Attachment I, Table 3 to Postal Service

1 Witness Crum's testimony, as revised on April 14th, 2000.

2 [Exhibit Number AAP/MOAA-EX-2 was  
3 marked for identification.]

4 MR. PRZYPYSZNY: I believe I could show that the  
5 witness has seen this document before.

6 CHAIRMAN GLEIMAN: I think you can just ask the  
7 witness if he has seen it before. I don't think we have to

8 --

9 MR. PRZYPYSZNY: Okay, that will be fine.

10 BY MR. PRZYPYSZNY:

11 Q Mr. Prescott, have you seen this exhibit before,  
12 or I should say, have you seen Attachment I, Table 3, as  
13 revised by the Postal Service on April 14th, 2000?

14 A The sheet you have marked AAP/MOAA-EX-1, which on  
15 line (i) has a cost savings of 38.5 cents, I have seen that,  
16 and that is Witness Crum, and that number corresponds to my  
17 Table 1, line 1, column 2.

18 Q Okay, thank you.

19 A I have seen that page before.

20 Q Thank you. And you actually answered the question  
21 I would be asking you next.

22 Now, let's look at what I have marked  
23 AAP/MOAA-EX-2.

24 Have you seen this document?

25 A No, I have not.

1 Q Okay, have you seen Library Reference 470?

2 A I don't believe so.

3 Q Have you seen response to -- the Postal Service  
4 response to Presiding Officer Information Request 20?

5 A I don't recall.

6 Q Okay.

7 [Pause.]

8 MR. PRZYPYSZNY: Mr. Chairman, I, if possible,  
9 would like to provide the witness with a few minutes to look  
10 at Attachment I, Table 3, and I'll describe what it is.

11 It's a restatement that was filed by the Postal  
12 Service earlier this week as part of Library Reference 470,  
13 which was submitted in response to POIR-20, and it is a  
14 restatement of Attachment I, Table 3.

15 And I would just have some very basic questions  
16 that I would like to ask the witness regarding this exhibit.

17 CHAIRMAN GLEIMAN: It's -- just so I understand,  
18 it's a restatement of Attachment I, Table 3, that you have  
19 provided us, marked Exhibit 1; is that correct?

20 MR. PRZYPYSZNY: I'm sorry, the exhibit --

21 CHAIRMAN GLEIMAN: It's got to be a restatement of  
22 something.

23 MR. PRZYPYSZNY: I'm sorry, it's a restatement of,  
24 yes, what exhibit -- it would be a restatement of Attachment  
25 I, Table 3, that is marked as Exhibit 1.

1 CHAIRMAN GLEIMAN: Which, in turn, was in Witness  
2 Crum's --

3 MR. PRZYPYSZNY: Which, in turn, was in Witness  
4 Crum's testimony. It's already in the record.

5 MR. TODD: Mr. Chairman, let me make the  
6 observation that I think the rules are clear that this is  
7 the kind of exhibit that is supposed to be provided the day  
8 before a witness's appearance.

9 Again, if the witness -- and one is always made  
10 nervous about new numbers and new calculations, for fear  
11 that mistakes in testimony will be made. If Mr. Prescott  
12 feels comfortable in responding to questions, I have no  
13 objection.

14 But I do want to make certain that sufficient time  
15 is taken that he feels comfortable in responding to  
16 questions concerning this exhibit.

17 CHAIRMAN GLEIMAN: I agree with your general  
18 proposition. I don't know what the questions are going to  
19 be.

20 The general rule follows on, as I understand it,  
21 that you should provide cross examination exhibits in  
22 advance of a witness's appearance on the stand.

23 But it's primarily geared towards the chance that  
24 the witness or the prospect that the witness will be asked  
25 to deal with complex numerical hypotheticals or calculations

1 while on the stand.

2 And I don't know yet whether Mr. Prescott is going  
3 to be subject to those types of questions or not, so we'll  
4 proceed for now. I've noted your concern.

5 BY MR. PRZYPYSZNY:

6 Q Okay, Mr. Prescott, just to clarify again what  
7 we're looking at here, what I have marked AAP/MOAA-EX-1, it  
8 states Attachment I, Table 3, revised 4/14/2000.

9 And you have stated that you have seen this  
10 document before, correct?

11 A Yes.

12 Q In fact, it's referenced in Table 1, the first  
13 footnote of Table 1; is that not correct?

14 A Yes.

15 Q Now I'd like you to just refer to line item (i) of  
16 Exhibit 1, and it says total estimated test year DBMC cost  
17 savings are .385 cents; is that correct?

18 A Yes.

19 Q And that is the figure that you used in Table 1?

20 A Excuse me, it's .385 dollars.

21 Q .385 dollars, excuse me, okay.

22 Now, I'd like to refer you to Exhibit 2, and that  
23 document is labeled Attachment I, Table 3, and then it says  
24 - 1999 data.

25 I'd like you to look at line item (i) of that



1 exhibit.

2 A Are you saying -- was this prepared by the Postal  
3 Service?

4 Q Yes, that was in Library Reference 470.

5 A All right, I have line (i).

6 Q Okay.

7 Now, if you compare the two line items (i) on both  
8 Exhibit 1 and 2, what you see is an increase in estimated  
9 test year DBMC cost savings of .071; is that correct?

10 [Pause.]

11 A The difference between line (i) on Exhibit 2 --

12 Q The difference between line item (i) on Exhibits 1  
13 and 2.

14 A Is .071, accepting Exhibit 2, the numbers on  
15 Exhibit 2.

16 Q Now, I can assure that's the most math that I'm  
17 going to be asking you here, so that's the hypothetical.

18 But what I want to ask you is, accepting that  
19 number that is on Exhibit 2, which is .456 as being the test  
20 year DBMC cost savings for 1999, mind you -- that's what it  
21 says -- if the Commission were to rely on the 1999 data, and  
22 if the Commission were to accept the accuracy of these cost  
23 savings, then it's fair to say that the cost savings for BPM  
24 originating at the DMC would be greater, and your  
25 calculation of contribution for the DBMC would also greater;

1 isn't that correct, if you were to adjust Table 1 to reflect  
2 the 1999 data?

3 A Well, it would depend upon what other adjustments  
4 are made overall. I mean, it would depend on what the  
5 overall revenue requirement becomes, and if there are any  
6 changes to the discount.

7 But if accepting just one change, if that's all  
8 you are changing in this hypothetical, is that you are  
9 increasing the cost savings by .071 cents, then the  
10 contribution would change by .071 cents.

11 Q And that would also then result in a lower  
12 pass-through for DBMC mail?

13 A If you do not change the discount.

14 Q If you do not change the discount, all things  
15 being equal?

16 A Well, all things being unchanged.

17 Q Okay.

18 A It would also increase the contribution at the SCF  
19 and the DDU level by .071 cents, too.

20 MR. PRZYPYSZNY: I think I have not formally  
21 asked, but I'd like to ask that Exhibits AAP/MOAA 1 and 2 be  
22 entered into the record at this point.

23 CHAIRMAN GLEIMAN: I'm not sure what you mean by  
24 entered. Do you mean transcribed?

25 MR. PRZYPYSZNY: Transcribed, perhaps, yes.

1 CHAIRMAN GLEIMAN: Certainly.

2 [Exhibits Numbered AAP/MOAA-EX-1  
3 and AAP/MOAA-EX-2 were transcribed  
4 into the record.]

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Revised 4/14/2000

Attachment I, Table 3

A.	Proportion of outgoing BMC costs avoided by DBMC	56.22% (Table 2)	
B.	BMC Outgoing costs	\$44,774 (Table 1)	
C.	Non-BMC Outgoing costs	\$23,650 (Table 1)	
D.	FY 1998 BPM volume (000)	488,413 (FY 1998 RPW)	
E.	Proportion of volume deposited upstream of the DBMC	29.16% (Attachment H, Table 1)	
F.	TY/BY wage rate adjustment factor	1.124 USFS-LR-1-146	
G.	Total Base Year costs avoided by DBMC entered BPM	\$48,822	
H.	Total Base Year volume of pieces deposited upstream of DBMC	142,470	
I.	Total estimated Test Year DBMC cost savings	\$0.385	

$$= D \times E$$

$$= A \times B + C$$

**Attachment I, Table 3 - 1999 DATA**

A.	Proportion of outgoing BMC costs avoided by DBMC	58.60% (Table 2)
B.	BMC Outgoing costs	\$54,839 (Table 1)
C.	Non-BMC Outgoing costs	\$28,744 (Table 1)
D.	FY 1999 BPM volume (000)	495,662 (FY 1999 RPW)
E.	Proportion of volume deposited upstream of the DBMC	30.30% (Attachment H, Table 1)
F.	TY/BY wage rate adjustment factor	1.124 USPS-LR-I-146
G.	Total Base Year costs avoided by DBMC entered BPM = A * B + C	\$60,879
H.	Total Base Year volume of pieces deposited upstream of DBMC = D * E	150,186
I.	Total estimated Test Year DBMC cost savings	<b>\$0.456</b>

1           CHAIRMAN GLEIMAN: Before you move on to your next  
2 line of questions, just let me make a point, generally. In  
3 fairness to witnesses and opposing counsel, and equally  
4 important, in order to ensure that we've got the best, most  
5 complete, most useful evidentiary record possible, I would  
6 urge all counsel to err on the side of providing cross  
7 examination exhibits, especially at this stage of the case,  
8 in advance of a witness's appearance on the stand, even if  
9 those exhibits do not cross the line and ask for complex  
10 computations and hypotheses being presented, and the like.

11           I think we will all be better served in the long  
12 haul. And that is not in the way of criticism of this  
13 situation, but just as a general rule as we proceed in the  
14 rebuttal phase.

15           I think that's it's really important to make sure  
16 that we flesh out the record as best we possibly can, and I  
17 think if everybody accommodates opposing counsel and witness  
18 in that regard, we'll all be better for it in the long run.

19           MR. PRZYPYSZNY: Mr. Chairman, I appreciate those  
20 comments, and I do agree. Certainly it was not my intention  
21 to cause any confusion for the opposing counsel.

22           MR. TODD: If I may make just a brief comment, Mr.  
23 Chairman, the parties to these case are always pressed to  
24 keep up with what's going on. And that certainly has been  
25 particularly true with the filing of updated '99 data in

1 this case.

2 As the Chair is well aware, the Postal Service has  
3 not changed its proposal, notwithstanding the filing of '99  
4 data.

5 It does and did and does seem to be appropriate in  
6 terms of attempting to figure out what's going on here, for  
7 witnesses discussing varying rate proposals, to do so on the  
8 basis of a constant set of data.

9 Obviously, arguments as to what data should be  
10 used and what the effect should be upon overall rates and  
11 discount levels, can and probably will be made.

12 But the point of Mr. Prescott's testimony was to  
13 look at alternate proposals on the basis of what the Postal  
14 Service has proposed and still proposes in this case.

15 CHAIRMAN GLEIMAN: I appreciate your comments. I  
16 can tell you that it is no less difficult for some of us  
17 here at the Commission to keep up with the material that's  
18 being presented in this case.

19 We have difficult questions that we have to deal  
20 with. Every time I approach a case, I feel like I'm going  
21 to know what's going on and that there is nothing around the  
22 corner waiting for me to jump out and cause me greater  
23 confusion than is usually the case.

24 And I've learned after a couple of times around  
25 the block, that there is always something else around the

1 corner.

2           Your comments are well taken. We appreciate and  
3 understand. I have heard those comments in various and  
4 sundry forms from several other participants in this case.  
5 I don't know what to tell you other than that we are going  
6 to try and do the best and fairest job that we possibly can  
7 on this end. We appreciate all that you and others involved  
8 in the case have had to put up with in this unusual  
9 situation.

10           Maybe after it is all over, we will change some  
11 rules and find a way to -- I think back to the first case  
12 that I participated in here, and I scared the devil out of  
13 some folks here at the Commission when I mumbled something  
14 about hybrid test years. And as we become more and more  
15 capable to come up with data faster and faster, I wonder  
16 somewhere down the road if that is not going to be answer.  
17 But a lot of it is going to depend on what the Postal  
18 Service can provide and what it is willing to provide on a  
19 quarterly basis, whether it is audited and the like or not.

20           But, you know, maybe we will have some discussions  
21 after this case is over to ensure that the situation the  
22 next time around is, at least with regard to this issue, not  
23 as complicated and troublesome as it appears to have been in  
24 this case for all of us.

25           Mr. Przypyszny, I hope we didn't throw you way off



1 track with this, but it certainly wasn't out intention to do  
2 that.

3 MR. PRZYPYSZNY: How about if I start a new line  
4 of questioning?

5 CHAIRMAN GLEIMAN: That sounds good to us.

6 BY MR. PRZYPYSZNY:

7 Q Mr. Prescott, could you please refer to page 10, I  
8 think it is line 17?

9 A Yes, I have it.

10 Q And I just want to confirm that you agree that  
11 two-thirds of the estimated pieces receiving the proposed  
12 drop ship discounts will be entered at the DBMC? Again,  
13 that was line 17.

14 A Yes.

15 Q Okay. Now, MOAA members, they primarily use the  
16 Bound Printed Matter subclass for purposes of mailing  
17 catalogs, is that correct?

18 A That is my understanding, yes.

19 Q Do MOAA members drop ship at the DBMC?

20 A I would imagine that they do.

21 Q Do you know if they do or not, or is that just a  
22 guess?

23 A I don't -- it is not a guess, I mean it is based  
24 on the fact that they mail to a wide variety of areas. I do  
25 not have a distribution of volume for MOAA members.

1 Q So you are assuming they do, but you don't have  
2 any specific knowledge that they do?

3 A I have talked with a MOAA member who has said that  
4 BMC is important.

5 Q And I think it is fair to say they drop ship,  
6 obviously, at the DDU, MOAA members?

7 A That is my understanding.

8 Q They currently drop ship at the DDU?

9 A Yes.

10 Q And they currently drop ship at the SCF?

11 A Yes.

12 MR. PRZYPYSZNY: That's all the questions I have,  
13 Mr. Chairman.

14 CHAIRMAN GLEIMAN: Is there any follow-up?  
15 Questions from the bench?

16 [No response.]

17 CHAIRMAN GLEIMAN: Would you like some time to  
18 prepare for redirect?

19 MR. TODD: Yes, I think it need be only brief, Mr.  
20 Chairman.

21 CHAIRMAN GLEIMAN: Well, it is about time for our  
22 mid-morning respite, so let's take 10, we will come back at  
23 quarter of the hour and we will take up redirect at that  
24 point.

25 [Recess.]

1 CHAIRMAN GLEIMAN: Mr. Todd.

2 MR. TODD: Thank you, Mr. Chairman. I would just  
3 like to make one further observation concerning the  
4 Cross-Examination Exhibit 2, which is -- again, this is  
5 based on '99 data. Just to pick out something at random,  
6 line F shows that the test year, base year wage rate  
7 adjustment factor has remained the same. Without fully  
8 understanding this, I would assume that, in fact, that  
9 probably should change.

10 Having said all that, it seems to me it does  
11 highlight the problems with the use of '99 data, but at this  
12 juncture we will have no redirect of Mr. Prescott.

13 CHAIRMAN GLEIMAN: I look forward to your more  
14 extensive arguments on brief regarding what data we should  
15 use.

16 MR. TODD: This may be the best I can do.

17 CHAIRMAN GLEIMAN: Well, as I said before, every  
18 case has its little twist and turn, and I enter them  
19 thinking this one is going to be easier than the last one  
20 and conclude that is much worse and more complicated than  
21 the last one. But some way or another, given the strength  
22 of my colleagues, and especially the staff around here, we  
23 seem to muddle through and get a decision out, which, while  
24 not necessarily to everyone's liking, I think by and large  
25 is a fair decision. You know, hopefully, we will achieve

1 similar results in this case. But I do look forward to the  
2 arguments on brief. So, thank you, Mr. Todd.

3 Mr. Prescott, that completes your testimony here  
4 today. We appreciate your appearance once again and your  
5 contributions to the record, and you are excused. Thank  
6 you.

7 THE WITNESS: Thank you.

8 [Witness excused.]

9 CHAIRMAN GLEIMAN: Mr. Tidwell, I believe that you  
10 have the next witness.

11 MR. TIDWELL: The Postal Service calls Chris  
12 Campbell to the stand.

13 CHAIRMAN GLEIMAN: Mr. Campbell, I believe also is  
14 already under oath. I think I saw him in this case and not  
15 the last one, two times in this case.  
16 Whereupon,

17 CHRIS F. CAMPBELL,  
18 a witness, having been recalled for examination and, having  
19 been previously duly sworn, was examined and testified  
20 further as follows:

21 CHAIRMAN GLEIMAN: Whenever you are ready, Mr.  
22 Tidwell, and your witness is ready, you may proceed.

23 DIRECT EXAMINATION

24 BY MR. TIDWELL:

25 Q Mr. Campbell, I have placed before you on the

1 table a document which is entitled "The Rebuttal Testimony  
2 of Chris F. Campbell on Behalf of the United States Postal  
3 Service." It has been designated as USPS-RT-23 for purposes  
4 of this proceeding. Was this document prepared by you or  
5 under your supervision?

6 A Yes, it was.

7 Q If you were to provide the contents of this  
8 document in the form of oral testimony today, would that  
9 testimony be the same as contained in the document?

10 A Yes, it would. Although I would like to note for  
11 the record that in my attachments, USPS-RT-23A, there is a  
12 memo supporting a portion of my rebuttal testimony, dated  
13 September 2nd, 1989, from Witness Pham to Doug Madison. I  
14 just want to note for the record that the second page is  
15 missing and it is not particularly relevant to the  
16 testimony, but I am just noting for the record that it is  
17 not anywhere to be found.

18 Q Then so the copy that is attached to the testimony  
19 is as complete a copy as you were able to locate as a result  
20 of searching files at headquarters?

21 A That is correct.

22 CHAIRMAN GLEIMAN: I'm sorry, I was off somewhere  
23 else for a moment there. I am reluctant to ask you to  
24 repeat what you just said, but would you please, Mr.  
25 Campbell, tell me about the missing page again?

1 THE WITNESS: Okay.

2 CHAIRMAN GLEIMAN: Who, what, why, when and where?

3 THE WITNESS: Right. I have included as part of  
4 my rebuttal testimony a memo dated September 2nd, 1989.  
5 That was a memo from a Witness Pham to Doug Madison. On the  
6 first page of that memo, I cite in my testimony a portion of  
7 that first page. I have included as a courtesy the  
8 remaining portion of the memo, however, we are unable to  
9 locate the second page of that memo.

10 CHAIRMAN GLEIMAN: Okay, I guess.

11 Mr. Hall, do you have a comment? I haven't asked  
12 about objections yet.

13 MR. HALL: Okay. I will wait.

14 CHAIRMAN GLEIMAN: Well, you are going to move the  
15 testimony, I take it, Mr. Tidwell?

16 MR. TIDWELL: The Postal Service moves the  
17 testimony into evidence.

18 CHAIRMAN GLEIMAN: Mr. Hall.

19 MR. HALL: I think I have to object to admission  
20 of an incomplete memo. The witness says he can't find the  
21 second page, but in any event, it is not relevant to his  
22 testimony. I don't know how he knows that if he doesn't  
23 have the second page. And I don't know how we can verify it  
24 if he doesn't have the second page and can't produce it.

25 CHAIRMAN GLEIMAN: Mr. Tidwell, would you like to

1 comment?

2 MR. TIDWELL: I am simply going to say that, as  
3 the witness indicated, his testimony refers to a paragraph  
4 on page 1 of the memo and cites that in support of a point  
5 he is making in his testimony as a courtesy. Well, the  
6 Postal Service felt that he was, of course, obligated to  
7 provide for the record a copy of the document that he was  
8 citing. In retrieving the document, we discovered that  
9 another portion of the don't think, page 2, which is not  
10 being cited, no longer exists in any copy that we were able  
11 to locate, and we are simply noting that for the record, to  
12 make it clear that every effort has been made to provide the  
13 Commission and the parties with as complete a version of his  
14 document as is possible, but we weren't able to do it.

15 CHAIRMAN GLEIMAN: Mr. Hall, my recollection of  
16 what Witness Campbell said was that he didn't say that the  
17 page wasn't relevant, even before Mr. Tidwell spoke up, that  
18 was my conclusion, but he was providing the entire memo  
19 because he had cited the first page of it.

20 Now, you know, arguably, there could be something  
21 on the second page that makes the first page of less value,  
22 but I think at this juncture, my inclination is to move the  
23 testimony into evidence and have it transcribed into the  
24 record in its entirety, including the attachment that is  
25 missing a page.

1           And certainly, you are in a position to question  
2   and cross-examine on the testimony, including the  
3   attachment. And the Commission is in a position, as we move  
4   downstream, to judge the importance of the missing page and  
5   the overall context of things, and we will do so.

6           So, Mr. Tidwell, if you would please provide the  
7   two copies to the court reporter, I will direct that they be  
8   transcribed into the record and entered into evidence, and  
9   wonder what other documents are missing over at the Postal  
10   Service.

11                           [Rebuttal Testimony of Chris F.  
12                           Campbell, USPS-RT-23, was received  
13                           into evidence and transcribed into  
14                           the record.]

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USPS-RT-23

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

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POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

REBUTTAL TESTIMONY  
OF  
CHRIS F. CAMPBELL  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

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### **Autobiographical Sketch**

1           My name is Chris F. Campbell. I am an Operations Research Specialist in  
2   Special Studies at Postal Service Headquarters. Since joining the Postal Service  
3   in 1998, I have worked on costing issues with a primary focus on Special  
4   Services and Business Reply Mail. I was the Postal Service cost witness for  
5   numerous Special Services and Business Reply Mail in this docket (USPS-T-29).

#### **I.     Purpose of Testimony**

7           KeySpan Energy (KeySpan) witness Bentley (KE-T-1; Tr. 29/13980 et  
8   seq.) has submitted testimony which proposes Qualified Business Reply Mail  
9   (QBRM) fees for low-volume and high-volume users that are significantly lower  
10   than the fees proposed by Postal Service witness Mayo (USPS-T-39).

11          The purpose of my testimony is to demonstrate how Mr. Bentley has  
12   arbitrarily manipulated postal data and developed productivity estimates to  
13   support the QBRM per-piece fees he has proposed. When one examines per-  
14   piece cost models for both high and low-volume BRM accounts, one realizes just  
15   how sensitive the models are to changes in both productivities and counting  
16   method percentages. Minimal changes to the model inputs can have a  
17   significant impact on QBRM unit cost estimates. My testimony shows just how  
18   KeySpan witness Bentley's cost analysis arbitrarily generates a low per-piece  
19   cost.

1     **II.     Review of KeySpan Proposal**

2             KeySpan's QBRM per-piece fee proposal generally maintains the same  
3     structure as that proposed by the Postal Service.<sup>1</sup> Witness Bentley agrees that  
4     "[t]he basic QBRM fee structure proposed by the Postal Service provides an  
5     appropriate framework for revising QBRM rates."<sup>2</sup> While keeping the framework,  
6     however, Mr. Bentley has chosen to make radical changes to the Postal  
7     Service's proposed QBRM fees. His proposal significantly reduces per-piece  
8     accounting fees for both high and low-volume QBRM recipients (from 3.0 and 6.0  
9     cents to 0.5 cent and 4.5 cents, respectively) and raises the fixed fee intended to  
10    cover billing and rating functions for high-volume QBRM (from \$850 per quarter  
11    to \$1,000 per month). By increasing the fixed fee to \$12,000 per year (\$1,000 x  
12    12 months), KeySpan advocates hiking the Postal Service's proposed breakeven  
13    between low-volume and high-volume BRM from 113,000 pieces to 300,000  
14    pieces annually, depriving a significant number of accounts and mail pieces from  
15    the benefits of a de-averaged fee structure.

16            The underlying costs for KeySpan's per-piece fees as presented by  
17    witness Bentley are shown below in Table 1.

**Table 1**

<b>QBRM Category</b>	<b>Cost per piece</b>	<b>Monthly fixed cost (per account)</b>
High-volume	0.17 cents	\$232.096 <sup>3</sup>
Low-volume	3.43 cents	N/A

<sup>1</sup> Compare USPS-T-39 at 21 with KE-T-1 at Tr. 29/13986.

<sup>2</sup> See KE-T-1 at 5; Tr. 29/13987.

<sup>3</sup> Mr. Bentley accepts the billing and rating cost as presented by USPS witness Campbell in Docket No. R2000-1, USPS-T-29.

1     **III.     KeySpan's Manual Counting Productivity Does Not Capture All**  
2     **Relevant Tasks**

3             Witness Bentley incorrectly asserts in his testimony that the "per-piece fee  
4     for high volume QBRM should reflect only the function of counting."<sup>4</sup> This  
5     statement not only reinforces his lack of understanding of the postage due  
6     activities involved prior to rating BRM pieces, but it also demonstrates his failure  
7     to appreciate the cost analysis which has served as the foundation for measuring  
8     BRM counting costs over the last decade.

9             Current QBRM fees are based primarily on the Docket No. R97-1  
10    testimony of Postal Service witness Schenk (USPS-T-27). One of the principal  
11    pillars of her testimony is the Docket No. R90-1 testimony of Postal Service  
12    witness Pham (USPS-T-23). When witness Pham set out to study BRM  
13    processing in 1989, he focused on costs considered incremental to BRM, costs  
14    above and beyond those already allocated to First-Class Mail. He recognized  
15    that there are numerous cost differences between the total cost of providing BRM  
16    service and that of regular First-Class Mail service. In a September 1989 memo  
17    to his supervisor, witness Pham described his BRM cost study requirements and  
18    emphasized the need to fully capture incremental costs as follows:

19             Any special service cost study such as the proposed BRM cost study is  
20             bound to reflect the special service fee concept that requires an accurate  
21             accounting of the incremental and additional costs needed to provide the  
22             special service above and beyond the costs already allocated to the  
23             regular classes of mail (First Class in the case of BRM). These  
24             incremental/additional costs should encompass all costs and should not  
25             be limited to clerical processing, accounting or other postage due unit  
26             costs as in the case of the 1972 BRM special cost study. In other words,  
27             they should reflect all cost differences between the total cost of providing  
28             BRM service and that of First Class Mail service.

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<sup>4</sup> See Exhibit KE-T-1, page 7; Tr. 29/13989.

1 See Attachment USPS-RT-23A. Based on the "incremental" costing approach  
2 described above, witness Pham developed a data collection plan intended to  
3 quantify "incremental costs to handle BRM, above and beyond First-Class Mail."  
4 He sent data collection forms and instructions to 15 BRM processing sites for  
5 completion over a two-week period.<sup>5</sup> As shown in his Docket No. R90-1  
6 testimony at Form 3-B in Exhibit USPS-23A, witness Pham breaks out BRM  
7 postage due activities into manual clerical work elements considered incremental  
8 to BRM.

9 A productivity for *distribution*, the first work element on witness Pham's  
10 Form 3B, is needed to determine the incremental BRM per-piece cost. In this  
11 context, the term *distribution* (sometimes called "sorting and counting")  
12 encompasses an array of tasks including (1) obtaining BRM trays from a  
13 designated area, (2) sorting trays containing BRM with multiple P.O. boxes into  
14 appropriate separations, (3) counting BRM pieces, (4) keeping track of BRM  
15 counts for multiple accounts, and (5) returning trays to a designated area.  
16 Witness Pham's study captured, among other things, the workhours needed to  
17 distribute a finite number of BRM pieces. Also, by conducting the study over a  
18 two-week period, such factors as set-up time, clerk fatigue, and travel time are  
19 incorporated into the study. A manual distribution (or "sorting and counting")  
20 productivity of 951 pieces per hour (PPH)<sup>6</sup> is derived from the consolidated  
21 summary report shown in Docket No. R90-1, Exhibit USPS-23F.

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<sup>5</sup> See Docket No. R90-1, USPS-T-23, page 4.

<sup>6</sup> BRM volume / distribution workhours = 7,382,484 / 7,763.48 = 951 PPH

1           Witness Bentley does not agree with the PRC-approved manual  
 2   productivity derived by witness Pham in Docket No. R90-1 and incorporated into  
 3   the Postal Service's BRM costing analysis presented in this docket. Instead,  
 4   witness Bentley's approach is to derive a manual *counting* productivity based on  
 5   his observation of four KeySpan employees counting letters while sitting at a  
 6   table for 20 minutes.<sup>7</sup> Based upon this brief simulation and his arbitrary  
 7   application of a factor to account for down time,<sup>8</sup> Mr. Bentley arrived at a  
 8   counting productivity of 2,746 PPH. This productivity estimate does not reflect  
 9   most of the relevant "real world" incremental tasks that witness Pham so carefully  
 10   studied over a two-week period. Witness Bentley's inflated manual counting  
 11   productivity is therefore an inferior productivity to use in a BRM costing analysis.<sup>9</sup>

#### 12   **IV.   Mr. Bentley's Weight Averaging Productivity is Questionable**

##### 13           **A.    Productivity Based on Three Minutes of Data**

14           Weight averaging is an alternative method used by postage due clerks to  
 15   count QBRM pieces when automated methods are infeasible. In his testimony,  
 16   witness Bentley attempts to derive a weight averaging productivity using a  
 17   videotaped simulation. The videotape, submitted as KE-LR-2, shows a KeySpan  
 18   employee applying a weight averaging technique for the purpose of obtaining  
 19   BRM piece-counts for four trays containing letters. Based on three minutes of

<sup>7</sup> See Exhibit KE-1C; Tr. 29/14033.

<sup>8</sup> The arbitrary factor assumes "that a clerk is productive for only 36 minutes during each hour worked" (see TR 29/14070). Mr. Bentley provides no explanation as to how he arrived at this assumption.

<sup>9</sup> Note that by substituting Mr. Bentley's manual productivity of 2,746 (Exhibit KE-1B, page 1; Tr. 29/14026) with witness Pham's productivity of 951, Mr. Bentley's cost per piece for high-volume BRM is increased from 0.17 cents to 0.5 cents, while the cost per piece for low-volume BRM is increased from 3.43 cents (Exhibit KE-1B, page 2; Tr. 29/14027) to 4.78 cents.

1 data and by applying an arbitrary "down time" factor, Mr. Bentley calculates a  
2 weight averaging productivity of 68,078 PPH.<sup>10</sup>

3       Witness Bentley's estimated weight averaging productivity is highly  
4 suspect for two reasons. First, when compared to a 1987 Postal Service study at  
5 a large site implementing weight averaging, his productivity estimate is a  
6 staggering *ten times* higher than the productivity estimate using actual Postal  
7 operational data.<sup>11</sup> Second, the videotape does not reflect "real world" postal  
8 operations. Witness Bentley admits that the purpose of the videotape is "to show  
9 just how inefficient hand counting is and how much more efficient counting by  
10 weighing techniques is."<sup>12</sup> At best, it shows BRM counting in a scenario  
11 contrived for the camera.

12       **B. Nonletter-size vs. Letter-size BRM Productivities**

13       As mentioned above, the 1987 Postal Service study resulted in a weight  
14 averaging productivity of 6,390 PPH.<sup>13</sup> The weight averaging productivity for  
15 nonletter-size BRM presented in this docket is 7,272 PPH.<sup>14</sup> The relationship  
16 between these two productivities is counter intuitive. As I testified earlier in this  
17 proceeding, the weight averaging productivity for small, non-uniform BRM pieces  
18 (usually weighing a few ounces) should be lower than that for uniform BRM  
19 letters. However, currently there are no data that provide a basis for estimating  
20 what the productivity for letter weight averaging might be. Unlike for nonletter-

<sup>10</sup> See Exhibit KE-1C, page 3; Tr. 29/14035.

<sup>11</sup> The 1987 study produced a productivity of 6,390 PPH. See Tr. 14/5989-92.

<sup>12</sup> See KE-LR-2, page 1.

<sup>13</sup> See Tr. 14/5989-92.

<sup>14</sup> See Docket No. R2000-1, USPS LR-I-160, Section K.



1 size BRM, the Postal Service has developed no standards or procedures for  
2 applying weight averaging to trays of letters.

3 The Postal Service is currently in the early stages of reviewing BRM  
4 counting, billing, and rating procedures. We anticipate improvements in BRM  
5 processing and accounting through the development and implementation of best  
6 practices and standards. Regrettably, these improvements will not be  
7 implemented until after Test Year 2001. Tr. 21/9466. Meanwhile, there is no  
8 basis whatsoever for concluding that the productivity for letter weight averaging is  
9 68,078 PPH – nine times higher than that for nonletter-size pieces.

## 10 **V. Data Have Been Manipulated to Reach Desired Outcome**

### 11 **A. Counting Percentage Estimates**

12 After completing his own “studies” to derive counting productivities,  
13 witness Bentley’s second step for deriving a per-piece counting cost for QBRM  
14 was to “estimate the percent of volumes that are counted by each of the five  
15 [accounting] methods used.”<sup>15</sup> His estimates are based, in part, on QBRM  
16 annual volume data for the top 72 accounts<sup>16</sup> provided by the Postal Service in  
17 response to KE/USPS-T29-49<sup>17</sup> and KE/USPS-T29-53.<sup>18</sup> The Postal Service  
18 also separately provided witness Bentley with annual volumes for the largest  
19 QBRM customer. This customer’s volumes (which are not recorded in CBCIS)  
20 make up nearly 25 percent of the volume reflected in Mr. Bentley’s “top 77

<sup>15</sup> See KE-T-1, page 9; Tr. 29/13991.

<sup>16</sup> Obtained from the USPS Corporate Business Customer Information System (CBCIS) database.

<sup>17</sup> See Tr. 14/6025-30.

<sup>18</sup> See Tr. 21/9450; USPS-LR-I-331.

1 accounts."<sup>19</sup> Witness Bentley then separately added QBRM volumes totaling 5.5  
 2 million for an account in the New York metropolitan area.<sup>20</sup>

3 The counting methods to which he refers were from the 1997 BRM  
 4 Practices Study (Docket No. R97-1, USPS-LR-H-179) and a telephone survey  
 5 conducted by the Postal Service.<sup>21</sup> Mr. Bentley's derived high-volume QBRM  
 6 counting method percentages are shown in Table 2.

**Table 2**  
 High-Volume QBRM Counting Method Percentages

Counting Method	Percent
BRMAS	51.6%
EOR	28.1%
Manual	11.2%
Weighing/SCM	9.2%
Total	100%

7 **B. Mr. Bentley Erroneously Includes 56 Million QBRM Pieces**

8 Witness Bentley's analysis of high-volume account suffers from a serious  
 9 problem. He includes 56 million QBRM pieces from the largest QBRM customer  
 10 cited above, as part of the volume associated with the top 77 high-volume QBRM  
 11 accounts.<sup>22</sup> These 56 million pieces make up nearly 25 percent of the volume he  
 12 associates with his top 77 accounts. Mr. Bentley erroneously assumes that this  
 13 huge amount of volume is received by a single account.<sup>23</sup> Instead, these 56  
 14 million QBRM pieces are received by approximately 2,500 separate accounts. If

<sup>19</sup> These data are presented in Exhibit KE-1D, page 7; Tr. 29/14043. These data were provided to KeySpan separately because the volumes are not contained in the CBCIS database.

<sup>20</sup> Also not recorded in CBCIS.

<sup>21</sup> See response to KE/USPS-T29-49; Tr. 14/6025-30.

<sup>22</sup> Mr. Bentley correctly removes the 56 million pieces to estimate counting method percentages for high-volume accounts not in the "Top 77." See Exhibit KE-1B, page 4; Tr. 29/14029.

<sup>23</sup> See Exhibit KE-1G, page 2 where he states that he "received separate data for one very large account."; Tr. 29/14059.

1 one assumes that each account receives 22,400 QBRM pieces per year, then  
2 each would be considered a "low-volume" account and should not be  
3 incorporated into witness Bentley's analysis, given that his goal is to determine  
4 the counting method percentages of only high-volume accounts (those receiving  
5 300,000+ pieces per year). By including all of these 56 million pieces in his high-  
6 volume QBRM analysis, Mr. Bentley overestimates the volume of "high-volume"  
7 QBRM pieces and, thus, underestimates the unit cost to count QBRM received in  
8 high volumes.<sup>24</sup>

9 **C. High-Volume Counting Method Estimates are Skewed**

10 Mr. Bentley's QBRM per piece accounting fee proposal assumes a break-  
11 even volume of 300,000 pieces per year, meaning that a recipient would need to  
12 receive at least 300,000 QBRM pieces per year in order to benefit from his  
13 proposed de-averaging. Based on this breakeven volume, Mr. Bentley estimates  
14 that 300 separate accounts could switch to his proposed high-volume category.<sup>25</sup>  
15 He estimates the total volume from these accounts to be 345 million pieces.

16 With respect to estimating volumes by counting method for high-volume  
17 recipients, Mr. Bentley states that his counting method percentages are based on  
18 "74 offices" for which he has volumes by counting method.<sup>26</sup> The percentages  
19 that he derived for his "top 74" accounts are shown in Exhibit KE-1D, page 1. Tr.  
20 29/14037. Further, he says that these volumes "represent 241 million pieces out  
21 of the 345 million that comprise the high-volume universe."<sup>27</sup> Given that he

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<sup>24</sup> The site uses an efficient system similar to BRMAS.

<sup>25</sup> See Exhibit KE-1G, page 2; Tr. 29/14059.

<sup>26</sup> See Exhibit KE-1G, page 3; Tr. 29/14060.

<sup>27</sup> Ibid.

1 erroneously included all 56 million pieces representing 2,500 accounts (as  
2 indicated above), his counting percentages for the top 73 accounts (not 74  
3 accounts) actually could represent as little as 185 million pieces<sup>28</sup> (not 241 million  
4 pieces) out of a 289 million high-volume universe (not 345 million).<sup>29</sup>

5 Mr. Bentley's next step was to estimate the counting method percentages  
6 for the remaining QBRM volume not included in his top 74 accounts. His  
7 testimony states that he "re-computed the percentages by counting method for  
8 the sample, excluding the input from those two [large] accounts." His "re-  
9 computed" percentages are shown in Exhibit KE-1D, page 1. Again, because he  
10 erroneously included as many as 56 million pieces, it would only have been  
11 necessary for him to subtract out the volume from a single large account  
12 consisting of 38 million pieces.<sup>30</sup> The remaining volume would be approximately  
13 146 million.

14 By applying the "re-computed" percentages, Mr. Bentley set out to  
15 determine the volumes by counting method for the remaining 104 million  
16 pieces.<sup>31</sup> He then derived the final counting method percentages for high-volume  
17 QBRM (shown above in Table 2) by adding volumes from the initial sample to the  
18 remaining 104 million pieces.

19 I have serious concerns with Mr. Bentley's counting method analysis for  
20 high-volume accounts. First, he misinterprets data provided to him by the Postal  
21 Service and erroneously includes up to 56 million QBRM pieces in his high-

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<sup>28</sup> 241 million - 56 million = 185 million pieces

<sup>29</sup> 345 million - 56 million = 289 million pieces

<sup>30</sup> See KE-LR-1, page 3.

<sup>31</sup> See Exhibit KE-1G, page 3; Tr. 29/14060.

1 volume QBRM analysis. Second, he applies the counting method percentages  
2 for the highest 74 accounts (less 2 accounts) to the next 226 accounts (in order  
3 of descending volume) reflected in the data provided in response to KE/USPS-  
4 T29-53(f).<sup>32</sup> However, he has no basis for assuming that the counting methods  
5 used for accounts receiving between one million to ten million QBRM pieces per  
6 year would apply to QBRM accounts receiving 250,000 to one million pieces to  
7 the same degree. There is no question that his counting percentage estimates  
8 for the top 300 QBRM accounts are skewed in favor of low-cost efficient counting  
9 methods.

10 **D. Mr. Bentley's Low-Volume Counting Percentage Estimates**  
11 **Lack a Foundation**

12 After deriving counting method percentages for high-volume QBRM  
13 accounts, witness Bentley set out to derive counting method percentages for low-  
14 volume QBRM accounts (less than 300,000 QBRM pieces). As I will  
15 demonstrate, his analysis is arbitrary in nature and based on unsupported  
16 assumptions, a troublesome combination.

17 Mr. Bentley's first assumption is that "the percentages by counting method  
18 derived for the higher volumes would be applicable so long as the volume  
19 received was 100,000 or more."<sup>33</sup> He provides no basis for making this  
20 statement. When asked by the Postal Service to explain the basis for this  
21 assumption, he replies that accounts receiving 100,000 or more pieces per year

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<sup>32</sup> See Tr. 21/9450; USPS-LR-I-331.

<sup>33</sup> See Exhibit KE-1G, page 3; Tr. 29/14060.

1 "would exhibit daily volumes that would make it cost efficient for the Postal  
2 Service to count letters by means other than manual counts."<sup>34</sup>

3 His testimony further states that 100,000 pieces "implied an average of  
4 about 400 pieces received per day, which is near the breakpoint above which  
5 hand counting is no longer efficient."<sup>35</sup> When asked by the Postal Service to  
6 explain the basis for this assumption, he replies that he "counted QBRM sample  
7 letters several times by hand and by weight averaging"<sup>36</sup> and that "[a]t low levels  
8 of 100 or less, hand counting was more effective."<sup>37</sup>

9 Having established the above arbitrary assumptions, witness Bentley  
10 proceeded to estimate counting method percentages for "the 70 million pieces  
11 received in quantities of between 100,000 and 300,000 per year"<sup>38</sup> using the  
12 counting method percentages derived for high-volume accounts. Unfortunately,  
13 because witness Bentley erroneously included as many as 56 million pieces as  
14 high-volume pieces instead of low-volume pieces, his 70 million piece estimate is  
15 off by as much as 80 percent.<sup>39</sup> He then assumed that 100 percent of the QBRM  
16 pieces received in quantities less than 100,000 per year are counted by hand.<sup>40</sup>

17 As with Bentley's high-volume methodology, I have serious concerns with  
18 his methodology to derive counting method percentages for low-volume  
19 accounts. First, his responses to Postal Service inquiries clearly show that he  
20 has no basis for making the above-referenced assumptions made in deriving low-

---

<sup>34</sup> See Tr. 29/14073.

<sup>35</sup> See Exhibit KE-1G, page 3; Tr. 29/14060-61.

<sup>36</sup> See Tr. 29/14072.

<sup>37</sup> Ibid.

<sup>38</sup> See Exhibit KE-1G, page 4; Tr. 29/14061.

<sup>39</sup> (56 million / 70 million) \* 100% = 80%

<sup>40</sup> See Exhibit KE-1B, page 5; Tr. 29/14030.

1 volume counting method percentages. They are founded on what he believes to  
 2 be the most "cost efficient for the Postal Service" and not on actual postal  
 3 operations. Second, his lack of knowledge regarding postal data resulted in  
 4 inaccurate counting method percentages.

5 **E. Mr. Bentley's Counting Method Percentage Estimates For All**  
 6 **QBRM Show Little Resemblance to 1997 BRM Practices Study**  
 7 **Estimates**

8 After Mr. Bentley developed his own counting method percentages for  
 9 high and low-volume QBRM accounts, he combined the volumes for high and  
 10 low-volume QBRM accounts and calculated counting method percentages for all  
 11 QBRM as shown below in Table 3. He compares his derived counting method  
 12 percentages<sup>41</sup> to those percentages generated by the Postal Service's 1997  
 13 BRM Practices Study (Docket No. R97-1, USPS LR-H-179).

**Table 3: BRM Practices Study vs. Mr. Bentley's Estimated Counting Method Percentages**

<b>QBRM Category</b>	<b>Data Source</b>	<b>BRMAS</b>	<b>EOR</b>	<b>SCM</b>	<b>Weight</b>	<b>Manual</b>	<b>Total</b>
All QBRM	BRM Practices Study	14%	19%	10%	9%	47%	100%
	Bentley's Estimates	44%	27%	1%	8%	20%	100%

14 As one can see, Mr. Bentley's estimated counting method percentages for all  
 15 QBRM bear little resemblance to those estimates resulting from the 1997 BRM  
 16 Practices Study. The Practices Study suggests that Mr. Bentley's arbitrarily  
 17 derived estimate for automated counting is greatly overstated, while his estimate  
 18 for manual counting is similarly understated. These extreme differences cast  
 19 serious doubt on Mr. Bentley's analysis.

<sup>41</sup> See KE-T-1, page 16, Table 4; Tr. 29/13998.

1           In contrast to witness Bentley's limited analysis, the Practices Study is  
2   based on BRM data collection at nearly 450 sites using statistical sampling  
3   methods.<sup>42</sup> According to the study sample design, a list of 10,055 facilities was  
4   generated which represented "the universe of facilities which could be identified  
5   as processing destinating BRM, or were likely to report BRM revenues."<sup>43</sup> Sites  
6   were chosen for the study "with probability proportional to their reported BRM  
7   revenues,"<sup>44</sup> so those sites receiving heavier BRM volumes were more likely to  
8   be surveyed. Of the universe, the largest 99 sites were automatically included in  
9   the survey, ensuring that a large percentage of BRM volume would be  
10   represented in the survey results.<sup>45</sup>

## 11   **VI. Conclusion**

12           A more precise de-averaging of QBRM per-piece accounting fees than  
13   proposed by witness Mayo requires more comprehensive data than are presently  
14   available concerning the relationship between accounting method and QBRM  
15   account volume. The Postal Service's 1997 BRM Practices Study shows, in the  
16   aggregate, the degree to which different accounting methods are applied to  
17   QBRM volume as a whole. However, it does not provide a way for determining  
18   which methods are applied to which accounts on the basis of volume. Although it  
19   might be "logical" to assume that more efficient accounting methods are used to  
20   a higher degree with larger accounts, the only information which definitively  
21   shows what methods are applied to particular accounts is reflected in response

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<sup>42</sup> See Docket No. R97-1, USPS LR-H-179, page 9.

<sup>43</sup> See Docket No. R97-1, USPS LR-H-179, page 6.

<sup>44</sup> See Docket No. R97-1, USPS LR-H-179, page 8.

<sup>45</sup> See Docket No. R97-1, USPS LR-H-179, pages 8,9.



- 1 to KE/USPS-T29-49 (Tr. 14/6025, 6026, 6030). Another comprehensive BRM
- 2 Practices Study is needed before we can take de-averaging to the next level. In
- 3 the meantime, the Commission should not rely on an analysis as flawed as
- 4 witness Bentley's.

**ATTACHMENT USPS-RT-23A**

## MEMO

DRAFT  
REVISED

To : Doug Madison  
From : Hien Pham  
Subject : New BRM Costing Methodology  
Date : September 2, 1989

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In its recommended decision concerning Docket No R87-1, the Postal Rate Commission has urged the Postal Service to design and undertake a new BRM cost study and submit a new rate filing addressing this subject.

In light of the above recommendation and taking into account past criticisms made by both the PRC and the industry's intervenors in recent rate cases, it may be necessary for the Service to conduct a totally new BRM cost study that accurately accounts for the current cost of providing BRM service, while incorporating the most recent changes in technology that have affected the provision of BRM service as well as new operating and accounting procedures.

#### 1. Study Requirements

Any special service cost study such as the proposed BRM cost study is bound to reflect the special service fee concept that requires an accurate accounting of the incremental and additional costs needed to provide the special service above and beyond the costs already allocated to the regular classes of mail (First Class in the case of BRM). These incremental/additional costs should encompass all costs and should not be limited to clerical processing, accounting or other postage due unit costs as in the case of the 1972 BRM special cost study. In other words, they should reflect all cost differences between the total cost of providing BRM service and that of First Class Mail service. Meanwhile, a special effort should be made to ensure that no double counting of any relevant cost element is involved.

The new BRM cost study should also incorporate all the cost implications resulting from the most recent changes in technology and operating and accounting procedures. Furthermore, it should be designed and structured to reflect the total cost characteristics of BRM service under varying process and delivery conditions.

#### 2. Costing Approach and Methodology

In view of meeting the above requirements, the new BRM costing approach should be aimed at identifying and quantifying all the operational differences between a FCM piece and a BRM piece sharing the same mail characteristics. Consequently, all the differences in mail flow processes, work elements and their corresponding productivities, as well as operating and accounting procedures should be clearly identified, measured and costed.

postage due unit

- Primary distribution operation, separating cash and advance deposit accounts
- Secondary distribution operation, sorting to customers / permit holders
- Clerical processing operation involving the counting, rating and billing of BRM
- BRM pickup by carriers and/or box section clerks at the postage due unit.

It should be noted that the FCM manual incoming secondary operation has been somewhat replaced by BRM distribution functions within the postage due unit.

d. Non automation compatible FCM piece and non advance deposit BRM to be processed manually : as shown in Appendix D notable differences involve the following additional operations for the BRM piece :

- BRM separation from the mailstream and diversion to the postage due unit
- Distribution operation separating cash and advance deposit accounts
- Diversion of non advance deposit BRM to windows
- Clerical processing operation at windows
- BRM pickup by carriers and/or box section clerks at windows
- Collection operation
- Accountability relief operation

It should be noted that the FCM manual incoming secondary operation has been somewhat replaced by BRM distribution functions within the postage due unit and at the windows.

With regard to the determination of the cost underlying the accounting fee, the effort should be focused on the preparation, handling, verification and supervision of the various trust accounts forms required for the maintenance of the BRM advance deposit account. These various trust account forms include :

- Form 25 : Ledger Book
- Form 1412 : Postage Due Accounting
- Form 3083 : Trust Account Receipts And Withdrawals
- Form 3544 : Post Office Receipt For Money
- Form 3602
- and 3602-B : Information On Meter Reading
- Form 3611 : Postage Due Statement (issued by BRMAS)
- General Ledger Account 40130

Activities related to the preparation, handling, verification and supervision of the above forms may involve the Finance / Accounting unit, the Station Superintendent, the Accountability / Postage Due Cage, and the Advance Payments Section / Window Clerk.

Efforts should also be made to distinguish accounting functions for advance deposit accounts processed on the BRMAS and those processed manually.

Before proceeding with the data collection, a systematic

effort should be made to verify whether the mail flow processes described above are compatible with and accurately reflect the new accounting and operating procedures put in place as a result of the implementation of the BRMAS.

### 3. Data Collection Requirements

Judgment will be properly exercised in determining the sample size and in view of establishing the representativeness of the total sample. At this point, cost data are expected to be based on tests to take place at two selected sites in each region. In order to ensure the validity and reliability of the data collected, efforts will be made to create a totally controlled testing environment where the latest available technology affecting BRM will be used and where prescribed new operating and accounting procedures will be strictly implemented. The BRMAS Program Manager is currently working with Operations Support to come up with a list of selected sites. The study period at each test site will be possibly for five weeks, overlapping one full AP. The time frame for the tests is yet to be determined but they will only take place once new operating and accounting procedures have been finalized and put in place at test sites.

The data collection process should focus on the following specific research issues :

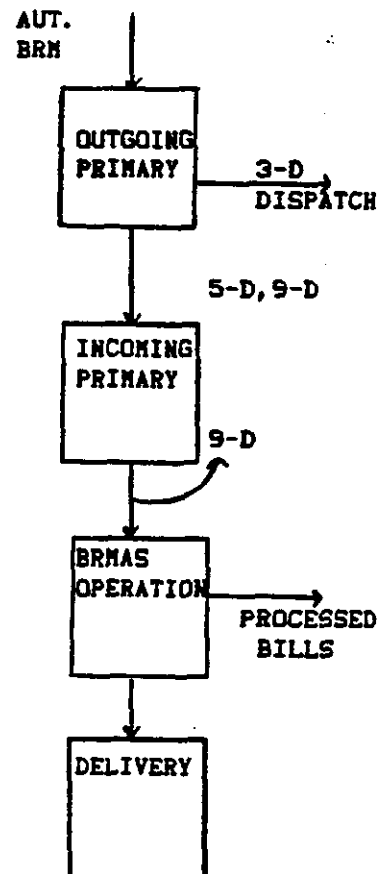
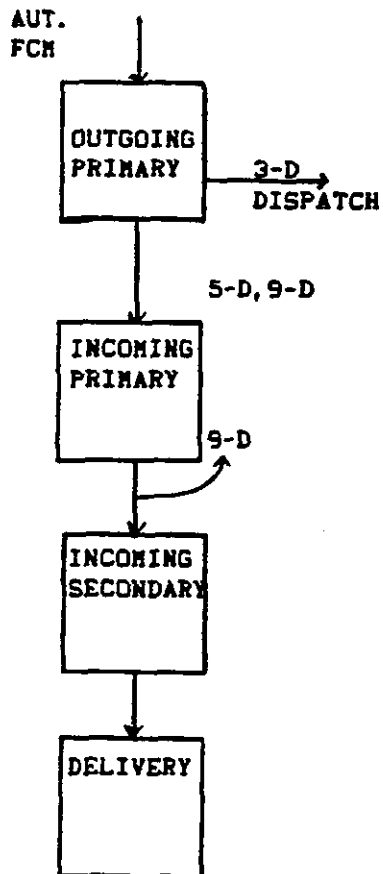
- National estimate of percentage of BRM processed under advance deposit procedures
- National estimate of percentage of BRM processed by the Business Reply Mail Accounting System (BRMAS)
- Percentage of BRMAS rejects
- Productivity of FCM automated incoming secondary operation
- Productivity of FCM manual incoming secondary operation
- Person workhours and number of BRM pieces associated with BRMAS operation
- Person workhours and number of BRM pieces associated with the postage collection of non advance deposit BRM
- Person workhours and number of BRM pieces associated with the carrier's accountability relief for non advance deposit BRM
- Person workhours and number of BRM pieces associated with the manual separation of BRM from the mailstream and its diversion to the postage due unit
- Person workhours and number of BRM pieces associated with the separation of BRM into advance and non advance deposit accounts
- Person workhours and number of BRM pieces associated with the separation of BRM to customers / permit holders
- Person workhours and number of BRM pieces associated with the clerical processing of BRM within the postage due unit
- Person workhours and number of BRM pieces associated with the BRM pickup at postage due units

- Person workhours and number of BRM pieces associated with the diversion of BRM to station windows
- Person workhours and number of BRM pieces associated with the clerical processing of non advance deposit BRM at station windows
- Person workhours and number of BRM pieces associated with the BRM pickup by carriers at station windows
- Person workhours associated with the preparation, handling, verification and supervision of trust account forms and the total number of advance deposit accounts.

To assist in the collection and recording of test data, a series of standardized forms will be designed and produced for use by all test sites. Test sites coordinators will be extensively consulted in the design and preparation of these forms especially during the pilot testing period.

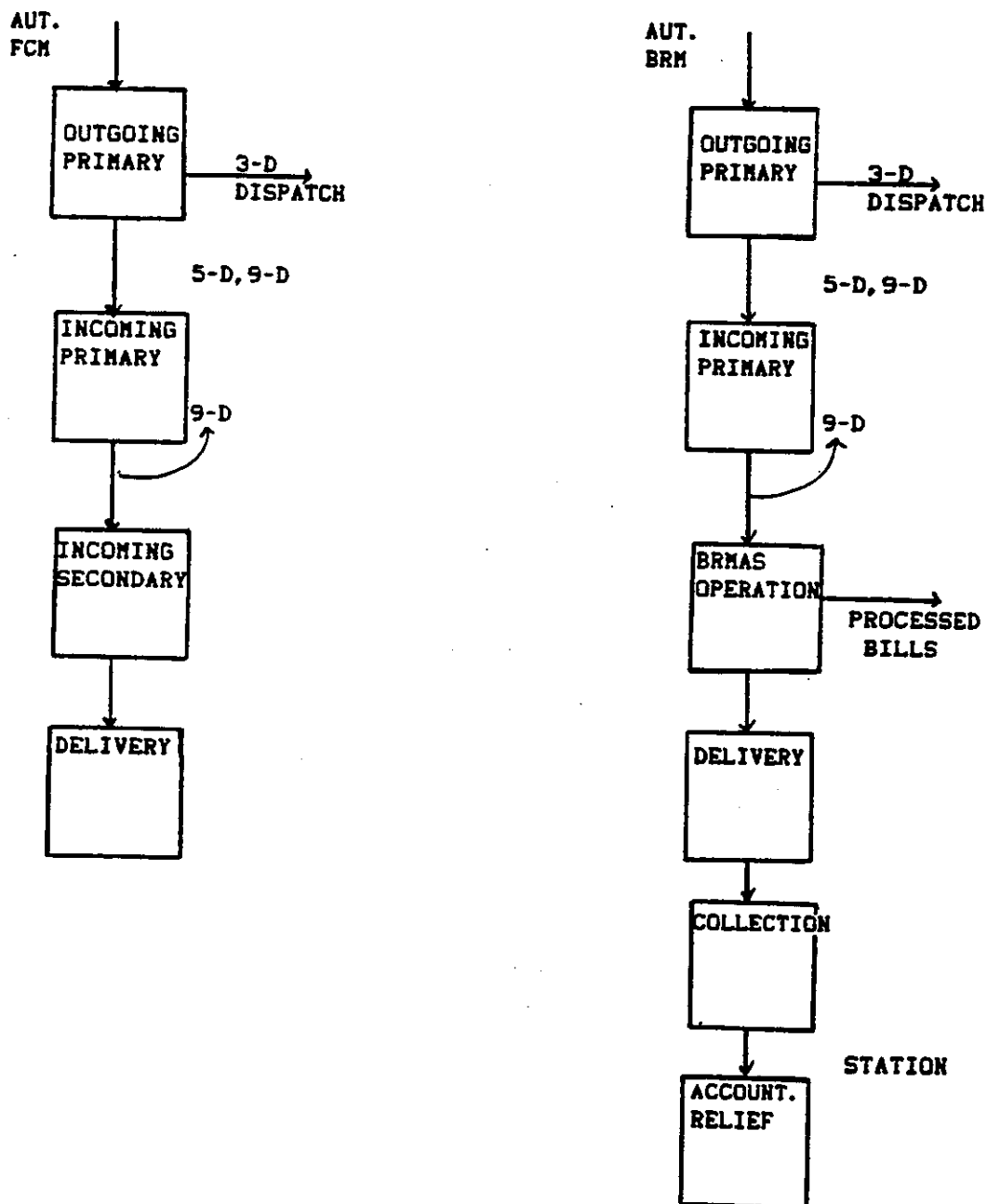
## APPENDIX A

MAIL FLOW COMPARISON  
AUTOMATION COMPATIBLE FCM PIECE AND  
ADVANCE DEPOSIT BRM PIECE ELIGIBLE FOR BRMAS



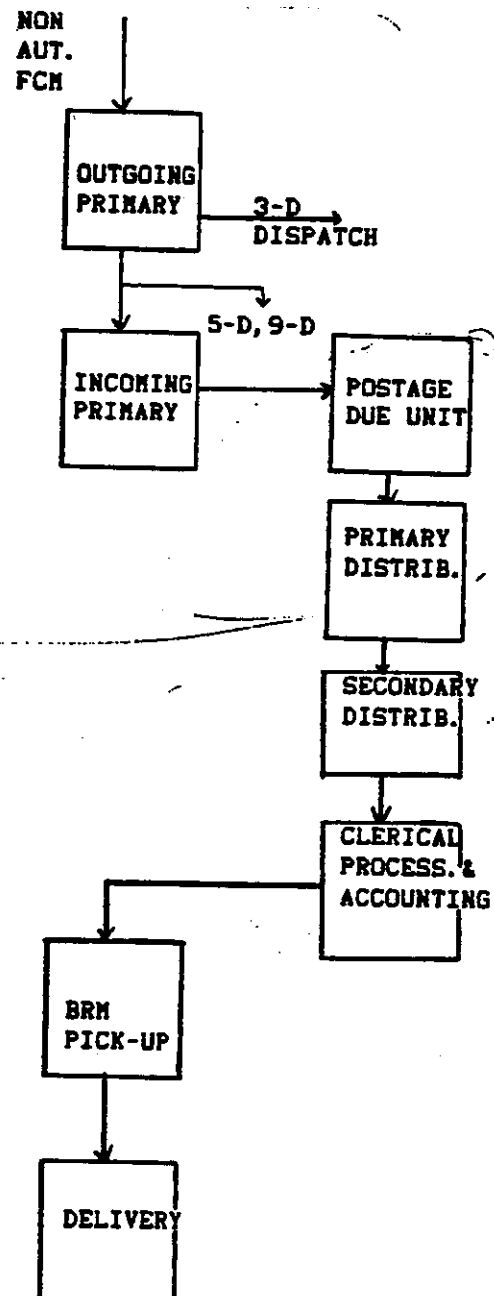
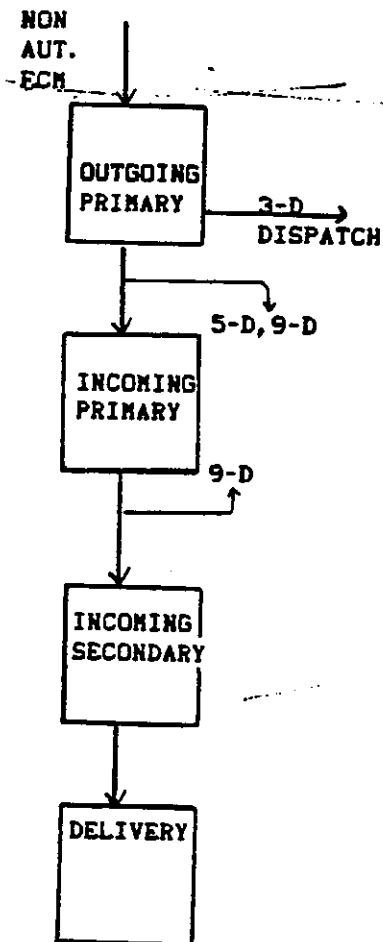
## APPENDIX B

MAIL FLOW COMPARISON  
AUTOMATION COMPATIBLE FCM PIECE AND  
NON ADVANCE DEPOSIT BRM PIECE ELIGIBLE FOR BRMAS



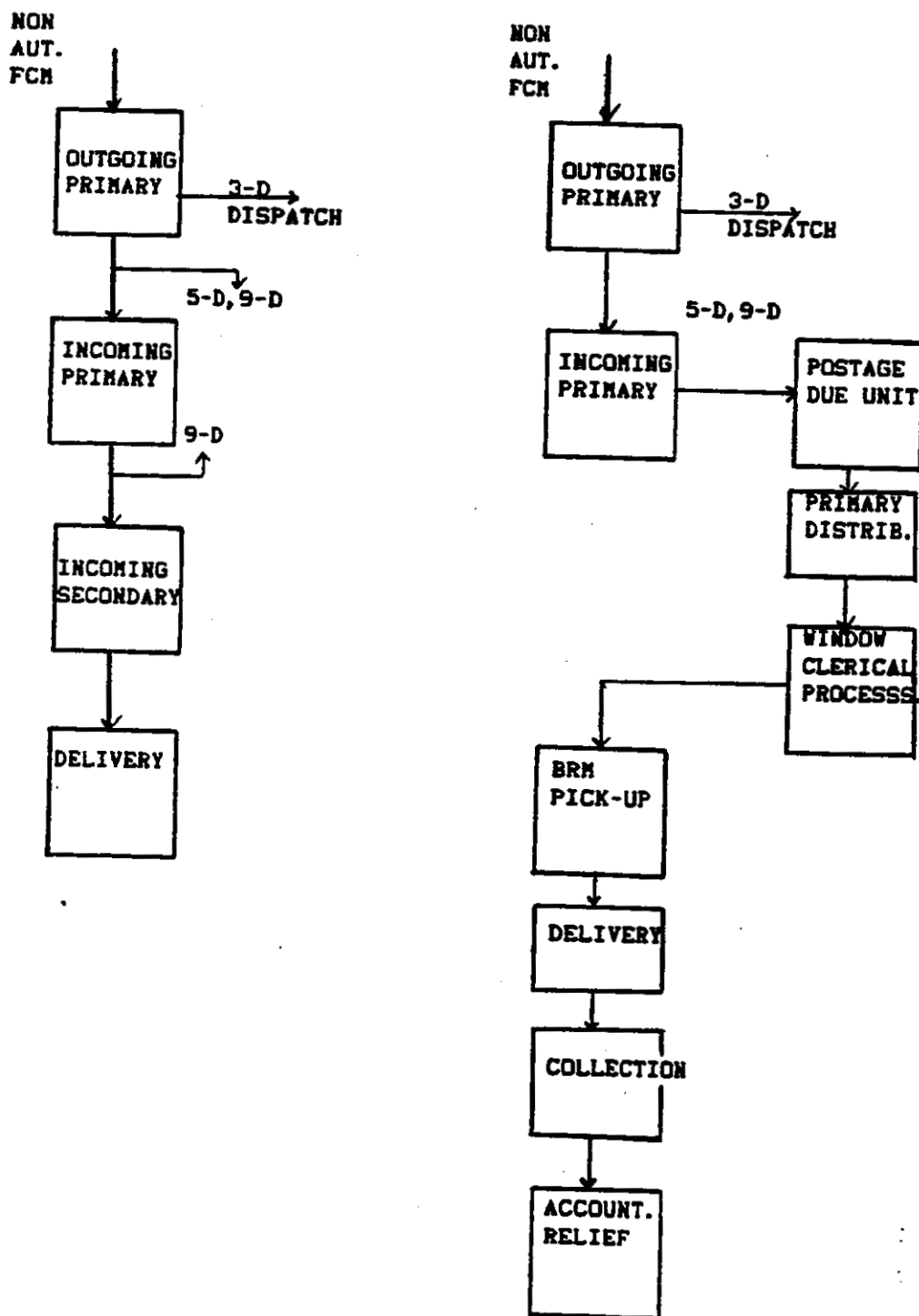


## APPENDIX C

MAIL FLOW COMPARISON  
NON-AUTOMATED FCM PIECE AND  
ADVANCE DEPOSIT NON-AUTOMATED BRM PIECE

## APPENDIX D

MAIL FLOW COMPARISON  
NON-AUTOMATED FCM PIECE AND  
NON ADVANCE DEPOSIT NON-AUTOMATED BRM PIECE



1 CHAIRMAN GLEIMAN: KeySpan Energy is the only  
2 party that indicated in advance of today's proceedings that  
3 they wished to cross-examine this witness. Is there anyone  
4 else who wishes to cross-examine, Mr. Campbell?

5 [No response.]

6 CHAIRMAN GLEIMAN: If not, then, Mr. Hall, you may  
7 proceed when you are ready.

8 MR. HALL: Thank you, Mr. Chairman.

9 CROSS-EXAMINATION

10 BY MR. HALL:

11 Q Mr. Campbell, since we have had some discussion  
12 already of this attachment to your rebuttal testimony, would  
13 you look at the first page of that attachment?

14 A Yes, I have got that.

15 Q Okay. Now, you say it is missing the second page  
16 and the first page is marked "Draft," isn't it?

17 A That's correct.

18 Q Can you produce the final version?

19 A No, I cannot. This is actually a memo drafted by  
20 Witness Pham to his supervisor to lay out the study that he  
21 was preparing to conduct in 1989 concerning BRM. And I  
22 believe the content is very relevant in the first section,  
23 his study requirements support what I have stated in past  
24 proceedings in this room.

25 Q Thank you for that long explanation. My question

1       went to whether or not you could produce the final revised  
2       memorandum?

3           A       No.

4           Q       So you don't know whether Mr. Pham changed any  
5       portion of this draft when he presented the final to Mr.  
6       Madison?

7           A       Correct.

8           Q       And he could have eliminated or modified the  
9       portion that you are relying on, couldn't he have?

10          A       That is certainly a possibility. I would like to  
11       note that this memo is very consistent with his subsequent  
12       testimony in R90.

13          Q       But in any event, you can't produce his final  
14       memorandum, and you can't produce the missing second page of  
15       even this draft, is that right?

16          A       Correct.

17          Q       Did you read the second page of the draft?

18          A       I don't have the second page.

19          Q       Then how do you know it is not relevant to your  
20       testimony?

21          A       Well, if you note in Section 1, which is  
22       completely contained on page 1, Witness Pham lays out the  
23       study requirements that he felt were necessary in conducting  
24       a BRM study. As I said, that is completely contained in the  
25       first page.

1 Q And you don't know what -- as a matter of fact, do  
2 you know if there is more than one page?

3 A I don't know the answer to that question.

4 Q I mean, more than one page missing?

5 A I don't know the answer to that question.

6 Q And you don't know what the headings were of the  
7 subsequent sections contained on the second and possibly  
8 third through tenth pages of this memorandum?

9 A No.

10 Q Could you turn to page 2 of your testimony.

11 A Yes.

12 Q There, you claim on line 14 and 15 that Keyspan's  
13 proposal in this case deprives a significant number of  
14 accounts and mail pieces from the benefits of a de-averaged  
15 fee structure.

16 Do you see that?

17 A Yes, I do.

18 Q How many accounts are deprived of the benefits of  
19 that fee structure?

20 A Based on the data that I have and you have in your  
21 possession from the CBIS -- CBCIS system, I estimated about  
22 400 accounts would be deprived of the high-volume fee.

23 Q And what was the average -- what was the lowest  
24 annual volume received by the 400th account that would be  
25 deprived -- in other words, the smallest account that would

1 be deprived?

2 A Well, I don't have that data in front of me. I do  
3 recall I went all the way down to the 113,000 per-piece  
4 per-year level. It was just a little over 113,000 pieces.

5 Q And that's per year; is that right?

6 A That's right.

7 Q Now, let's see, if Keyspan's proposal would  
8 qualify 300 users for the high-volume per-piece fee and  
9 you're saying we've deprived an 400, that would be a total  
10 of approximately 700, wouldn't it?

11 A Well, one could estimate 700, although I do note  
12 that in a later section of my rebuttal testimony, I have  
13 noted that there is a question about about 2500 accounts  
14 consisting of 56 million pieces, and we don't know how many  
15 of those accounts would be considered high volume and which  
16 ones would be considered low volume. So we're talking at  
17 least 700 accounts with the likelihood of there being more  
18 qualifying for the high-volume fee as the USPS has proposed.

19 Q Well, I guess I recall that later portion of your  
20 testimony, and there the point I think you were making was  
21 that the average annual quantity was about, is it correct,  
22 22,000 pieces?

23 A Right. As you know, as well as I know, an average  
24 certainly incorporates very high volumes as well as very low  
25 volumes in that 2500 accounts, so it's uncertain how many

1 would be over the 113,000 level.

2 Q Well, in any case, we're talking somewhere --  
3 you've been able to tell us about 700 accounts maybe, and  
4 maybe a few more, right?

5 A Exactly.

6 Q Okay. I'm trying to get to -- Witness Mayo told  
7 us that there were going to be, I believe, 1,358 accounts  
8 that would qualify for the Postal Service's high-volume QBRM  
9 fee; is that correct?

10 A I don't recall the specific number, but subject to  
11 check, that sounds accurate.

12 Q So where are the other 658 or so or 650 in your  
13 calculus?

14 A Those could certainly be imbedded in those 2500  
15 accounts that we were discussing.

16 Q That would qualify to have 113,000 pieces a year?

17 A That's a possibility. I have not done the  
18 calculation.

19 Q But that's the only source you have for that?

20 A As you are aware, the 2500 accounts are not housed  
21 in the CBCIS database, and we have no reason to believe  
22 that, you know, there may not be other accounts that are not  
23 housed in the CBCIS database, so your guess is as good as  
24 mine.

25 I think it's safe to assume that 700 at a minimum

1 would certainly qualify for the high-volume fee. That  
2 number could be increase upwards to 13- or 1400.

3 Q And -- let's see. What is the current break-even  
4 volume for non-letter size QBRM?

5 A Actually, I don't recall what that break-even  
6 point is.

7 Q Would you accept subject to check that it's  
8 102,857 pieces per year?

9 A I can accept that subject to check.

10 Q And doesn't the Postal Service propose to lower  
11 the break-even volume to 80,000 in this case?

12 A We have not specifically proposed a lower  
13 break-even point. I think if you do -- based on our  
14 proposed fee, that may in fact be the break-even point that  
15 that calculates.

16 Q Well, regardless of how you got there, do you know  
17 why the Postal Service started off with a high break-even  
18 volume that they're now proposing to lower?

19 A I think in the case of non-letter size BRM, just  
20 in my general recollection, the break-even point is not as  
21 critical a factor. There are just a few customers taking  
22 advantage of that particular per-piece fee, the weight  
23 averaged fee, and these are -- these customers have very  
24 high volumes. It just has not been an issue in that  
25 particular rate.



1 Q And as a matter of fact, how many customers are  
2 able to qualify for that?

3 A I believe six or seven.

4 Q Not 600, not 6,000?

5 A Exactly. It's a very small sub-section of  
6 non-letter size BRM that we're able to put our hands around,  
7 and actually we know how many -- on paper, we know that  
8 these customers exist, we know their volumes, we are able  
9 use data that is available to come up with the proposed fee.

10 Q And why is that important to you, to know the  
11 customers, to know --

12 A Well, I think that --

13 Q -- there's only a few and to know them very well?

14 A I think it's important to note that, again, we  
15 have our hands wrapped around very specific -- a small  
16 amount of -- subset of customers, whereas in the BRM arena,  
17 as you know, you know as well as I know, there may be  
18 customers out there that we're not aware of that are not  
19 housed in the CBCIS database. There's a lot of unknowns  
20 with QBRM.

21 You know, there are over 10,000 QBRM accounts.  
22 There are many, many fewer non-letter-size BRM accounts.  
23 And again, only six or seven, in fact, have enough volume to  
24 qualify for that particular rate.

25 Q As I recall, the percentage of users or volumes

1 that was outside the CBCIS database was estimated to be  
2 approximately six percent; isn't that right?

3 A That was an estimate early on; however, if you do  
4 the math, you know that these 56 million pieces were not in  
5 a CBCIS database. There were about 5.5 million pieces from  
6 a New York metropolitan area customer that were not housed  
7 in the CBCIS database. That's approaching -- that's over  
8 ten percent. So there's likely more customers that are just  
9 not housed -- that are not reported into the CBCIS database.

10 Q Okay. Well, let's see. In any case, let's get  
11 back to the question of depriving small customers of the  
12 advantages of high-volume QBRM, which is a concern of yours,  
13 right?

14 A Sure.

15 Q You're concerned that that's what Keyspan's  
16 proposal does.

17 MR. TIDWELL: I believe we are talking to the  
18 costing witness as opposed to the pricing witness, and the  
19 costing witness' testimony is focused on the costs  
20 underlying the fees that are proposed.

21 MR. HALL: Well, I could read his testimony again,  
22 and I will do so. It says, quote, "Depriving --

23 MR. TIDWELL: Testimony which summarizes --

24 CHAIRMAN GLEIMAN: Gentlemen, one at a time. One  
25 at a time.

1           If the witness can answer the question, he will,  
2   and if the witness thinks it's beyond the scope of his  
3   testimony or his expertise, he'll advise counsel to that  
4   effect, and if counsel has some basis for then taking issue  
5   with the characterization, he will. So let's just get on  
6   with the cross examination at this point in time.

7           BY. MR. HALL:

8           Q    Let me rephrase the question, and I think it's a  
9   topic that we've been discussing and have gotten fairly deep  
10   into.

11           Don't you claim that Keyspan's high-volume QBRM  
12   proposal deprives a significant number of accounts and mail  
13   pieces from the benefits of a de-averaged fee structure.

14           A    That's exactly what my rebuttal testimony states,  
15   yes.

16           Q    And you -- specifically, you relate that to the  
17   fact that the fixed fee under Keyspan's proposal is \$12,000  
18   per year rather than the quarterly fee of \$850 that the  
19   Postal Service is proposing; is that correct?

20           A    Well, this is contained in the review section of  
21   your testimony, so I'm just stating pure facts. I have  
22   stated that you've increased the fee to 12,000 per year, or  
23   \$1,000 per month. That doesn't really relate to my  
24   testimony, though.

25           CHAIRMAN GLEIMAN: Excuse me. When you say "your

1 testimony," Mr. Hall is asking you questions and I don't  
2 believe he has any testimony, although he has some lengthy  
3 statements that he has made in here; however, it's not  
4 testimony. Could you just clarify to me, when you say "your  
5 testimony", what you're talking about?

6 THE WITNESS: Right. I'm speaking of my rebuttal  
7 testimony that is intended to critique the testimony of  
8 Witness Bentley.

9 CHAIRMAN GLEIMAN: Thank you.

10 BY. MR. HALL:

11 Q So back to the question, the source -- what causes  
12 certain number of accounts and mail pieces that we've been  
13 discussing to be deprived of the benefits of a de-averaged  
14 fee structure is Keyspan's fixed-fee proposal, namely a  
15 monthly fee of \$1,000 or \$12,000 per year; is that correct?

16 A Right. I have stated as facts very clearly in my  
17 review of your -- of Witness Bentley's testimony.

18 Q Now, if the Commission is concerned that Keyspan  
19 may be depriving some number of QBRM recipients and mail  
20 volumes of the benefits of a de-averaged rate structure or a  
21 fee structure and wanted to lower the break-even volume  
22 under Keyspan's proposal, couldn't the Commission do so by  
23 lowering the monthly fixed fee from, say, \$1,000 to \$500?

24 A I think that's outside the scope of my rebuttal  
25 testimony. I don't know what the Commission would do.

1 Q Mathematically, let's ask you mathematically,  
2 wouldn't that lower the break-even volume?

3 A Certainly.

4 Q So as a matter of fact, as a matter of  
5 mathematics, wouldn't that make the break-even volume  
6 150,000 pieces per year?

7 A Subject to check, that sounds approximately right.

8 Q Okay. And that fee level, fixed-fee level would  
9 still be higher than that proposed by the Postal Service,  
10 but also higher than the yearly cost that you have  
11 calculated; is that correct?

12 A Yes. If we're talking about fees, again, that is  
13 sort of out of the scope of my testimony as well as my role  
14 as a costing witness.

15 Q Do you know what the fee proposed is by the Postal  
16 Service?

17 A I sure do.

18 Q I mean, so that's not too much of a stretch for  
19 you, is it?

20 MR. TIDWELL: Objection, Mr. Chairman. If it's  
21 outside the scope of the witness' testimony, it doesn't  
22 matter whether it's a stretch, it's outside the scope of his  
23 testimony. We've got a witness who has presented costing  
24 testimony who has, in page 2 of his testimony, has  
25 summarized Keyspan's proposal and the Postal Service pricing

1 witness' response to that proposal. To cross examine him as  
2 if he were the Postal Service pricing witness is  
3 inappropriate.

4 MR. HALL: If I may?

5 CHAIRMAN GLEIMAN: Certainly.

6 MR. HALL: My question went to two things. It  
7 would be higher than the fee. He has already said he knows  
8 what the fee is, so that's a pretty simple statement. I  
9 don't think I'm testing him too much.

10 My second thing was that it would be higher than  
11 the cost for the fixed fee that he has calculated, and that  
12 certainly is within the scope of his testimony and  
13 knowledge.

14 CHAIRMAN GLEIMAN: Well, let's see if the witness  
15 can answer the questions.

16 THE WITNESS: Yes, I know the -- I know what the  
17 U.S. Postal Service has proposed as a quarterly fee and yes,  
18 that is higher than the cost that I have estimated for the  
19 billing and rating portion of QBRM.

20 BY. MR. HALL:

21 Q Okay. Now, mathematically, the fixed --  
22 mathematically, if the Commission were to substitute a fixed  
23 quarterly fee of \$1,130 along with Keyspan's proposed  
24 per-piece fees, it would reach a break-even volume of  
25 113,000, would it not? You can accept that subject to

1 check, if you like.

2 A That sounds reasonable.

3 Q And in that case, the revenues from the fixed fee  
4 would still be 33 percent higher than the \$850 quarterly fee  
5 that has been proposed by the Postal Service; is that right?

6 A I'm not here to address cost coverage or revenues;  
7 I'm here to discuss my rebuttal testimony, which addresses  
8 Witness Bentley's testimony.

9 Q Okay. Would you care to accept subject to check  
10 that 1,130 is 33 percent higher than 850?

11 MR. TIDWELL: Mr. Chairman, the Postal Service  
12 objects. If the witness has stated that the subject of  
13 revenues is outside the scope of his testimony, it would  
14 seem that he would be an inappropriate person to direct  
15 questions concerning math related to revenue and cost  
16 coverage calculations.

17 I mean, just because he's here and he can do math  
18 doesn't mean that he can be burdened with accepting subject  
19 to check any mathematical calculation that counsel wants to  
20 put forward here.

21 CHAIRMAN GLEIMAN: Mr. Hall, I do think, you know,  
22 we need to try and confine the cross examination to the  
23 points in the rebuttal testimony to the extent practicable.

24 BY MR. HALL:

25 Q Mr. Campbell, do you have a copy of Library

1 Reference USPS-LRI-160?

2 A Yes.

3 Q Specifically, Section B, page 1?

4 A Well, I don't feel that my testimony -- or this  
5 Library Reference, rather, relates to my rebuttal testimony  
6 in any way.

7 Q Well, let's see. Do you have it?

8 A I do.

9 Q Okay. Are you aware that in rebuttal testimony,  
10 USPS Witness Mayo is now saying that her -- under the Postal  
11 Service's proposal, high-volume QBRM recipients will be able  
12 to opt in and opt out on a quarterly basis?

13 A That is my general understanding of Witness Mayo's  
14 testimony.

15 Q Then could you look at the portion of Library  
16 Reference 160 that I referred you to, namely Section B, page  
17 1?

18 Can you point me to where you have included the  
19 costs of opting in and opting out by high-volume QBRM  
20 recipients?

21 A Again, this does relate to Witness Mayo's  
22 testimony, and I have not addressed any portion of the fixed  
23 costs in my rebuttal testimony of Witness Bentley.

24 In fact, my points in my rebuttal testimony are  
25 limited to the per-piece fees for QBRM, not the fixed fees,



1 or, per-piece costs, rather.

2 Q Not to once again burden the Commission here, but  
3 you are the witness who claims that Keyspan's fixed fee  
4 proposal deprives a significant number of accounts and mail  
5 pieces from the benefits of D-averaged fee structure; aren't  
6 you?

7 A Right. In my review of Witness Bentley's  
8 testimony, I have made that statement.

9 Q So you do address the fixed fee?

10 A Not in the body of my testimony.

11 CHAIRMAN GLEIMAN: You mention it, sir. You know  
12 --

13 MR. TIDWELL: Perhaps this will help clarify it.  
14 Is the statement that everyone's referring to on page 2 of  
15 your testimony, the last sentence of that -- the last clause  
16 in that sentence that begins on line 14, is that -- I'll  
17 step back.

18 The first part of this paragraph is a summary of  
19 Witness Bentley's testimony; is that correct?

20 THE WITNESS: That is correct.

21 MR. TIDWELL: And that last clause is a summary.

22 CHAIRMAN GLEIMAN: You know, this is getting to be  
23 a little bit unusual, and I'm not going to allow it to go  
24 on.

25 You don't cross examine your own witness. You'll

1 have a chance later on for redirect.

2 Mr. Hall, if you can ask the question again, fine.  
3 If not, I'm going to have it read back.

4 MR. HALL: I think I can ask the question again.

5 CHAIRMAN GLEIMAN: All right.

6 BY MR. HALL:

7 Q Could you point me to the portion of this Library  
8 Reference 160 that includes where you develop the costs  
9 associated with having high-volume QBRM recipients opt in  
10 and opt out of the program on a quarterly basis?

11 A No.

12 Q Did you have any discussions with Witness Mayo  
13 about how you would calculate those costs?

14 A Not that I recall.

15 Q Did she tell you at any time, how many people  
16 would be opting out and opting in?

17 A I think that's something for you to ask Ms. Mayo.  
18 I haven't -- I don't recall any such discussion.

19 Q So, when you prepared your original costs for the  
20 high-volume QBRM fixed fee in this case, you had no  
21 knowledge from Ms. Mayo or any other source, that you would  
22 have to include costs for recipients who might opt in or opt  
23 out of the program on a quarterly basis?

24 [Pause.]

25 Is that correct?

1 A That is correct.

2 Q Please turn to page 3 of your testimony.

3 A Yes.

4 Q And there, you are discussing USPS Witness Pham's  
5 BRM study in 1989. On page 4, you quote him as attempting  
6 to quantify, quote, "incremental costs to handle BRM above  
7 and beyond first-class mail." Do you see that?

8 A Yes.

9 Q Is that where you got the idea that your QBRM fee  
10 should reflect counting and sortation, quote, "above and  
11 beyond," end quote, that which is required for first-class  
12 basic automation letters?

13 A Specifically, Witness Pham's memo?

14 Q Yes.

15 A Is that what you're asking? No. Witness Pham --

16 Q When did you first see Witness Pham's memo?

17 A Well, Witness -- let me just provide a little  
18 background. I have reviewed Witness Pham's testimony  
19 extensively which completely supports his memo, and I have  
20 depended and relied upon Witness Pham's calculations and  
21 study for a portion of my initial testimony.

22 I don't recall when I initially saw this memo,  
23 although I know that it supports everything that's on the  
24 record.

25 Q So you would say it probably just duplicates

1 everything that's and the record?

2 A I think it certainly backs up what we discussed in  
3 prior proceedings.

4 Q Doesn't introduce anything new, no new concepts  
5 introduced; is that correct?

6 A My point here is that, as you know, in Section 3  
7 of my rebuttal testimony, that Witness Bentley's counting  
8 productivity does not incorporate many of the incremental  
9 tasks associated with business reply mail in the postage-due  
10 unit.

11 There is a new portion that I believe is not on  
12 the record. I have listed several of the activities, these  
13 tasks on page 4 of my rebuttal testimony, that are not part  
14 of Witness Bentley's counting productivity.

15 I'm using Witness Pham's memo to illustrate that  
16 the counting productivity, or distribution productivity  
17 rather, that has been used for the last decade incorporates  
18 many more tasks than what Witness Bentley has presented in  
19 his testimony.

20 Q Well, let's get back to Mr. Pham's memo and your  
21 reliance on it here.

22 You certainly agree, don't you, that Mr. Pham's  
23 statement could only refer to counting, rating and billing  
24 of business reply mail, but that your statement clearly  
25 refers to sorting in addition to those other activities.

1 A Specifically on page 4?

2 Q Yes. And what Mr. Pham was saying, and I'm  
3 contrasting it with what you're saying.

4 Let me ask you the question again. You agree,  
5 don't you, that Mr. Pham's statement that we have discussed  
6 could refer only to counting, rating and billing of business  
7 reply mail, but that your statement clearly refers to  
8 sorting in addition to those other activities, namely  
9 counting, rating and billing?

10 A No, I don't believe that was Witness Pham's  
11 understanding.

12 Q You don't believe that Witness Pham's  
13 understanding?

14 A Witness Pham's memo clearly -- and testimony --  
15 clearly show that there are more activities aside from  
16 counting -- sitting at a table counting letters. There are  
17 many -- there's fatigue factors, there's travel time,  
18 there's, you know, making notes, those types of activities.

19 Q We're only talking about sorting here.

20 A Witness Pham has a productivity that incorporates  
21 more than sorting -- I'm sorry -- more than counting. He  
22 does include a degree of sortation, he includes tasks that  
23 I've outlined on page 4. It includes more than just  
24 counting, yes.

25 Q Well, let's get back to the question. The reason

1     why I'm saying that you're referring to more than he was  
2     referring to there is that you're now tying this into  
3     first-class basic automation letters, are you not?

4           A     In one portion of my calculations, yes.

5           Q     In other words, you want to reflect costs  
6     associated with counting and sortation above and beyond that  
7     which is required for first-class basic automation letters;  
8     isn't that right?

9           A     I wouldn't completely agree with that.

10          Q     Can I refer you to the transcript? Perhaps that  
11     will refresh your recollection. There's more than one  
12     place, but let's try transcript page 5973.

13                    Would you please read for the record the portion  
14     of the answer that I pointed you to.

15          A     "The Postal Service's proposed per-piece fee for  
16     QBRM letters reflects counting and sorting that occurs above  
17     and beyond that which is required for an automation basic  
18     presort first-class letter."

19          Q     So then the answer to my last question was yes,  
20     wasn't it? You do agree with what I said.

21          A     No, I don't. If you would let me explain, again,  
22     over the last decade, we have incorporated Witness Pham's  
23     productivity, which includes counting and sorting. It  
24     includes other activities. It includes, again, obtaining  
25     BRM --

1           Q     I'm sure it does, but I just want to focus with  
2     you on sorting.

3           A     Okay.

4           Q     Now, do you agree that Mr. Pham's statement  
5     referred to only counting, rating and billing of BRM, but  
6     that your statement clearly refers to sorting in addition to  
7     those other activities, and specifically to sorting above  
8     and beyond that which is required for first-class basic  
9     automation letters.

10           MR. TIDWELL: Mr. Chairman, there are three  
11     questions there. I was wondering if we could take them  
12     separately.

13           CHAIRMAN GLEIMAN: I don't see any reason why we  
14     can't take them separately. I'm sure that Mr. Hall would be  
15     delighted to have three separate answers.

16           BY. MR. HALL:

17           Q     Do you agree that, in your view, the QBRM fee  
18     should reflect counting and sortation above and beyond that  
19     which is required for first-class basic automation letters?

20           A     Yes.

21           Q     Now, Mr. Pham, when he made his statement, he was  
22     referring to counting, rating and billing of BRM; isn't that  
23     correct?

24           A     No.

25           Q     Okay. At the time that Mr. Pham wrote his memo,

1 was there anything such thing as first-class basic  
2 automation letters?

3 A No, not that I know of.

4 Q So he certainly couldn't have been referring to  
5 what you're referring to, could he?

6 A The portion of your statement which I disagree  
7 with is that Witness Pham's --

8 Q If you could answer my question.

9 A No, Witness Pham would not have made the  
10 statement.

11 Q Thank you.

12 Now, could you please turn to attachment -- Mr.  
13 Pham's partial draft, revised perhaps once, memorandum that  
14 you've attached as RT-23A.

15 A Yes.

16 Q Now, you relied on the first portion and quoted  
17 the first portion of the item that's identified as 1, study  
18 requirements; is that correct?

19 A Correct.

20 Q Does Mr. Pham also say in that same section:  
21 Meanwhile, a special effort should be made to ensure that no  
22 double-counting of any relevant cost element is involved?

23 A Absolutely.

24 Q And on this one page of we don't know how many  
25 page memo, does Mr. Pham, in the portion that you're relying



1 up, does he say anything about including sorting costs as  
2 part of BRM cost derivation?

3 A No, he doesn't. He specifically points to -- he  
4 states that the costs should not be limited to clerical  
5 processing, accounting or other postage due unit costs.

6 Q Thank you for the clarification.

7 Now let's get back to Mr. Pham's study. You state  
8 on page 4, line 4, that he collected data at 15 sites that  
9 received BRM; is that correct?

10 A Yes.

11 Q Were these sites chosen at random?

12 A I don't know the methodology that he used to  
13 select his sites.

14 Q So you've relied upon productivity factors that  
15 were developed in this study, but you don't know how the  
16 study itself was designed?

17 A I've relied upon a productivity that has been  
18 approved over and over since 1990 by the PRC.

19 Q So that's the only basis for your use of that  
20 productivity?

21 A It was my best source of productivity for this  
22 rate case, yes.

23 Q Okay. And you wouldn't mind a small correction to  
24 what you said? It wasn't relied upon in R94-1, was it?

25 A I think R94 was a special exception. Is that

1 correct?

2 Q In fact, there were other criteria used in the  
3 Pham study; it wasn't just a random selection of 15 sites.  
4 Do you recall that Mr. Pham chose sites where he knew that  
5 BRMAS equipment was up and running?

6 A I believe that to be the case.

7 Q Now, when BRM is processed using BRMAS equipment,  
8 the letters are counted and sorted all in one operation;  
9 isn't that correct?

10 A Are you talking about the manual counting and  
11 sorting? I'm sorry.

12 Q When BRM is processed using BRMAS equipment, --

13 A Okay.

14 Q -- the letters are --

15 A That's correct.

16 Q -- the letters are counted and sorted all in one  
17 operation; isn't that so?

18 A That is correct.

19 Q Now, as you said, Mr. Pham was interested in the  
20 incremental cost to handle BRM above and beyond the  
21 first-class mail; is that right?

22 A Correct.

23 Q So once he collected BRMAS cost data, didn't he  
24 make an adjustment to the resulting cost?

25 A What adjustment are you speaking of?

1           Q     Didn't he attempt to remove the sorting cost  
2     portion by subtracting out the unit cost of an incoming  
3     secondary sort?

4           A     Yes, he did, as I have done.

5           Q     And he did that because he didn't want to be  
6     double-counting sorting costs that first-class were entitled  
7     to under the first-class rate; isn't that right?

8           A     Correct. Let me just point out that Witness Pham  
9     in his methodology included the automated BCS counting and  
10    sorting in his cost and then he removed them; however, I  
11    have not included those automated counting and sorting costs  
12    in my methodology. So I'm limiting a subtraction or cost of  
13    double-counting to what goes on in the postage due unit.

14          Q     But what you did include was cost of sortation  
15    that's reflected in the 951 PPH manual productivity; isn't  
16    that correct?

17          A     Yes, and again, I did remove sortation costs.

18          Q     And you -- the cost that you removed was not the  
19    cost of a manual sortation, but the cost of an automatic  
20    basic sortation; isn't that correct?

21          A     Exactly, because these letters would ordinarily be  
22    processed on automation, they, however, are brought off  
23    automation because they are business reply mail pieces that  
24    are manually counted in the postage due unit.

25          Q     Well, does this happen to all the pieces?

1 A Of course not.

2 Q As a matter of fact, high-volume pieces come off  
3 the automation equipment and come to the postage due unit.  
4 To the extent that the postage due unit is still relevant  
5 today, they come to the postage due unit fully sorted and in  
6 trays, don't they?

7 A In some cases, that may be the case, yes.

8 Q And for high-volume QBRM, it's more than in some  
9 cases, isn't it?

10 A In many cases, yes.

11 Q It's a predominant fact, isn't it?

12 A Looking at the top 75 accounts, that's very  
13 accurate, yes, out of 10,000 accounts.

14 Q Well, didn't you testify that for large volume  
15 QBRM recipients the letters arrive in full trays and do not  
16 require sorting? And I refer you, if you would like to  
17 refresh your recollection, to transcript page 5978.

18 A My recollection is that was from notes taken at  
19 one particular plant, yes.

20 Q Right. And in that instance, you weren't talking  
21 just about the top 74 accounts, were you? You were talking  
22 about larger customers. When you used the term then, you  
23 must have meant larger customers than received QBRM volumes  
24 in the quantity of approximately 130,000 -- 113,000 pieces  
25 or more per year?

1           A     At that time we didn't have a breakeven point, so  
2 my notes reflect that they were large accounts.

3           Q     But you are certainly not talking about only the  
4 top 74 accounts?

5           A     Correct.

6           Q     And you weren't talking about the KeySpan  
7 breakeven volume for high volume accounts of 300,000 pieces  
8 a year?

9           A     Right. For that particular plant, correct.

10          Q     Back to Mr. Pham here and the memo to Mr. Madison,  
11 once again, Mr. Pham informed Mr. Madison that he would make  
12 a special effort to ensure that no double-counting of any  
13 relevant cost element is involved, do you recall that?

14          A     Yes, that is what we said earlier.

15          Q     So he was removing sorting costs that were  
16 performed by BRMAS so as not to count them twice?

17          A     Exactly.

18          Q     And that was because this mail was entitled to be  
19 sorted in the incoming secondary under the First Class rate?

20          A     His intent was to remove double-counting on the  
21 BCS to customer -- what are you asking? I'm sorry.

22          Q     That he was doing that so he wouldn't count them  
23 twice, since this mail was entitled to be sorted in the  
24 incoming secondary under the First Class rate, isn't that  
25 right?

1           A     That's right. Ordinarily.

2           Q     Were any pieces entitled to whatever sortation it  
3 takes to get to the addressee under the First Class Mail  
4 rate that he pays, isn't that right?

5           A     First Class Mail is entitled to a certain degree  
6 of customer level sortation. Yes.

7           Q     Right. And it is entitled to that if it is  
8 automation, sorted by automation, that's correct, isn't it?

9           A     Right. I think we --

10          Q     Is it also entitled to that sortation if the piece  
11 is sorted manually?

12          A     Sure.

13          Q     Thank you. Now, Mr. Bentley removed sorting costs  
14 from his BRM cost -- or QBRM cost derivation, doesn't he,  
15 just like Mr. Pham?

16          A     Not the same way, no.

17          Q     But he does remove them, doesn't he?

18          A     Well, he doesn't include them to begin with. He  
19 has derived a counting productivity, as you know, which --  
20 so there is no need to remove any sortation costs. However,  
21 his counting productivity excludes a number of other tasks  
22 that are involved in the postage due unit.

23          Q     Well, you could have done a counting -- you could  
24 have derived various counting productivities, couldn't you  
25 have?

1           A     I saw no need because Witness Pham did an  
2     excellent job in his study. I have no reason to believe  
3     that operations have changed, I have stated earlier, in the  
4     postage due unit. Witness Pham's productivity was excellent  
5     in my opinion.

6           Q     Well, let's look, we have agreed, haven't we, that  
7     the 951 PPH productivity that you used for manually counting  
8     QBRM, first, that is applied to high volume and low volume  
9     regardless of volume, isn't that correct?

10          A     For those manually counted and sorted, yes, that  
11     is correct.

12          Q     And you assume that for high volume and low volume  
13     recipients, the proportions will be the same, is that  
14     correct?

15          A     Well, as we discussed in our prior meeting here,  
16     there are a number of high volume and low volume accounts  
17     that are counted manually in the postage due unit. There is  
18     a number of high and low volume customer accounts processed  
19     on automation. So there is really no data available  
20     currently to deaverage by counting method.

21          Q     We will get to that, I guess. In any case, that  
22     is what your method does, it treats high volume and low  
23     volume as the same in terms of the counting proportions or  
24     percentages, isn't that correct?

25          A     Right. I don't think there is a difference

1 between counting a QBRM letter for one recipient over the  
2 other, manually.

3 Q But there might be a difference in the percentage  
4 of mail that requires that kind of a count, isn't that  
5 correct?

6 A Correct. Unfortunately, that data simply does not  
7 exist.

8 Q Okay. Well, once again, we will get back to that.

9 A With the exception of some 75 out of 10,000  
10 accounts, right.

11 Q By the way, you mention at page 3, line 4, that  
12 you don't believe Mr. Bentley fully understood or  
13 appreciated Mr. Pham's study as the foundation for measuring  
14 BRM counting costs over the last decade?

15 A That's what I had stated.

16 Q Okay. Do you have any idea where Mr. Pham might  
17 have gotten the idea of removing sorting costs that were  
18 included as part of the BRMAS operation?

19 A Well, as the memo states, he wanted to ensure that  
20 no double-counting take place. He went through a number of  
21 plants, I'm sure; observed that these letters would have  
22 already been sorted on automation.

23 He was able to observe these in person, as I have,  
24 and I don't know that Mr. Bentley, with all due respect, has  
25 been able to observe postage due operations in the last 20



1 years.

2 MR. HALL: Mr. Chairman, I'd like to hand a  
3 document up to the witness, and we have a collating  
4 operation going here, so if you could bear with us for just  
5 a second?

6 [Pause.]

7 Mr. Chairman, I'd like to also hand two copies of  
8 the document to the Reporter, and ask that it be identified  
9 as an appropriate Keyspan cross examination exhibit.

10 CHAIRMAN GLEIMAN: Certainly.

11 MR. HALL: Let me just say for the record that the  
12 document consists of two portions that are stapled  
13 separately, but they are intended to be one document.

14 CHAIRMAN GLEIMAN: How about if we identify it as  
15 Keyspan/USPS-RT-43-EX-1?

16 MR. HALL: Could you just repeat that, please?

17 CHAIRMAN GLEIMAN: Yes, Keyspan/USPS-RT-43-EX-1.

18 MR. HALL: All right.

19 MR. TIDWELL: RT-23?

20 CHAIRMAN GLEIMAN: I said -- I'm sorry; did I say  
21 43? I meant to say 23. I apologize.

22 [Exhibit Number

23 Keyspan/USPS-RT-23-EX-1 was marked  
24 for identification.]

25 CHAIRMAN GLEIMAN: It was only 20 off. Some days,

1       that's close in this hearing room.

2                       [Pause.]

3                       BY MR. HALL:

4               Q       Page 1 of the document I have handed you is Mr.  
5       Bentley's answer to an interrogatory of the United States  
6       Postal Service.

7                       MR. TIDWELL: In what docket?

8                       MR. HALL: In Docket R87-1. Following that are  
9       pages 24, 25, 26, 29, and 30 of Mr. Bentley's prepared  
10      testimony in that proceeding.

11                      MR. TIDWELL: Which was designated as what number?  
12      Could you give us a transcript volume?

13                      MR. HALL: It's my understanding that in that  
14      timeframe, the Commission didn't incorporate Intervenors'  
15      testimony into the transcript.

16                      So, using the Commission's normal way of defining  
17      exhibits or testimony, I assume that it would have been  
18      CPUM/ARF-T-1.

19                      CHAIRMAN GLEIMAN: Strange as it seems, I'm at a  
20      total loss on this one.

21                      MR. TIDWELL: Disappointed.

22                      CHAIRMAN GLEIMAN: That was before my time. I was  
23      worried about other things.

24                      BY MR. HALL:

25               Q       Okay, if you would look at page 29 and 30 and the

1     interrogatory answer that appears on the first -- but I  
2     think if you focus on the sentence running over from 29 to  
3     30 -- and I'll read it to you:

4             "As indicated above, some portion of the  
5     processing which takes place at the Postage Due Unit  
6     reflects processing that should rightfully be charged to  
7     First Class Mail. This overstates BRM attributable costs."

8             Again, that's a quote from Mr. Bentley's  
9     testimony.

10            So I had in mind, something a little closer to  
11     home than what you suggested, namely, that Mr. Bentley might  
12     have caused Mr. Pham to adopt that special effort not to  
13     double-count costs; does that seem reasonable?

14            A     That certainly seems reasonable.

15            MR. TIDWELL: for the record, Mr. Chairman, the  
16     Postal Service would note that there is no way,  
17     metaphysically or otherwise, to confirm whether Mr. Pham was  
18     influenced by Mr. Bentley's testimony. Mr. Pham is no  
19     longer with us.

20            CHAIRMAN GLEIMAN: Literally?

21            MR. TIDWELL: Literally.

22            MR. HALL: My only purpose, Your Honor, is to  
23     point out that Mr. Pham was simply doing something that was  
24     entirely consistent with previous testimony that had been  
25     submitted by Mr. Bentley, and that their methodologies are

1 in tune with one another.

2 And with that, I would like to move admission of  
3 that cross examination exhibit.

4 THE WITNESS: May I make a point, please, with  
5 respect to this exhibit?

6 I just want to point out for the record that in  
7 T1-8, it asks to specify which components of this BRM  
8 process pertains to regular First Class Mail. I'd just like  
9 to point out that in subsequent rate case proceedings, I  
10 believe R-97, the Commission made a statement that First  
11 Class automation basic was the appropriate comparison, and  
12 rather than regular First Class Mail.

13 BY MR. HALL:

14 Q But that's a statement that's in a  
15 Commission-recommended decision?

16 A Right.

17 Q Okay, well, I guess the Postal Service will tell  
18 us about that on brief.

19 CHAIRMAN GLEIMAN: You want to move these into  
20 evidence?

21 MR. HALL: Yes, please.

22 CHAIRMAN GLEIMAN: And have them transcribed into  
23 the record? It is so ordered. Thank you, Mr. Tidwell, for  
24 making my life a little less difficult.

25 [Exhibit Number

1 Keyspan/USPS-RT-23-EX-1 was  
2 received into evidence and  
3 transcribed into the record.]  
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Keyspan/USPS-RT-  
23-EX-1

ANSWER OF CPUM/ARF  
WITNESS RICHARD BENTLEY  
TO INTERROGATORIES OF  
THE UNITED STATES POSTAL SERVICE  
CPUM/ARF T1-8

T1-8      On page 24 of your testimony, you stated that the 1.82 cents direct processing and accounting cost "incorporates processing of BRM that regular first-class mail receives in any event." Please elaborate and specify which component of this BRM processing pertains to regular First-Class Mail.

Answer T1-8:

Please see my testimony, pages 24-26. When BRM leaves the postage due unit it is often "in a better condition than when it left," indicating that sortations performed there and charged to BRM would have to have been performed anyway, if the mail were prepaid first class. It is not possible to quantify the portion of the 1.82 cents which pertains to the costs that would have been incurred by regular first class mail.

- 24 -

1. USPS Witness Larson estimates that the average direct unit ~~cost~~ <sup>cost</sup>  
2. labor cost to process advance deposit BRM will be 1.82 cents for  
3. the test year (USPS LR E-9, Table II). I accept this unit  
4. attributable cost as, at best, an overstatement of the true cost  
5. to process BRM. This unit cost of 1.82 cents is high because it  
6. incorporates processing of BRM that regular first-class mail  
7. receives in any event. That is, part of the costs attributed to  
8. BRM and included in the 1.82 cents are for operations that would  
9. have been incurred for first-class mail.

10. This double counting can be illustrated by considering the  
11. two cases shown in Figure 2.

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- 25 -

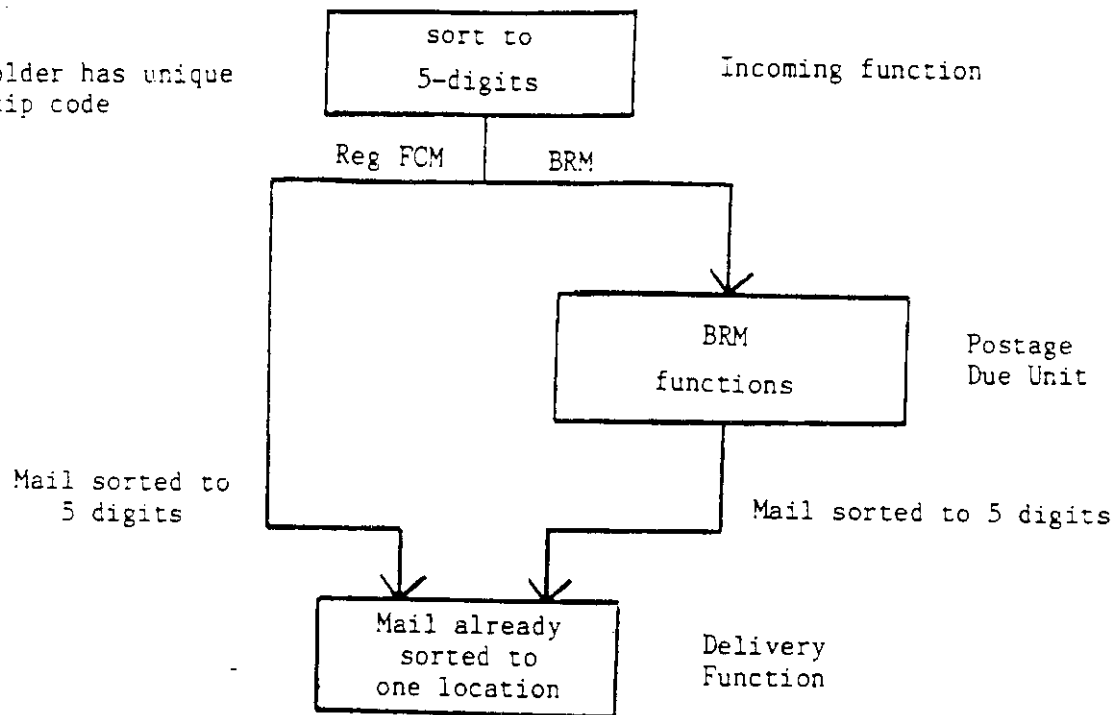
FIGURE 2

USPS #9

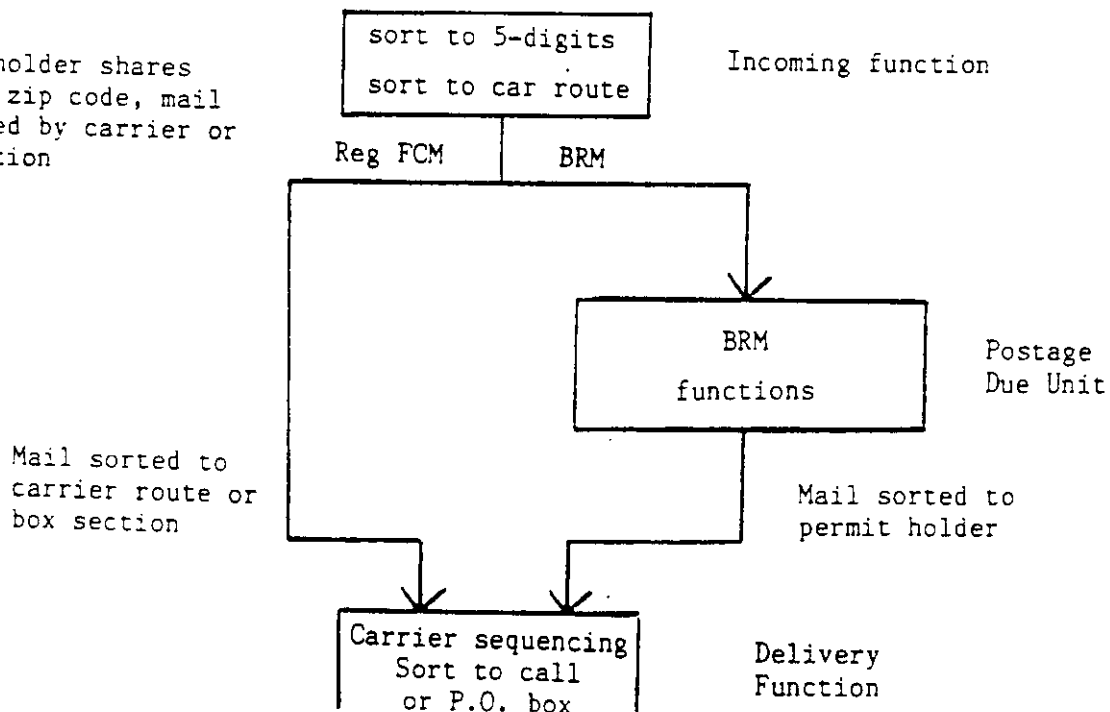
## ILLUSTRATIONS OF ADVANCE DEPOSIT BRM PROCESSING

Case 1

Permit holder has unique  
5-digit zip code

Case 2

Permit holder shares  
5-digit zip code, mail  
delivered by carrier or  
box section





- 26 -

1. In the first case, the permit holder receives a large volume  
2. of advance deposit BRM and regular first-class mail. During the  
3. sort to 5 digits, BRM is separated from regular first-class mail  
4. and sent to the postage due unit. In this example, the mail is  
5. already sorted to the permit holder. The mail then is rated, the  
6. postage due computed and collected, and the mail is again  
7. reunited with the regular first-class mailstream. In this case,  
8. the mail received no additional sorts in the postage due unit and  
9. was returned to the mailstream in the same manner as it left,  
10. i.e., sorted to 5 digits (the permit holder in this case).

11. In the second case, the permit holder shares a 5-digit zip  
12. code with many other addressees. The mail is to be delivered to  
13. the call box area (where it will undergo its normal sort to each  
14. call box recipient) or to the appropriate carrier (where it will  
15. undergo its normal carrier route sequencing). When the BRM  
16. enters the postage due unit, it is simply sorted to 5 digits, a  
17. particular carrier route, or to the call box area. It is not  
18. sorted to permit holder. When the BRM leaves the postage due  
19. unit, not only has it been sorted to carrier route or call box  
20. area, but the BRM for each permit holder has been combined. When  
21. the mail re-enters the regular first-class mailstream, it is in a  
22. better condition than when it left. Thus, not all of the BRM  
23. cost of 1.82 cents is incurred by BRM over and above what would  
24. have been incurred by regular first-class mail alone.

25. The other costs incurred by BRM relate to the physical  
26. transfer of BRM back into the regular first-class processing

- 29 -

1. As a result, I do not believe that the Postal Service has  
2. adequately explained or supported this portion of the BRM  
3. attributable cost. When such an amount constitutes more than 67%  
4. of the USPS advance deposit BRM unit attributable cost  
5. (Tr. 10/6946-7), a more detailed presentation by the Postal  
6. Service is warranted. The 3.92 cents unit attributable cost to  
7. pick up BRM should be rejected.

8. Taking the BRM processing unit attributable cost of 1.82  
9. cents and adding the "piggyback" costs, USPS Witness Larson  
10. indicates a total unit attributable cost of 2.46 cents (USPS LR  
11. E-9, Table II). I accept this presentation as the best available  
12. estimate of the average unit attributable cost to process advance  
13. deposit BRM.

14. As an alternative it is also instructive to evaluate the  
15. In-Office Cost System's handling of BRM and the costs reported in  
16. the Cost and Revenue Analysis report. USPS Witness Lyons reports  
17. that the CRA costs and the attributable costs derived by Witness  
18. Larson cannot be reconciled (Tr. 7/3923). However, the CRA  
19. reports that BRM will cost a total of ~~\$80,523.9 million~~ in the test  
20. year (Tr. 7/3924). Although I use this figure in my cost  
21. analysis shown on page 34, I believe this figure is incorrect and  
22. overstates the likely BRM total attributable costs.

23. As discussed above, there is an overlap between first-class  
24. generated attributable costs and BRM-generated attributable  
25. costs. This is true especially within the postage due unit,  
26. where a tally taken will more than likely be charged to business  
reply. As indicated above, some portion of the processing which

- 30 -

1. takes place at the postage due unit reflects processing that
2. should rightfully be charged to first-class mail. This
3. overstates BRM attributable costs.

4. A second, more serious problem concerns the tallying of BRM  
 5. outside the postage due unit. As shown in USPS Witness Barker's  
 6. workpapers, almost ~~\$5 million~~ was attributed to BRM in the base  
 7. year in the outgoing function. 6/ Since Witness Larson  
 8. indicates that all BRM processing takes place in the postage due  
 9. unit, these costs seem to be reported in error. Perhaps when a  
 10. tally takes place and a clerk/mailhandler is sorting BRM in an  
 11. outgoing sortation, the cost is reported as BRM. Such a cost  
 12. should properly be attributed to first-class.

13. Finally, the order of magnitude for BRM costs is quite small  
 14. for a data collection effort that collects costs well into the  
 15. billions of dollars. Accordingly, costs recorded for the small  
 16. amount of processing received by BRM may be quite difficult to be  
 17. accurately picked up by the In-Office Cost System.

## 18. 2. Accounting Fee

19. The Postal Service estimates a BRM attributable cost to  
 20. process advance deposit accounts. This entails the accounting  
 21. procedures for filling out forms and receipts in order to  
 22.

---

23. 6/ Updating this figure to the test year, adding direct overhead  
 24. and piggyback costs, and adjusting for the increase in volume  
 25. raises this figure to about \$10.3 million or about 12.8% of  
 26. total BRM attributable costs.  

$$(4.699 \times 1.20778 \times 1.3545 \times (19.74/16.43)) \times$$

$$(1030.598/924.359) = \$ 10.297$$

1 [Discussion off the record.]

2 BY MR. HALL:

3 Q Now, let's go back to Mr. Pham's study, and again  
4 recall that he was looking at BRMAS.

5 He derived a manual counting and sorting  
6 productivity of 951 PPH; is that right?

7 A That's close. He actually calls it distribution  
8 productivity, and it is 951 PPH, yes.

9 Q And do you know what percent of the business reply  
10 mail universe he applied the 951 PPH productivity factor to?

11 A At that time, Witness Pham was -- he believed that  
12 by the test year, that a large portion of BRM would be  
13 processed on automation, so he applied a very small  
14 percentage of that 951 to the BRM pieces.

15 He subsequently -- we, the Postal Service,  
16 subsequently have ascertained that the BRMAS program did not  
17 -- has not fully met expectations.

18 It did not, in fact, meet Witness Pham's  
19 expectations, so, in fact, his 951 was applied to probably  
20 much fewer BR pieces than was the case looking back 20/20.

21 Q I only asked you if you knew what percentage it  
22 was applied to.

23 A At the time, a very small percentage.

24 Q Fifteen percent?

25 A Subject to check, that sounds reasonable.

1 Q And what percent of QBRM do you apply the 951 to?

2 A Approximately 66 percent.

3 Q Now, this obviously has an impact on the resulting  
4 cost, doesn't it? Applying the larger percent that is  
5 considered to be processed manually at a PPH of 951 percent,  
6 the higher the cost?

7 A Absolutely. Manual counting and sorting is  
8 laborious, to say the least. Q Now, on page 4 of  
9 your rebuttal testimony, you describe the derivation of the  
10 951 PPH. It's your position that the 951 encompasses  
11 sorting trays containing BRM with multiple PO boxes into  
12 appropriate separations?

13 A I believe that definitely would be encompassed in  
14 the 951.

15 Q And what exactly is that? Do you want to explain  
16 that to me, please?

17 A In the postage due unit, I don't know if you've  
18 ever been inside one, --

19 Q Yes.

20 A -- the trays come to the postage due clerks, they  
21 obtain the trays from a designated area, and many times they  
22 have to further sort the -- well, it should have been  
23 processed in automation. They sort these trays further down  
24 to customer or account level, rather, and so they may use  
25 other trays to make the sortation, they may use those

1 traditional cubbyholes that they sort BRM pieces into.

2 Q So, in other words, there are many -- there could  
3 be ten, 15, 20 recipients' mail in one tray?

4 A In some cases, that may be certainly true, yes.

5 Q And you use this model, if you will, regardless of  
6 whether letters arrive for a recipient in large volumes or  
7 small volumes; is that correct?

8 A Yes. Let me provide a little background. As you  
9 know, there are seasonality with BRM, there are very few BRM  
10 customers that receive BRM steadily in high volumes on a  
11 daily basis. So a customer may receive several thousand on  
12 a particular day; they may receive three the next day. So  
13 there are so many factors. You cannot really generalize  
14 from day to day. What you say is true one day, it's not  
15 true the next day for the same customer account.

16 Q I'm just asking how you applied the 951 PPH. You  
17 applied it whether or not letters arrived in large volumes  
18 or small volumes; isn't that correct? I'm referring you to  
19 library reference 160, schedules 2 and 3, where you  
20 developed the cost for high and low volume QBRM.

21 A Right. Those low and high volume accounts that  
22 arrive in the postage due unit, yes, I've applied the 951 to  
23 all of those, yes.

24 Q But you also testified, didn't you, that for large  
25 volume QBRM recipients, the letters arrive in full trays and

1 do not require sorting?

2 A At one plant that I noted in my -- on the record,  
3 yes, that was one plant, correct.

4 Q And at a level of, say, 300,000 pieces per year,  
5 it would be more likely that that would be the case,  
6 wouldn't it?

7 A Again, not necessarily. One day the customer may  
8 have ten trays; one day, they may take up a quarter of a  
9 tray. There are extreme variations.

10 Q I'm sure there are, but in -- it's, I guess, like  
11 anything -- you're going to find an example of anything if  
12 you keep turning over rocks long enough.

13 But in terms of averages, you would expect that it  
14 would be more likely for somebody who's receiving 300,000  
15 pieces per day as compared to somebody receiving say 50- or  
16 100,000 -- excuse me -- 300,000 pieces per year as compared  
17 to somebody receiving 50- or 100,000 pieces per year to have  
18 the tray arrive -- to have their mail arrive in full trays  
19 that wouldn't require further sortation in the postage due  
20 unit; isn't that correct?

21 A Again, it varies.

22 Q So if on average, the 300,000 piece-per-year  
23 customer receives over 1,200 pieces per day, you're saying  
24 it's not more likely over the course of the year that more  
25 full trays would arrive at the postage due unit for that

1 customer than would arrive for a customer that receives only  
2 50,000 or 100,000 pieces per year?

3 A I wouldn't make that generalization. Again, the  
4 customer with 300,000 pieces per year, they might receive  
5 50,000 today, they might receive 15 next week, depending on  
6 certain, say, marketing promotions, proxy BRM submittals,  
7 things like that. They are very seasonal. They may get  
8 high volumes one day, very low volumes next week. You just  
9 can't make a generalization like that.

10 Q Okay. When they come in high volumes, they're  
11 certainly going to come in full trays if they're showing up  
12 with 50,000 or --

13 A Sure.

14 Q -- 300,000 pieces.

15 A On that day. On that day, absolutely.

16 Q Right. Could you turn to Footnote 8 on page 5 of  
17 your rebuttal testimony, please.

18 A Yes.

19 Q Now there, you are criticizing as arbitrary Mr.  
20 Bentley's use of non-productive time, namely that in  
21 developing his counting productivity, he assumed that a  
22 clerk would be productive for only 36 minutes during each  
23 hour; is that right?

24 A That's right.

25 Q And if it's arbitrary, is it arbitrarily high or



1 arbitrarily low? In other words, does the clerk work more  
2 than 36 minutes per hour on average?

3 A I really don't know. Nothing in the record --  
4 there is nothing in the record that would support that  
5 statement either way.

6 Q So you just say it's arbitrary because --

7 A I don't know --

8 Q -- you don't know what it is.

9 A I would like to know where the 36 minutes came  
10 from. It just was not supported by any calculation or  
11 explanation in Witness Bentley's testimony.

12 Q Didn't he say that it was based on a 40 percent  
13 reduction to account for non-productive time?

14 A Right. Where does that come from, I would like to  
15 know.

16 Q Okay. That's fair.

17 And would you happen to know what figure the  
18 Postal Service uses or assumes is productive for each  
19 60-minute period worked by a postal clerk?

20 A No.

21 Q Are you familiar with the term mail processing  
22 overhead costs as that term was used by the Postal Service  
23 for cost component 3.1?

24 A Sure.

25 Q Would you accept subject to check that overhead

1 costs represent non-productive time?

2 A In part, I would agree with that.

3 Q Would you happen to know what the percentage is  
4 for overhead costs?

5 A I don't know that.

6 MR. HALL: Mr. Chairman, I would like to show the  
7 witness a document, if I may.

8 CHAIRMAN GLEIMAN: Please.

9 MR. HALL: I'll hand two copies to the reporter  
10 and I'll give a copy to Mr. Tidwell and copies to the  
11 Commissioners.

12 Mr. Chairman, if I can describe the document that  
13 I have handed to the witness, it's a portion of the direct  
14 testimony of Dana W. Barker on behalf of the United States  
15 Postal Service in Docket R94-1. It's identified as  
16 USPS-T-4, and I would ask that this be marked as Keyspan  
17 Cross Examination KE/USPS-RT-23-Exhibit 2.

18 [Keyspan/USPS-RT-23-Exhibit 2 was  
19 marked for identification.]

20 BY MR. HALL:

21 Q Could you turn to the last page of that document,  
22 please, and I would like you to look at the total costs  
23 under the first two columns, namely for mail processed  
24 direct labor, 8,287,051. I'm sorry, that's 8.29 billion  
25 roughly.

1 Do you see that?

2 A Yes, I do.

3 Q And do you see under the next column entitled Mail  
4 Process Overhead the total costs of \$2.35 billion?

5 A Yes.

6 Q Now, the total, then, would be -- if you want to  
7 accept this subject to check -- \$10.64 billion, and overhead  
8 as a percentage of the total would be 22.3 percent; is that  
9 correct?

10 A That appears to be the case for mail processing,  
11 yes.

12 Q Okay. That suggests, doesn't it, that direct  
13 labor represents about 77.6 percent of the total direct  
14 labor cost including overhead?

15 A For mail processing, yes. I don't know that this  
16 would apply necessarily to the postage due unit.

17 Q But you don't know that it wouldn't either, right?

18 A I don't know for a fact. I think that certainly  
19 this would apply on the floor where mail is processed in the  
20 plant, but not necessarily where mail is worked or received  
21 in the postage due unit.

22 Q Even though we're talking in terms of billions of  
23 dollars here over the course of a year?

24 A Yes, I don't --

25 Q We're trying to get some handle on how arbitrary

1 Mr. Bentley was and in which direction, perhaps.

2 Now, this -- I think we've discussed that here,  
3 non-productive time represented about 22 or 23 percent of  
4 the total cost; is that right? But Mr. Bentley has used 40  
5 percent. Wouldn't you say that's more conservative than 22  
6 percent?

7 A I would say yes.

8 THE WITNESS: Can I ask a question with respect to  
9 Mr. Bentley's 36 minutes?

10 MR. HALL: When we put Mr. Bentley on the stand,  
11 we'd be happy to, Your Honor.

12 CHAIRMAN GLEIMAN: Well, you know, I'm glad that  
13 you would like to -- that you would be willing to entertain  
14 questions from the witness, but it's somewhat irregular and,  
15 you know, if there's something he feels he wants to get  
16 clarified or get on the record or something like that, we  
17 can leave it until redirect.

18 THE WITNESS: Okay.

19 CHAIRMAN GLEIMAN: And I would really prefer to  
20 just move on with --

21 THE WITNESS: He simply didn't provide an  
22 explanation in his testimony, so  
23 --

24 CHAIRMAN GLEIMAN: Well, then, thank you for your  
25 testimony to that effect, but, you know, that's what you

1 have counsel for, to ask you questions about things like  
2 that. So we'll leave it to redirect if, indeed, your  
3 counsel chooses to do redirect.

4 BY MR. HALL:

5 Q Could you turn now to Footnote 9 on page 5. And  
6 there, you are substituting your 951 PPH manual  
7 productivity, which includes both sorting and counting.

8 MR. HALL: Pardon me. Mr. Chairman, I was so  
9 floored by the witness' request that we recall my witness  
10 that I neglected to move into evidence the cross examination  
11 exhibit.

12 CHAIRMAN GLEIMAN: Without objection, and it will  
13 be transcribed into the record also.

14 [Keyspan/USPS-RT-23-Ex-2 was  
15 received in evidence and  
16 transcribed into the record.]

17  
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*Keyspan/USPS-RT-  
23-Ex-2*

USPS-T-4

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0003

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POSTAL RATE AND FEE CHANGES, 1994

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:  
:  
:  
Docket No. R94-1

DIRECT TESTIMONY OF  
DANA W. BARKER  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

EXHIBIT USPS-4(S)A  
COST SEGMENTS AND COMPONENTS  
PRC 1993 S (BASE YEAR)

USPS 10-4730  
ALA430P1

DEVELOPMENT OF COST BY SEGMENT AND COMPONENT - PRC 1993 S (BASE YEAR)

COST SEGMENT 3. CLERKS AND MAILHANDLERS--CAGS A-J

(3.1 THRU 3.2)

	MAIL PROCESS DIRECT LABOR (3.1)	MAIL PROCESS OVERHEAD (3.1)	MAIL PROCESS FIXED (3.1)	SUBTOTAL (3.1)	WINDOW SERVICE (3.2)	SPECIFIC FIXED POSTAL CARDS (PRC)
*****						
FIRST-CLASS MAIL:						
LETTERS & PARCELS	4 010 006	1 139 164	--	5 149 170	563 700	--
PRESORT LTR & PCL	881 530	250 425	--	1 131 955	19 358	--
POSTAL CARDS	1 538	437	--	1 975	9 209	6 910
PRIVATE POSTCARDS	133 718	37 987	--	171 705	19 923	--
PRESORT PRVT P CS	29 233	8 305	--	37 538	433	--
TOTAL FIRST	5 056 025	1 436 318	--	6 492 343	612 623	6 910
PRIORITY MAIL	265 126	75 317	--	340 443	46 075	--
EXPRESS MAIL	52 634	14 952	--	67 586	28 031	--
MAILGRAMS	2 434	691	--	3 125	--	--
SECOND-CLASS MAIL:						
WITHIN COUNTY	13 342	3 790	--	17 132	246	--
OUTSIDE COUNTY:						
REG RATE PUB	321 464	91 322	--	412 786	534	--
NONPROFIT PUB	71 738	20 379	--	92 117	88	--
CLASSROOM PUB	2 551	725	--	3 276	--	--
TOTAL SECOND	409 095	116 216	--	525 311	868	--
THIRD-CLASS MAIL:						
SINGLE PIECE RATE	88 834	25 236	--	114 070	4 814	--
BULK RATE-REG						
CAR PRESORT	174 650	49 615	--	224 265	5 318	--
OTHER	1 208 945	343 438	--	1 552 383	20 381	--
TOTAL REGULAR	1 383 595	393 053	--	1 776 648	25 699	--
BULK RATE-NONPROF						
CAR PRESORT	19 369	5 502	--	24 871	1 271	--
OTHER	288 073	81 836	--	369 909	7 192	--
TOTAL NONPROF	307 442	87 338	--	394 780	8 463	--
TOTAL THIRD	1 779 871	505 627	--	2 285 498	38 976	--
FOURTH-CLASS MAIL:						
PARCELS ZONE RATE	120 876	34 339	--	155 215	11 502	--
BOUND PRNT MATTER	61 336	17 424	--	78 760	1 864	--
SPC 4TH-CL. RATE	83 897	23 834	--	107 731	5 242	--
LIBRARY RATE	19 161	5 443	--	24 604	216	--
TOTAL FOURTH	285 270	81 040	--	366 310	18 824	--



USPS 10-4730  
ALA430P1

DEVELOPMENT OF COST BY SEGMENT AND COMPONENT - PRC 1993 S (BASE YEAR)

COST SEGMENT 3. CLERKS AND MAILHANDLERS--CAGS A-J

(3.1 THRU 3.2)

	MAIL PROCESS DIRECT LABOR (3.1)	MAIL PROCESS OVERHEAD (3.1)	MAIL PROCESS FIXED (3.1)	SUBTOTAL (3.1)	WINDOW SERVICE (3.2)	SPECIFIC FIXED POSTAL CARDS (PRC)
*****	*****	*****	*****	*****	*****	*****
U S POSTAL SERVICE	71 372	20 275	--	91 647	5 348	--
FREE MAIL--BLIND & HNDC & SERVICEMEN	7 996	2 272	--	10 268	280	--
INTERNATIONAL MAIL	209 244	59 442	--	268 686	28 204	--
TOTAL ALL MAIL	8 139 067	2 312 150	--	10 451 217	779 229	6 910
SPECIAL SERVICES:						
REGISTRY	15 968	4 536	--	20 504	14 578	--
CERTIFIED	32 848	9 331	--	42 179	31 753	--
INSURANCE	274	78	--	352	10 297	--
COD	3 318	943	--	4 261	3 561	--
SPECIAL DELIVERY	4	1	--	5	365	--
MONEY ORDERS	--	--	--	--	113 923	--
STAMPED ENVELOPES	--	--	--	--	1 970	--
SPECIAL HANDLING	90	26	--	116	1 482	--
POST OFFICE BOX	--	--	--	--	66 079	--
OTHER	95 446	27 114	--	122 560	8 403	--
TOTAL SPC SVCS	147 948	42 029	--	189 977	252 411	--
ATTRIBUTABLE	8 287 015	2 354 179	--	10 641 194	1 031 640	6 910
OTHER	--	--	448 949	448 949	758 690	--
TOTAL COSTS	8 287 015	2 354 179	448 949	11 090 143	1 790 330	6 910

1 BY MR. HALL:

2 Q Now, back to Footnote 9 where you're substituting  
3 your 951 PPH manual productivity which includes both sorting  
4 and counting for Mr. Bentley's 2,746 PPH productivity factor  
5 that includes just counting -- do you see that?

6 A Yes.

7 Q Is it your testimony that QBRM letters received in  
8 high volumes will require both sorting and counting in the  
9 postage due unit?

10 A In some cases, yes.

11 Q And will that be to the same degree as QBRM  
12 received in low volumes?

13 A In some cases, possibly.

14 Q Let's try to, but I'm sure we can all sit here,  
15 but we're going to be here forever if we try to think of, in  
16 some cases or a few cases or something like that.

17 Let's -- if we can, let's do it with a broad  
18 brush.

19 And, you know, I'm not trying to surprise you  
20 here. You're the one who's testified that high volumes  
21 generally come in full trays; aren't you? Are you that  
22 witness?

23 A A high volume on a given day would come -- most  
24 likely come in a full tray, yes.

25 Q Okay, so they won't -- on any day that they come

1 in in high volumes, for a recipient that receives them  
2 either on one day or on 365 days a year, they generally come  
3 in on full trays, right?

4 A Right.

5 Q In that case, they won't require both sorting and  
6 counting in the Postage Due Unit; will they?

7 A They would not necessarily need a sortation. They  
8 would need a count. They would need other activities, as I  
9 stated earlier, that are incorporated into the 951.

10 Q But in any case, they wouldn't require that sort?

11 A The one that I subtracted out? Correct.

12 Q They wouldn't require any sort?

13 A Correct.

14 [Pause.]

15 Q Now, both you and Ms. Schenk in the last case  
16 assumed that the manual productivity of 951 PPH or pieces  
17 per hour, applied to pieces counted by weight-averaging and  
18 special counting machines; isn't that correct?

19 A No. Witness Schenk actually did not use the  
20 number, 951. As I stated in our prior meeting here, Witness  
21 Schenk did not use 951, but rather a lower productivity of  
22 362, I believe.

23 Q But the 951 was a portion or a component of the  
24 productivity factor she used?

25 A It was included in the 362.

1 Q Okay, she had to use it in order to use the 362;  
2 didn't she?

3 A Right, yes.

4 Q Okay. Now, did the Commission ever approve using  
5 the 951 PPH productivity factor to derive the cost of a  
6 segregated, per-piece fee that is separate from a fixed fee  
7 as you have proposed, and as Mr. Bentley has proposed in  
8 this case?

9 A No.

10 Q In fact, a similar proposal to yours has been made  
11 -- and I guess Mr. Bentley's -- has been made only once  
12 before; isn't that correct?

13 A Yes.

14 Q And that would be the proposal to establish a  
15 per-piece fee and fixed accounting fee for non-letter-size  
16 BRM; isn't that right?

17 A Correct.

18 Q When you derived the per-piece costs for  
19 non-letter-size BRM, there's no sortation cost included; is  
20 there?

21 A No. The film -- I'm sorry, the non-letter-size  
22 pieces constitute primarily of the film pieces.

23 There are actually very few customers. One  
24 particular plant is most likely getting just one or two  
25 customers, so there is very little degree of sortation

1 involved in that in the film and the non-letter-size weight  
2 averaging weight.

3 Q And that would also be true of high-volume QBRM  
4 coming in in full trays for a high-volume recipient on a  
5 daily basis or on consistently through the year; wouldn't  
6 it?

7 A Correct, however, there are, again, very few  
8 accounts that consistently receive high volumes, day-in and  
9 day-out, so this would not apply to an account every day of  
10 the year.

11 Q And did the film people receive high volumes each  
12 and every day?

13 A My understanding is that they received fairly  
14 consistent high volumes.

15 Q What are those volumes?

16 A I don't know those, specifically.

17 Q What's the maximum volume that they receive?

18 A I don't know.

19 Q What's the minimum volume that they receive?

20 A Well, one could receive probably zero. That's  
21 probably the minimum.

22 MR. TIDWELL: There are customer-specific volumes  
23 as a part of the record in the proceedings, though, that  
24 dealt with those fees.

25 And as I recall, they were provided, subject to

1 protective conditions, and so I don't know if we'd  
2 necessarily want to get into specific customer volumes here,  
3 but they are a matter of record.

4 CHAIRMAN GLEIMAN: I'm not sure -- is that in the  
5 way of an objection?

6 MR. TIDWELL: Just an observation that if there  
7 are parties who are interested in trying to find out what  
8 those numbers are, and the witness doesn't have them off the  
9 top of his head, that they could go to the non-letter-size  
10 cases that were conducted last year or the year before and  
11 then the numbers are there.

12 CHAIRMAN GLEIMAN: Thank you.

13 MR. HALL: I'm satisfied that the witness doesn't  
14 know.

15 CHAIRMAN GLEIMAN: Thank you, I think.

16 MR. HALL: That's all I was trying to establish,  
17 and I think I've done so.

18 CHAIRMAN GLEIMAN: Thank you.

19

20 BY MR. HALL:

21 Q Could you turn to page 6 now, and there you're  
22 criticizing Mr. Bentley, unflaggingly, may I say, for his  
23 derived productivity factor for counting QBRM by weighing.

24 And there you state that Mr. Bentley's  
25 productivity factor of 68,078 pieces per hour is much too

1 high, compared to 6,390 PPH derived in a 1987 study; is that  
2 correct?

3 A For comparison purposes, yes, that is correct.

4 Q Now, did you try substituting the 6,390 PPH  
5 productivity for Mr. Bentley's derived productivity of  
6 68,078 PPH to see what the effect would be on his cost  
7 analysis?

8 A I believe we addressed that in our prior meeting  
9 here.

10 Q I don't -- let me just stop you there, because in  
11 our prior meeting, if you're referring to your testimony in  
12 April, Mr. Bentley hadn't even made his proposal.

13 A Okay, now, what, specifically, is your question  
14 then? Have I used -- incorporated the 6,390 into Mr.  
15 Bentley's? No, I haven't.

16 Q Well, we did. Would you accept, subject to check,  
17 that if you substituted the productivity of 6,390 pieces per  
18 hour into Mr. Bentley's analysis, the unit cost goes up from  
19 .17 cents to .23 cents?

20 A Subject to check.

21 Q And that's for high volume.

22 A Okay, subject to check, that sounds reasonable.

23 Q And for low volume, making that same substitution,  
24 the QBRM unit cost goes up from .34 -- no, it's 3.43 cents  
25 to 3.47 cents?

1           A     Based on Mr. Bentley's counting method percentages  
2     and other arbitrary assumptions, yes, that is reasonable,  
3     subject to check.

4           Q     Now, you stated on page 6, line 15, that the  
5     productivity for weighing and counting letters should be  
6     higher than the 7,272 pieces per hour productivity that was  
7     derived for non-letter sized, non-uniform parcels, don't  
8     you?

9           A     Yes. I don't think I used the word "parcels," but  
10    yes.

11          Q     Okay. But we all know what we are talking about,  
12    don't we, it is non-letter size BRM?

13          A     The tiny film canisters, yes.

14          Q     Right. So it should be higher than 7,272, is that  
15    correct?

16          A     Exactly. Absolutely. I think I have pointed out  
17    that it is counter-intuitive to think the productivity for  
18    the letter size would be lower than that for the non-letter  
19    size. I have certainly -- I am using these numbers for  
20    comparison purposes strictly.

21          Q     Right. Now, let's go back to when we had our  
22    prior meeting in April. And there we showed you some sacks  
23    of non-uniform, non-letter size BRM and showed you some  
24    trays of letter sized QBRM. Do you recall that?

25          A     I sure do.



1           Q     Based on the discussion we had then, doesn't it  
2     take about 90 sacks to hold 10,000 non-letter size parcels  
3     and only 20 trays to hold 10,000 QBRM letters?

4           A     Well, I have done some further investigation. I  
5     have actually spoken with the non-letter size BRM clerk at  
6     our local Brentwood facility here, and she has indicated  
7     that a sack will hold about 200 pieces of non-letter size  
8     BRM, whereas, as tray for letter size, we have agreed is  
9     about 500. So I think your calculations would be somewhat  
10    different for a sack of 200.

11          Q     What size sack was that?

12          A     I believe it was the Number 1 nylon.

13               MR. HALL: If we could have just a minute, Mr.  
14    Chairman.

15               CHAIRMAN GLEIMAN: Could you give me a sense of  
16    how much longer you intend to go?

17               You find the strangest things in the closets  
18    around here.

19               MR. TIDWELL: You all should talk to the custodial  
20    crew.

21               CHAIRMAN GLEIMAN: Well, what concerns us is that  
22    our letter carrier may have stashed that in there.

23               MR. HALL: There are pictures in there.

24               CHAIRMAN GLEIMAN: I don't want to know.  
25    Seriously, though, can you give me a sense of how much

1 longer you think you are going to be going here?

2 MR. HALL: I think maybe another 30 to 40 minutes  
3 perhaps.

4 CHAIRMAN GLEIMAN: Well, after you ask this  
5 question then, we are going to break for lunch.

6 MR. HALL: If we can just extend it to about three  
7 or four questions, I think we will get that through.

8 BY MR. HALL:

9 Q So here we have, Mr. Campbell, a Number 3 sack,  
10 which is different than the Number 1 sack that you were  
11 talking about, and it holds approximately 112.

12 A Right.

13 Q So it is the same kind of sack, and the same kind  
14 of comparison we were trying to make back in April?

15 A Similar, yes.

16 Q A Number 1 sack, I assume is bigger than a Number  
17 3 sack?

18 A One could safely assume that, yes.

19 Q Okay. So now do you have in mind that it would  
20 take about 90 Number 3 sacks to hold 10,000 non-letter size  
21 parcels and only 20 trays to hold 10,000 letters?

22 A That is accurate. I don't know what relevance  
23 that is, considering they use a Number 1 sack, but --

24 Q Isn't it possible that a Postal employee could  
25 weigh, say, four trays of QBRM letters at one time?

1           A     There are many, many varying techniques to weight  
2 averaging, I have witnessed a number. They could, yes, they  
3 could weigh four trays at a time. That is one way. As your  
4 video and your Library Reference showed, that is not  
5 necessarily the way that postage due clerks would weight  
6 trays.

7           Q     Well, it is also possible that the same clerk  
8 could weigh probably two sacks at a time?

9           A     I suppose that is possible.

10          Q     So in this case, if that were so, it would take  
11 five separate weighings to do the 10,000 letters and 45  
12 separate weighings for the 90 sacks?

13          A     If they are using the Number 3 sack, as you say,  
14 and they are weighing four trays at a time.

15          Q     Right.

16          A     Sure.

17          Q     So then it would take about nine times longer to  
18 weigh the non-letters than the letters, isn't that right?

19          A     In that case, yes. I don't know where that is  
20 actually done, though.

21               MR. HALL: Well, maybe this is a convenient time  
22 to break and I will pick up after the recess.

23               CHAIRMAN GLEIMAN: We will return at 1:30.

24               [Whereupon, at 12:37 p.m., the hearing was  
25 recessed, to reconvene at 1:30 p.m., this same day.]

1 AFTERNOON SESSION

2 [1:33 p.m.]

3 CHAIRMAN GLEIMAN: Mr. Hall, it looks like all the  
4 appropriate people are in place, so whenever you're ready to  
5 pick up with your examination, proceed.

6 MR. HALL: Thank you very much, Mr. Chairman.  
7 Whereupon,

8 CHRIS F. CAMPBELL,  
9 a witness, having been previously called for examination,  
10 and, having been previously duly sworn, resumed the stand,  
11 continued to be examined and continued to testify as  
12 follows:

13 CROSS EXAMINATION, CONTINUED

14

15 BY MR. HALL [Resuming]:

16 Q Let's see, Mr. Campbell, could you turn to pages 8  
17 and 9 of your testimony?

18 A Yes?

19 Q This comes under the heading, I guess, that you  
20 call it -- your criticism is basically that data have been  
21 manipulated to reach desired outcomes; is that right?

22 A Right, exactly.

23 Q And the big complaint you seem to have, since you  
24 mention it about five or six times, by my count, is that Mr.  
25 Bentley erroneously includes 56 million QBRM pieces in his

1 high volume QBRM count that you say are, in reality, low-  
2 volume QBRM pieces received by approximately 2500 accounts;  
3 isn't that right?

4 A It's certainly up to 56 million pieces. I felt  
5 that he erroneously included it in his high-volume analysis,  
6 that's correct.

7 Q As a matter of fact, you said if -- and I'm  
8 reading from page 8, going over to page 9, line 9. If one  
9 assumes that each account receives 22,400 QBRM pieces per  
10 year, then each would be considered a low-volume account,  
11 and should not be incorporated into Witness Bentley's  
12 analysis; is that right?

13 A Right. If one were to take the average, and that  
14 happens to be the average account size, that would be the  
15 case.

16 It's unfortunate that we don't have actual account  
17 volumes of those 2500. So, if one were to take the average,  
18 that would be in appropriate to include in analysis.

19 MR. HALL: At this time, Mr. Chairman, I have a  
20 cross examination exhibit to be marked as, I think, KE/USPS-  
21 RT-23-EX-3, and I'll hand the witness a copy. I have handed  
22 a copy to Mr. Tidwell, and two copies for the Reporter and  
23 several copies for the Commissioners.

24 [KeySpan/USPS-RT-23-EX-3 was marked  
25 for identification.]

1 MR. TIDWELL: Mr. Chairman, may we go off the  
2 record for a second?

3 CHAIRMAN GLEIMAN: We certainly may.

4 [Discussion off the record.]

5 CHAIRMAN GLEIMAN: Back on the record.

6

7 BY MR. HALL:

8 Q Mr. Campbell, have you have a chance to review the  
9 document that has been identified as KE Cross Examination  
10 Exhibit Number 3?

11 A Yes, I have.

12 Q And this is the information that you sent or  
13 caused Mr. Tidwell, I believe, to fax to Mr. Bentley  
14 regarding the 56 million pieces?

15 A Yes, it is.

16 Q Do you see anywhere here that it mentions the fact  
17 that there are 2500 separate accounts?

18 A No, I do not, actually, and you are correct on  
19 that. I think my point in my rebuttal testimony was that  
20 you jumped to a conclusion that was not substantiated to you  
21 any which way.

22 Q Well, okay, but this material was provided to us  
23 in response to -- you can help me out here -- Interrogatory  
24 KE-49 or 53; wasn't it?

25 A Actually, I believe this was requested

1 specifically, informally, over the telephone. You had -- I  
2 think you had requested, specifically, volumes housed in our  
3 Postal Service CBCIS, or PERMIT System, and then this being  
4 a very large customer, you wanted specific volumes for that  
5 customer, and we provided those informally.

6 Q Well, in 49 and 53, in both of those  
7 interrogatories -- and I guess 53 was the one that asked for  
8 a broader universe than just CBCIS data -- we asked you,  
9 didn't we, for each of the users that you provided  
10 information for.

11 Let's see if I've got the right thing.

12 [Pause.]

13 For example, how many different addresses the QBRM  
14 recipient maintains for QBRM at such Postal facility?

15 A Right, but that's premised on Letter F, that falls  
16 under Letter F, if I'm not mistaken, that we were to provide  
17 data from a database system, the most comprehensive data  
18 system, and that's exactly what we provided you from our  
19 CBCIS data system.

20 Q Well, in any event, you never told us there were  
21 2500 accounts; did you?

22 A No. We provided --

23 Q And all the other information you provided for us,  
24 did follow those instructions, didn't they?

25 A You asked for volumes from our large customer in

1     this particular location, and we faxed you the volumes for  
2     that particular customer.

3           Q     Okay, but now you want to fault Mr. Bentley for  
4     not knowing that there were really 2500 accounts?

5           A     He jumped to a conclusion. He certainly had Mr.  
6     Tidwell's phone number to inquire about that.

7           Q     Okay.

8           A     Just for the record, just because there's a large  
9     customer, that doesn't necessarily correspond to one  
10    account, and in no way have I tried to deceive anyone.

11          Q     I'm not suggesting that you did try to deceive  
12    someone; I'm simply suggesting that perhaps Mr. Bentley  
13    wasn't trying to deceive anyone, either, and it would be  
14    inappropriate for you to fault him for information that only  
15    you had and the Postal Service didn't provide to him.

16                    Would that be fair?

17          A     I think it would be fair to say that while perhaps  
18    nobody was intending to deceive someone, someone jumped to  
19    some very large conclusions without investigating any  
20    further.

21          Q     And what conclusion was that?

22          A     As stated in my testimony, I can cite the page  
23    number, if you'd like.

24                   [Pause.]

25                   In lines 12 and 13, I state that Mr. Bentley



1 erroneously assumes that this huge amount of volume is  
2 received by a single account. Instead, these 56 million  
3 QBRM pieces are received by approximately 2500 separate  
4 accounts.

5           So I think the conclusion that he jumped to was  
6 that these all belonged to one QBRM account, when, in fact,  
7 there is nothing in the record that would suggest that.

8           Q     Well, didn't he assume that these 56 million  
9 pieces would qualify for the high volume QBRM per-piece fee?

10          A     Incorrectly so, yes.

11          Q     And that's what you think is incorrect?

12          A     More specifically, I believe he doesn't know which  
13 of these 56 million pieces would qualify for the high volume  
14 QBRM fee.

15                He doesn't know which of the 56 million would have  
16 qualified for the low volume QBRM fee.

17          Q     And is it your testimony, based on the portion I  
18 read you from -- which is approximately the same portion of  
19 your testimony, page 8 going over to page 9, that you just  
20 recited to me.

21                None of these accounts will qualify for high  
22 volume QBRM?

23          A     No. In fact, I do state in here that up to 56  
24 million should not be included in his high volume analysis.  
25 There are certainly -- of course, I would imagine there will

1 be some of those pieces.

2 We don't know how many, but some of those pieces  
3 would certainly qualify, I'm sure.

4 Q You're sure that some would qualify?

5 A The point is --

6 Q But you don't know how many?

7 A The point is, nobody knows, and that includes Mr.  
8 Bentley, that includes myself.

9 MR. HALL: Oh, okay. Well, if we could, I'd like  
10 to keep housekeeping in a tidy fashion, so could I please  
11 move admission into evidence, and have copied in the record,  
12 Cross Examination Exhibit Number 3, please?

13 CHAIRMAN GLEIMAN: It is so ordered.

14 [Exhibit Number KeySpan/USPS-RT-  
15 23-EX-3 was received into evidence  
16 and transcribed into the record.]

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25

KEYSPAN/USPS-RT-  
23-Ex-**FACSIMILE TRANSMISSION COVER PAGE**To: Rich BentleyFAX# (703) 281-0677

From: Michael Tidwell  
Attorney  
International & Ratemaking Law  
United States Postal Service  
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Comments: The following pages contain QBRM volumes  
for the large mailer in [REDACTED] (not included in  
PERMIT).  
The upper number is "volume" in each AP, while the  
lower number is "revenue."

Number of pages, including cover: 4

5-03-200 11:45AM FROM

PROD &amp; ACTIVITY BASED COSTING; P.4

08/20/99 11:41

## BRM Revenues by A/P for FY 1998

A/P Total W/D	Manual Cards	Manual Letters	Manual Misc.	Autom. Cards	Autom. Letters
AP01 <del>1624455.72</del>	289113 72181.44	389609 137091.18	6681 4584.32	1617626 362932.90	2941505 1008755.98
AP02 <del>1478292.11</del>	220694 56834.64	138099 52971.02	4107 3594.10	1467970 331091.98	2785669 951387.92
AP03 <del>1485013.22</del>	267803 67188.58	403226 143635.56	16113 21531.52	1130961 258458.12	2621494 894763.40
AP04 <del>1460822.41</del>	201268 51555.76	247416 89797.70	13053 7614.83	1377375 313955.56	2671590 917868.16
AP05 <del>2412320.10</del>	487859 117802.02	520920 187174.99	32951 9192.33	2596920 592660.96	4090587 1404298.70
AP06 <del>1559810.41</del>	242221 61871.02	236369 88358.40	11004 13658.89	1409848 322095.62	2816066 963951.88
AP07 <del>1497950.96</del>	193370 50456.80	173846 64292.93	7802 6366.11	1334641 300540.22	2774806 950302.25
AP08 <del>1395512.88</del>	172191 44050.20	206532 76495.92	9211 4737.56	1354768 309999.58	2537293 881721.27
AP09 <del>1261268.19</del>	187020 46290.56	305927 110454.73	11192 5124.83	1226599 274544.00	2181384 746867.97
AP10 <del>1355128.45</del>	191306 46618.04	169857 62664.51	7695 4217.59	1276901 285123.36	2479657 848828.00
AP11 <del>1645495.11</del>	242213 57165.90	296405 108287.52	9645 4878.77	1645780 366199.42	3046572 1049163.45
AP12 <del>1531876.84</del>	267081 66991.30	370479 134948.94	6337 2474.36	1144748 257890.30	2916878 1001467.39

5-03-200 11:44AM

FROM

ACTIVITY BASED COSTING: PAGE 3

05/03/00 11:34

## BRM Revenues by A/P for FY 1999

A/P Total W/D	Manual Cards	Manual Letters	Manual Misc.	Autom. Cards	Autom. Letters
AP01 <del>1647966.57</del>	218170 53407.06	405946 150382.52	21805 6539.96	1420062 329269.04	2821088 1007636.84
AP02 <del>1562486.46</del>	196352 49757.98	273125 102229.11	7993 3672.58	1448258 327829.52	2833391 986174.62
AP03 <del>1453986.10</del>	226006 53310.30	290337 103137.34	8879 5149.49	1201446 267865.84	2444471 842085.53
AP04 <del>1413216.49</del>	146202 35688.60	113217 41282.97	7744 4306.80	1282591 285168.50	2638561 912388.02
AP05 <del>2384031.79</del>	431445 103357.85	489713 175791.87	17591 6101.74	2202492 508341.31	4217141 1482074.47
AP06 <del>1611188.63</del>	316848 77049.57	425357 151877.47	67697 102039.13	1467934 345888.53	2391940 844026.08
AP07 <del>1523160.59</del>	195755 48145.28	209555 74896.55	8690 4966.87	1450084 342863.86	2574950 906846.98
AP08 <del>1389953.37</del>	257668 62837.66	401069 142732.25	9168 5177.96	1178000 279359.07	2262974 797179.78
AP09 <del>1358539.65</del>	181640 44818.49	166695 60898.69	6096 2866.57	1230694 294872.33	2352370 834938.72
AP10 <del>1384060.66</del>	151324 38373.48	130608 48729.34	3618 1738.91	1339055 326932.96	2398187 850058.57
AP11 <del>1601905.17</del>	173254 42923.12	153215 55585.67	2842 1690.65	1682620 404823.10	2810203 993098.73
AP12 <del>1452565.79</del>	165889 41107.88	163992 59698.50	16196 6523.46	1494790 352118.80	2526972 895324.10
AP13 <del>1219864.09</del>	111392 27295.58	63954 23443.86	3039 1171.24	1289844 302910.96	2326261 821960.45

5-03-200 11:43AM

FROM

05/03/00 11:35

## BRM Revenues by A/P for FY 2000

A/P Total W/D	Manual Cards	Manual Letters	Manual Misc.	Autom. Cards	Autom. Letters
AP01 <del>1493990.11</del>	178006 43491.46	220810 79139.44	6784 2463.93	1359500 314884.96	2742526 967438.62
AP02 <del>1409931.35</del>	133444 32357.81	112088 40358.90	9379 4448.33	1378950 320355.64	2634280 933940.72
AP03 <del>1335046.58</del>	105551 26110.26	56368 20786.42	6148 4063.38	1145560 269530.07	2596141 935749.55
AP04 <del>1156486.90</del>	106796 25563.06	113951 40902.23	2670 1404.35	1044445 242751.32	2083761 741525.79
AP05 <del>2124911.49</del>	127505 31535.10	82373 30326.25	2067 1252.64	2236777 517933.72	4109957 1460457.23
AP06 <del>1503233.21</del>	153786 38176.32	114870 40997.96	5283 3891.23	1795059 432218.31	2636111 929745.89
AP07 <del>1403211.05</del>	116450 28628.09	94185 33845.69	2875 2392.61	1488674 354793.89	2438646 862501.02
AP08 <del>1349344.55</del>	86243 20436.18	65248 23672.68	4115 3057.57	1264155 292833.43	2587905 913665.59

1 BY MR. HALL:

2 Q I now have another cross examination exhibit I  
3 would like to show you, Mr. Campbell.

4 MR. HALL: Now the document I have just  
5 distributed and handed two copies to the reporter is  
6 identified as a summary of savings should a large recipient  
7 consolidate its 2500 accounts into one account. And it is a  
8 one page exhibit. I request that it be marked as KE/USPS-  
9 RT-23-Exhibit 4. And in that regard, I notice that there  
10 are some extraneous notations at the upper right hand  
11 corner.

12 [KeySpan/USPS-RT-23-Exhibit 4 was  
13 marked for identification.]

14 CHAIRMAN GLEIMAN: I think we may be up to Number  
15 5 now, but I am not sure.

16 THE REPORTER: No, it is Number 4.

17 CHAIRMAN GLEIMAN: This is Number 4.

18 THE REPORTER: Yes, sir.

19 CHAIRMAN GLEIMAN: Okay. I just didn't want to  
20 get anything out of order. I am all ready for the next one,  
21 though.

22 MR. HALL: Well, in that case, I wouldn't want to  
23 disappoint you. I was going to say that we should ignore in  
24 the upper righthand corner the markings MMA-XE, that is  
25 incorrect.

1 BY MR. HALL:

2 Q This document is something that we furnished to  
3 the Postal Service yesterday, late yesterday, in order that  
4 they would have an opportunity to review it prior to the  
5 time the witness took the stand.

6 Mr. Campbell, have you had an opportunity to look  
7 over this exhibit?

8 A Yes, I did receive it after 6:30 last night and  
9 took a look at it. Yes.

10 Q Good. Now, do you see that we are attempting for  
11 this one large user, that you said has 2500 separate  
12 accounts, to measure the cost that they are experiencing at  
13 the present time, and to compare and contrast that mode of  
14 operation with 2500 separate accounts against the  
15 possibility that once either the Postal Service's high  
16 volume QBRM proposal is adopted, or KeySpan's alternative  
17 proposal is adopted, that the user might decide to change  
18 its mode of operation. Do you understand that is what we  
19 are doing?

20 MR. TIDWELL: And Mr. Chairman, it is that reason  
21 that the Postal Service would object to this witness being  
22 cross-examined on this exhibit, because it is an effort to  
23 elicit testimony from this witness on customer reaction to  
24 the alternative fee proposals in this case. Mr. Campbell is  
25 not the fee design witness in this proceeding, he is a



1 costing witness who feeds costing information to others.

2           You can take a look at the exhibit, it shows that  
3 these 2500 accounts might pay, what Post Office Box fees  
4 they pay currently, what they might pay under alternative  
5 scenarios, what quarterly fees they might pay under  
6 alternative scenarios, a total postage paid figure under  
7 alternative scenarios. And this exhibit is all about how  
8 customers respond to different fee proposals, and we don't  
9 have a fee design witness on the stand presently. And it is  
10 just beyond the scope of his testimony.

11           CHAIRMAN GLEIMAN: Mr. Hall, can you tell me  
12 specifically how this relates to the rebuttal testimony?

13           MR. HALL: Well, this is the witness, and I  
14 believe it is the only witness that the Postal Service has  
15 put forward who is claiming that Mr. Bentley erroneously  
16 counted as high volume QBRM the 56 million pieces that this  
17 one customer, wherever he is located, receives every year.  
18 So I am testing the basis, whether it was reasonable for Mr.  
19 Bentley, in Mr. Campbell's opinion, to exclude these volumes  
20 or whether he should have, in fact, included them.

21           I don't think we have to take the witness very  
22 far. I can have him, -- if he is uncomfortable, he could  
23 certainly accept some of these numbers subject to check.  
24 But he certainly must be familiar with the Postal Service's  
25 proposal and he, in his rebuttal testimony, discusses at

1 length this and what he claims are other errors in KeySpan's  
2 proposal. So I assume that he is conversant with those two.

3 CHAIRMAN GLEIMAN: Well, --

4 MR. HALL: Mr. Chairman, if I could interject.

5 Witness Campbell discusses the misapplication of the 56  
6 million volume estimate in the context of Mr. Bentley's cost  
7 analysis, and he limits it to that only. And now what  
8 KeySpan is intending to do is to ask Witness Campbell  
9 questions about customer reaction to fees, which is a wholly  
10 different subject.

11 CHAIRMAN GLEIMAN: Mr. Hall, I have to agree with  
12 the Postal Service on this one. If you want to ask  
13 questions of Mr. Campbell about whether there is some logic  
14 to including or not including 56 million, whether Mr.  
15 Bentley could have approached it from a different  
16 perspective, then that would be fine. But I don't see the  
17 direct relationship to trying to guess what customers might  
18 do.

19 MR. HALL: Okay.

20 BY MR. HALL:

21 Q As a general principle, Mr. Campbell, if a  
22 customer stands to save a substantial amount of money by  
23 choosing one course of action over another, wouldn't it make  
24 economic sense for that customer to choose that action?

25 MR. TIDWELL: Mr. Chairman, the Postal Service

1 objects. Again, it is the same question. He is asking for  
2 customer reaction to different fee proposals, which is  
3 outside the scope of the witness' testimony.

4 CHAIRMAN GLEIMAN: Yes. We are not dealing with  
5 customer reaction here. We are dealing with whether Mr.  
6 Bentley erroneously included the 56 million or not, and I  
7 think the question should go to that and that only.

8 MR. HALL: Okay.

9 BY MR. HALL:

10 Q Mr. Campbell, when you criticized Mr. Bentley for  
11 including the 56 million pieces in his high volume QBRM  
12 analysis, had you checked with the recipient in question to  
13 find out how that recipient might change his operations?

14 A Absolutely not, that is not the role of a cost  
15 witness. I don't ask specific customers what their behavior  
16 is likely to be following a rate change.

17 MR. HALL: Let me introduce another exhibit at  
18 this point if I may, and I think it will be marked -- I  
19 request that it be marked as Exhibit KE/USPS-RT-23-Exhibit  
20 5.

21 [KeySpan/USPS-RT-23-Exhibit 5 was  
22 marked for identification.]

23 MR. TIDWELL: Mr. Chairman, the Postal Service  
24 would object to the introduction of this letter into the  
25 record in this proceeding. I just glanced at it; it appears

1 to be a letter from a customer to the Chairman concerning  
2 the fee proposals and are being contested in this case. I  
3 am assuming that this is a letter that currently exists and  
4 was filed in the Commission's commenter file, and since this  
5 particular party is not a party to the proceeding and has  
6 certainly not submitted any evidence in this case, I don't  
7 see that it should be appropriate to try to introduce this  
8 letter into the evidentiary record at this point in the  
9 proceeding.

10 This is a back-door attempt to try get on the  
11 record some evidence concerning customer reaction to fees  
12 that this witness -- that's beyond the scope of this  
13 witness' testimony.

14 MR. HALL: Mr. Chairman, when you make a proposal  
15 like the Postal Service has made in this case or Keyspan  
16 made in this case, the question is, exactly -- not how  
17 operations are now, because we're going to change the way  
18 people operate, we're going to give them incentives to do  
19 one thing or another. So obviously the question is, since  
20 you're setting rates for the future, you have to figure out  
21 what's going to happen.

22 Now, when the Postal Service introduced the  
23 concept of PRM, all of the discussion revolved around how  
24 customer volumes would migrate from the existing BRMAS BRM  
25 system to either the new QBRM or PRM. So I think that this

1 is entirely relevant information.

2 The witness has said that he didn't go out and  
3 consult anyone. Now, it just is common sense to go and ask  
4 the person who's got these huge volumes what are you  
5 planning to do?

6 I would add that not only does this letter  
7 indicate that the user is actively considering changing his  
8 operations in light of the QBRM proposals of the Postal  
9 Service and --

10 CHAIRMAN GLEIMAN: Time out, Mr. Hall. I  
11 understand your point.

12 The Commission -- first of all, the Postal  
13 Service's proposal has been on the table since January the  
14 12th of this year, as I recall. That was the filing date of  
15 the case. There have been some modifications here and there  
16 along the way to this and other proposals, but they have all  
17 been a matter of record for a fairly long period of time.

18 The Commission has always been liberal in allowing  
19 late interventions in cases. EDS, to the best of my  
20 knowledge, did not seek to intervene in the case and has not  
21 sought to intervene in the case as of today, the 24th of  
22 August.

23 I did receive this letter yesterday and I did ask  
24 that the letter be placed in the public commenter file where  
25 it properly belongs and that a response be prepared by the

1 administrative office advising the party that sent the  
2 letter to me that that's where it would be placed and that  
3 we had taken notice of it, as we have of all the letters and  
4 e-mails and other communications, some notations of phone  
5 calls and the like occasionally that belong in the commenter  
6 file.

7 I understand the point you are making and I don't  
8 take issue with you, but here we are with a rebuttal witness  
9 who is rebutting Witness Bentley on cost issues and, quite  
10 frankly, while there is clearly a nexus between cost and  
11 rates, it's not clear that since the Commission has latitude  
12 with markups and the like, that there is a direct one-on-one  
13 relationship between establishing the proper cost level and  
14 how it's ultimately going to roll out and affect somebody if  
15 and when the Commission makes a recommendation in this area.

16 I don't think that this letter belongs in the  
17 evidentiary record as a result of being used in the hearing  
18 room and I'm going to have to side with the Postal Service  
19 on this. The letter is available, I have seen it, my  
20 colleagues will see it, and the general public has access to  
21 those documents also.

22 MR. HALL: Thank you, Mr. Chairman.

23 I'd only note that none of this came up -- despite  
24 the fact that the Postal Service proposal has been around  
25 since January, none of this came up until August 14 when Mr.

1 Campbell filed rebuttal testimony calling into question how  
2 Mr. Bentley had treated this one user. So it's not like --  
3 CHAIRMAN GLEIMAN: You know, I don't want to get into a  
4 protracted discussion about this.

5 MR. HALL: Nor do I. Why don't I just --

6 CHAIRMAN GLEIMAN: The fees -- the proposal has  
7 been on the table. There are somewhere in the vicinity of  
8 100 intervenors in this case, many of them who intervened at  
9 the outset and quite a few of them who intervened  
10 subsequently when they became aware as a consequence of  
11 being advised either by attorneys here in town, trade  
12 association officials, or materials that they may have read  
13 in the trade press of Postal Service proposals, and once  
14 they became aware of a potential impact, those parties  
15 sought to intervene in the case, and as I said, the  
16 Commission has always taken a liberal position in terms of  
17 allowing late intervention.

18 Had this party become aware in a reasonably timely  
19 fashion of the potential impact on their business, then they  
20 could have intervened in the case and this letter could have  
21 been submitted as direct case evidence or rebuttal or  
22 whatever else, but, you know, there comes a point in time  
23 when you just have to draw a line in the sand. If I'm wrong  
24 on this, I'm sure someone will bring it to my attention  
25 downstream, but I think that my ruling here is not an

1 unreasonable ruling.

2 So if you would please move on with your cross  
3 examination.

4 BY. MR. HALL:

5 Q Mr. Campbell, could you please turn to page 12,  
6 line 3.

7 A Yes.

8 Q Now, there you're criticizing Mr. Bentley's  
9 conclusion that 400 pieces, or approximately that number,  
10 represents a break-point above which hand-counting is no  
11 longer efficient?

12 A Yes.

13 Q Is the 400, in your view, too high or too low?

14 A I have no judgment on that. My point is that  
15 there was no basis for applying the counting method  
16 percentages less, you know, one or two accounts for the  
17 high-volume pieces, applying that to some of the low-volume  
18 accounts as Mr. Bentley has done. But I have no judgment on  
19 the 400.

20 Q So it might be too high or too low?

21 A What I'm saying is it's inappropriate to apply  
22 some of the high-volume percentages to those that will  
23 qualify for low volume. That is my conclusion and what I'm  
24 trying to convey in this particular section. I have no -- I  
25 have no judgment about the 400 pieces per day. That was



1 something that Mr. Bentley apparently obtained by sitting at  
2 a table counting pieces himself, and since I was not present  
3 at that time, I have no basis to make a judgment on that 400  
4 pieces per day.

5 Q Did you attend an MTAC meeting on July 12th of  
6 this year?

7 A I have attended MTAC meetings in the past couple  
8 months. I don't know the specific dates.

9 Q Well, this one involved QBRM. Does that refresh  
10 your recollection?

11 A I think I attended an MTAC meeting on QBRM in  
12 July.

13 Q And do you recall a discussion at that meeting  
14 during which one or more of the Postal Service operations  
15 people actually gave a break-point number above which  
16 hand-counting was no longer efficient?

17 A I don't recall that, no. That was last month,  
18 July of 2000?

19 Q Yes.

20 A Okay. No, I don't recall such a statement.

21 Q Would you accept subject to check with your own  
22 people that that number was approximately 200 to 300 pieces  
23 per day?

24 A I don't know the context, so I really couldn't  
25 make a judgment on that.

1 Q I'm just asking you to accept that number subject  
2 to check as --

3 A I have no basis to accept it subject to check.

4 Q I guess you could check --

5 CHAIRMAN GLEIMAN: Wait. Let's just wait a  
6 minute. You know, if somebody is asking you to accept  
7 something subject to check, unless you have knowledge that  
8 -- I want to move these hearings along. Unless you have  
9 reason to believe that the number is wrong, then, you know,  
10 for purposes of subject to check, if you determine that it's  
11 an incorrect number or that the number has no basis, then  
12 there's no validity to the answer that you might give to a  
13 follow-up question, it would seem to me.

14 THE WITNESS: Unfortunately, I don't know the  
15 context in which he is making his statements, and so I  
16 hesitate to accept something where I have no context.

17 CHAIRMAN GLEIMAN: It's going to be a long  
18 afternoon.

19 Mr. Hall, fire away.

20 BY. MR. HALL:

21 Q The context was a discussion of hand-counting QBRM  
22 at an MTAC meeting dealing with business reply mail issues.

23 A Okay. I accept your statement, yes.

24 MR. TIDWELL: Subject to check.

25 THE WITNESS: Subject to check.

1 BY MR. HALL:

2 Q Would you turn now to Table 3 on page 13 of your  
3 rebuttal testimony, please?

4 [Pause.]

5 There you are criticizing Mr. Bentley because his  
6 percentages, by counting method, are so different from the  
7 1997 BRM Practices Study; is that correct?

8 A That's right.

9 Q And according to that study, the BRMAS percentage  
10 was 14 percent?

11 A Yes.

12 Q And that's what you're estimating it will be in  
13 the test year?

14 A This was -- this is the best available data that I  
15 was able to incorporate into my testimony.

16 And I have no reason to believe that operations  
17 would have changed substantially since the study was  
18 conducted in 1997.

19 Q And when you say incorporate into your testimony,  
20 you mean your originally-filed testimony; is that correct,  
21 not your rebuttal testimony?

22 A Correct.

23 Q Now, doesn't the Postal Service estimate that the  
24 total test year QBRM letter volume will be about 462 million  
25 pieces?

1 A Subject to check, that sounds accurate.

2 Q The place you can check that is Library Reference  
3 168.

4 So, mathematically, 14 percent of 462 million  
5 pieces is approximately 66 million pieces; is that correct?

6 [Pause.]

7 A Subject to check, yes.

8 Q I'd like to hand you a copy of page 4 of Mr.  
9 Bentley's Exhibit KE-1D, if you will?

10 A Yes.

11 [Pause.]

12 Q First, this information summarized in the table  
13 relies on data that you provided to Mr. Bentley regarding  
14 just the top 74 QBRM accounts, including the disputed 56  
15 million account that we were discussing earlier; is that  
16 correct?

17 A I believe I provided the 74 accounts, and then  
18 added the 56 million, so I think there may be 75 accounts  
19 here.

20 Q Seventy-four or 75, I guess that's close enough.

21 And can you tell us what the total is for the  
22 number of pieces processed on automation on BRMAS equipment?

23 A Are you asking with or without Number 1 and 2  
24 accounts?

25 Q I don't understand what you mean about Number 1 or

1 2.

2 A Well, you've got two totals here. You've got one  
3 total for all these accounts; you have another total  
4 removing the top two accounts.

5 Q The total for all accounts.

6 A Okay, that's approximately 141 million.

7 Q Okay, and, again, this represents the total  
8 processed by BRMAS by only those top 74 accounts; is that  
9 right?

10 A Right.

11 Q So, that already exceeds the 66 million pieces  
12 that, according to you, the BRM Practices Study would  
13 predict would be the number processed by BRMAS in the test  
14 year; is that right?

15 A Right. Unfortunately, we have no data below this  
16 number 74 out of 10,000 accounts, so I realize, yes, this is  
17 a substantial amount of volume processed on BRMAS, however  
18 --

19 Q It's more than twice the volume that is implicit  
20 in your methodology; isn't it?

21 A Right, but I fail to see how you can make a  
22 generalization for all QBRM. There's 9,000 some other  
23 accounts.

24 Witness Bentley has extrapolated into the  
25 remaining 9,000-some accounts, based on very arbitrary

1 assumptions, and has come up with these very inflated, in my  
2 opinion, percentages.

3 Q Well, we're not talking about that at the moment;  
4 we're just simply talking about the information that's  
5 actual information that you provided. That's what it is,  
6 right?

7 A That's what I'm talking about as well.

8 Q And we're already at two times what you would  
9 estimate the BRMAS processing quantity to be, over two  
10 times; isn't that correct?

11 A It's one thing to --

12 Q Just if we could answer the question.

13 A Correct. It's one thing to take the top 74  
14 accounts; it's another to leap to the remaining 9,000  
15 accounts.

16 Q Well, are we going to leap back down to 66 million  
17 by considering the other accounts?

18 A See, you've hit the nail on the head. We don't  
19 know. We don't have that data, you don't have that data

20 The Practice Study is the best available  
21 statistically-conducted study that we have in the recent  
22 years, estimating volumes by counting method.

23 We have nothing showing on a statistical basis,  
24 what counting method is used for which volumes, which  
25 accounts, et cetera.

1           Q     So, the CBCIS data that you got that comes from  
2     one of your counting systems, isn't statistical in the sense  
3     of the word that you're using, and the fact that you called  
4     up and specifically found out what processing method was  
5     used in each one of those sites,

6           A     Right --

7           Q     -- isn't --

8           A     You're missing my point.

9                   CHAIRMAN GLEIMAN:  Let's try one at a time here.

10                  BY MR. HALL:

11           Q     That isn't what you consider a statistical number;  
12     is that correct?

13           A     The CBCIS, or the telephone calls?

14           Q     The combination which results in the 142 million?

15           A     No, I would not consider that to be statistically  
16     representative.

17           Q     Because it's actual data?

18           A     You're taking the highest volume accounts, and Mr.  
19     Bentley is taking the highest volume accounts.

20                   He is making extreme assumptions and applying them  
21     to the remaining 9,000 accounts.

22                   I certainly agree that these data suggest some  
23     BRMAS pieces, perhaps not incorporated or not -- the  
24     percentages are obviously very different.

25                   But my point is, you cannot apply these same

1 percentages for very high accounts -- we're talking about a  
2 million to ten million pieces per year -- to very low  
3 accounts which Mr. Bentley has done.

4 And thus he comes out with these inflated  
5 percentages. That's my whole point.

6 Q But we're simply talking about actual numbers  
7 here.

8 A Right.

9 Q One hundred forty-two million pieces are actual  
10 numbers.

11 A Exactly. He's taking actual numbers for a limited  
12 number of accounts --

13 Q Let's just --

14 A -- and applying them to a remaining population --

15 Q He's not applying them to anything; he simply  
16 found that there were 142 million pieces.

17 A I agree with that.

18 Q Pardon?

19 A It shows 142 million pieces being processed on  
20 BRMAS.

21 Q And you showed 66 million pieces. So is it your  
22 testimony -- is it still your testimony that using the BRM  
23 Practices Study is the best way to determine the number of  
24 pieces that will be processed by BRMAS in the test year?

25 A As I said, the BRM Practices Study is the best



1 representative information that we have across the board,  
2 showing percentages of BRM volumes counted by specific  
3 methods.

4 Q Once again, if we just consider 74 or 75 accounts  
5 and it's already off by a factor of over 100 percent, it's  
6 not doing a very good job so far; do you agree with that?

7 A What isn't doing a good job so far?

8 Q The BRM Practices Study.

9 A The BRM Practices Study is doing an excellent job  
10 of statistically representing the entire universe of QBRM.  
11 This shows the top 75 accounts.

12 Your -- I'm sorry, Witness Bentley's proposal  
13 deals with the top 300 accounts being high volume, and the  
14 below that as low volume.

15 How can one apply those -- these numbers for the  
16 top 75 accounts to the rest of the population? That's my  
17 point.

18 Q We're not talking about that, Mr. Campbell.

19 Your universe, the Postal Service's universe of  
20 QBRM pieces, high and low volume, is 462 million pieces; is  
21 that correct?

22 A Right. Let me caveat that: The 462, I believe,  
23 comes from CBCIS. We --

24 CHAIRMAN GLEIMAN: I'm sorry, comes from what?

25 THE WITNESS: CBCIS Data System.

1 MR. HALL: No, it doesn't.

2 BY MR. HALL:

3 Q Once again, let me refresh your recollection. You  
4 accepted it, subject to check, that's the QBRM letter volume  
5 that the Postal Service projects for the test year.

6 The source for that is Library Reference 168.

7 A Okay, thank you.

8 Q Now, according to you, you would predict, using  
9 the BRM Practices Survey, you would predict and base costs  
10 for your high volume QBRM rate, that 14 percent of those --  
11 pardon me, for all high and low volume QBRM pieces that will  
12 be processed by BRMAS, will be 14 percent of 462 million or  
13 66 million pieces.

14 Is that correct?

15 A It is correct that I'm using the BRM Practices  
16 Study as the best estimate of percentages across the board,  
17 yes.

18 Q And that's what flows from your use of that study;  
19 isn't it; that there aren't going be any more than 66  
20 million pieces that will be processed by BRMAS?

21 A I'll just go with my statement that the Practices  
22 Study, what the Practices Study shows is that 14 percent of  
23 QBRM would be processed on BRMAS; 19 percent using  
24 end-of-run, and so on.

25 Q Just a second, 66 million is the result? There

1 won't be any more, according to you, than 66 million; that's  
2 impossible?

3 A Right.

4 Q Is that --

5 A The point is, we lack -- you and I both know we  
6 lack data. We've got data on the top 75. We don't know any  
7 further down the line, how the -- what volumes, what  
8 accounts, are going to be counted in what methods.

9 Q Am I missing something here? We know that for 75  
10 QBRM accounts, because you went out and you got the  
11 information, we already know that there are going to be more  
12 than 66 million pieces.

13 We know that there are going to be 142 million  
14 pieces because that is a result of your more recent study  
15 than 1987.

16 A 1997?

17 Q 1997.

18 A Right. I agree with you wholeheartedly that this  
19 number of 142 million, it appears would be counted using --  
20 counted and sorted using BRMAS. Beyond that -- below that,  
21 we don't know.

22 Q Well, we know that it is not going to get any  
23 lower than 142 million, don't we?

24 A Based on this information, correct.

25 Q As a matter of fact, it is likely to get higher,

1 isn't it?

2 A I would not make that statement.

3 Q Do you mean it is more likely that it is going to  
4 stay at exactly 142 million?

5 A Well, as I stated in --

6 Q So no other account will ever receive BRMAS  
7 processing?

8 A I didn't say that. As I stated on the record in  
9 April, that the Postal Service is working towards more  
10 efficient BRMAS usage, however, that is forthcoming in the  
11 year 2001.

12 Q I am saying you don't do anything else. You don't  
13 go out and take two years to figure out you can come up with  
14 the best practices and actually implement them maybe four  
15 years later, you just go ahead and in the test year, you  
16 process with BRMAS. And you are telling me it is impossible  
17 that the number of pieces processed on BRMAS is going to be  
18 any more than 142 million, which represents the actual  
19 number that you pulled out of Postal Service databases and  
20 determined was processed by BRMAS.

21 A Well, the --

22 Q For just 75 accounts.

23 A Well, the 142 million didn't just come out of  
24 CBCIS. As you know, the 56 million was not a part of the --

25 Q I said databases, I believe.

1 A Okay.

2 Q So, if anything, the 142 million is low, isn't it?

3 A I know that 142 million potentially will be  
4 counted and sorted on BRMAS. Beyond that, we don't know.

5 Q Well, you certainly would agree the BRM Practices  
6 Study severely understates BRMAS processing?

7 A As I stated, it is the best available across the  
8 board. I could do what Mr. Bentley has done and thrown a  
9 bunch of numbers together and come up with the percentages  
10 that he has come up with, but he has no basis. He has made,  
11 as I state in my rebuttal testimony, he has made extreme  
12 arbitrary assumptions, say, in the 100,000 to 300,000 range.  
13 He has overestimated productivities in my estimation. All  
14 of this, all of these arbitrary assumptions just lead to a  
15 desired outcome.

16 Q Well, just taking the 142 million, that is about  
17 30.7 percent BRMAS coverage percentage, isn't it?

18 A Oh, do you want to use that?

19 Q Well, I am saying but you use 14 percent.

20 A Right. That is the best number, representing the  
21 entire universe of over 10,000 accounts, yes.

22 Q And that is better than using actual numbers?

23 A That is better than arbitrarily taking numbers  
24 that have been given to you and formulating percentages from  
25 those numbers.

1 Q You are still missing it. We didn't get --

2 A No, you are missing it.

3 Q We didn't get to the part where you are coming  
4 about his projecting for lower volumes. We are just talking  
5 about the top 74 accounts.

6 A Right. But, no, you are --

7 Q It indicates 30.7 percent. So would it be your  
8 desired result to understate that using 14 percent instead?

9 A I would like to have very accurate data.  
10 Everybody would like to have very accurate data. The very  
11 accurate data that I have is the 1997 Practices Study. I  
12 have the top 75 account volumes and counting methods, but  
13 that is the top 75. That is not the top 300, that is not  
14 all 10,000. That is just what it is, is 75 accounts. What  
15 more can I say?

16 Q Okay. But there is certainly nothing inaccurate  
17 about that.

18 A These top 74, I would say are fairly accurate.

19 Q Because you collected the data?

20 A For the top 74 accounts I think these are probably  
21 accurate.

22 Q Right.

23 A There are 9,000 some other accounts, however, that  
24 is my point.

25 Q Okay. So it can't go any lower than 30 percent?

1 So how could you base costs on 14 percent if it can't be  
2 less than 30 percent?

3 A I wanted to use a statistically representative  
4 sample. As you know, 450 sites were surveyed in this  
5 Practices Study. Do you think that is better than, say, 75?  
6 I mean it is statistical, they represent all volumes sizes,  
7 all parts of the country versus 75 sites -- or 75 accounts,  
8 excuse me. I mean I get your point, there 142 million  
9 pieces processed on BRMAS, but where does that get us?

10 Q Well, it gives us at least 30.7 percent.

11 A Okay.

12 Q Doesn't it?

13 A Based on the 462 million pieces, correct.

14 Q Exactly. And so you would recommend at least that  
15 you use the 30.7 percent, wouldn't you?

16 A No. No. That is just --

17 Q You still would prefer to use 14 percent?

18 A That is pure guesswork. I mean --

19 Q The 30.7 percent is pure guesswork?

20 A That is for 75 accounts.

21 Q That's right. Well, we know that those accounts  
22 are going to be processed on BRMAS, and that represents 30  
23 percent of your total quantity. So why wouldn't we use the  
24 30.7 percent? Are we going to pretend that 15 or 16 percent  
25 of these pieces aren't going to be processed on BRMAS simply

1 because you have a 1997 study?

2 A I am confident with the 1997 study, the  
3 statistical sampling was performed, in my assessment, very  
4 accurately, very comprehensively. I don't believe that  
5 looking at 75 accounts is a comprehensive study.

6 Q I can certainly agree with you about that. But  
7 how do you feel when your study that -- by the way, you  
8 didn't conduct this study, did you, the 1997?

9 A I was not with the Postal Service at that time.

10 Q So you can't testify as to how the information was  
11 actually gathered or how representative the sample was, can  
12 you?

13 A Well, this would form the basis of, partially,  
14 Witness Schenk's testimony in R97.

15 Q That the Commission accepted, right? And isn't  
16 that -- you were instructed to use the 1997 study wherever  
17 possible, weren't you? Wasn't that one of your goals?

18 A Yes. If it provided useful data, I was certainly  
19 encouraged to use the study that we had conducted.

20 Q And so if it no longer provides useful data, you  
21 would agree that it shouldn't be used, isn't that correct?

22 A When we conduct a new statistically representative  
23 study, I would be comfortable in forgetting about the R97,  
24 or 1999 Practice Study.

25 Q And the fact that information as to 74 or 75



1 accounts indicates that the BRMAS coverage factor will be  
2 more than twice what you think it will be, according to --  
3 or what the 1997 study predicted it would be, that doesn't  
4 call into question any of the conclusions in that study in  
5 your mind?

6 A Certainly, I think after -- I still maintain that  
7 that is the best representative data that we have. What  
8 more can I say.

9 Q So you came up with an overall cost for QBRM of 2  
10 cents, is that right?

11 A On a per piece, right, yes.

12 Q And just hypothetically, if we substituted for  
13 your 14 percent, the 30.7 percent, and that reduced the cost  
14 down to a penny-and-a-half from 2 cents, would you say, oh,  
15 we still shouldn't -- we shouldn't rely on the actual  
16 information, we still want to charge people 2 cents plus a  
17 markup rather than 1-1/2 cents as an appropriate markup?

18 MR. TIDWELL: He is asking the costing witness a  
19 fee design question again. It is outside the scope of his  
20 testimony.

21 MR. HALL: Let me rephrase, Mr. Chairman.

22 BY MR. HALL:

23 Q Would you be happy providing to the person who is  
24 going to design the fee, that we will be talking to very  
25 shortly here, information that you knew was -- cost

1 information that was not in line with actual results that  
2 you had produced?

3 A Which results are you speaking of?

4 Q We are talking about the hypothetical that I just  
5 gave you. The hypothetical is in part real. You proposed 2  
6 cents.

7 A Correct.

8 Q That is what you found to be the cost. And part  
9 of the way you found that was to use a BRMAS coverage factor  
10 of 14 percent, is that right?

11 A Right.

12 Q Now, we know that just for 74 accounts, the BRMAS  
13 coverage factor is more like 31 percent, right?

14 A Again, that is limited to the 74 accounts.

15 Q That's right. And just those 74 accounts.

16 A I am not saying --

17 Q So if there is one more account, it is going to be  
18 more than 142 million, isn't it?

19 A We don't know. We just don't know.

20 Q Okay. But it is not going to be any less. So  
21 let's go back. Now, 142 million is 31 percent, right? You  
22 would feel more comfortable telling the fee witness, Ms.  
23 Mayo, that go ahead and use 2 cents even though I have found  
24 out that the actual -- that if I use the actual information  
25 for just 74 accounts, the cost would be reduced from 2 cents

1 to 1.5 cents?

2 A If I was conducting a study on these 74 accounts,  
3 I would be comfortable in telling Witness Mayo that cost.

4 Q That wasn't my question.

5 A Well, that is my answer.

6 Q The way this works is I get to ask a question and  
7 you are supposed to answer it unless your attorney objects.

8 MR. TIDWELL: Unless the asking counsel interrupts  
9 before the answer is completed.

10 CHAIRMAN GLEIMAN: In this case, he didn't, so.

11 MR. HALL: I did?

12 I'm not sure where we are. The witness hasn't  
13 answered my question. He has given me the question he  
14 wanted to answer.

15 CHAIRMAN GLEIMAN: Well, would you like --

16 MR. HALL: And I don't even frankly remember what  
17 my question was.

18 CHAIRMAN GLEIMAN: Would you like the question  
19 read back?

20 MR. HALL: Yes.

21 CHAIRMAN GLEIMAN: Or can I ask my questions from  
22 the Bench now?

23 MR. HALL: Please do.

24 CHAIRMAN GLEIMAN: Who has Redskin season tickets  
25 in the room?

1 [Laughter.]

2 CHAIRMAN GLEIMAN: Some people who have been  
3 around for awhile, understand that; others don't. It didn't  
4 require an answer.

5 [Whereupon, the Reporter read back the record as  
6 requested.]

7 MR. TIDWELL: Why don't we just restate the  
8 question?

9 BY MR. HALL:

10 Q Okay, let me go from the hypothetical to the  
11 actual, and let me give you some actual numbers.

12 Again, you have used 14 percent BRMAS coverage.

13 A Correct.

14 Q In deriving your approximately two-cent cost for  
15 QBRM. This is high volume QBRM, right?

16 A Yes.

17 Q We know that the other number out here, the other  
18 percentage, is 31 percent; is that right?

19 That's the percentage of the total BRM universe  
20 that is reflected in the information, the actual information  
21 that you obtained; is that right?

22 A Right.

23 MR. TIDWELL: Are we referring to page 4 of  
24 Exhibit KE-1(d)?

25 MR. HALL: That's the source of the 142 million.

1 MR. TIDWELL: I just wanted to make it clear.

2 BY MR. HALL:

3 Q Now, would you accept, subject to check, that if I  
4 substituted 31 percent as the coverage factor for the 14  
5 percent that you used, but otherwise follow your  
6 methodology, that your costs for high volume QBRM would be  
7 reduced to 1.28 cents per piece?

8 A Subject to check, I would agree with that.

9 Q Okay, and knowing these facts, you would still be  
10 more comfortable telling Ms. Mayo, go ahead with the two  
11 cents because even though it doesn't reflect reality, what?

12 Can you finish that sentence?

13 A I would tell her I don't feel comfortable with  
14 using the 30-some percent, because I don't have  
15 representative data.

16 Q Okay.

17 MR. HALL: That's it for us, thank you.

18 CHAIRMAN GLEIMAN: Followup?

19 [No response.]

20 CHAIRMAN GLEIMAN: Questions from the Bench?

21 [No response.]

22 CHAIRMAN GLEIMAN: Some time for redirect, Mr.  
23 Tidwell?

24 MR. TIDWELL: Give us five minutes.

25 CHAIRMAN GLEIMAN: That sounds reasonable. I

1 think we can accommodate you.

2 [Recess.]

3 CHAIRMAN GLEIMAN: Mr. Tidwell, do you have  
4 redirect?

5 MR. TIDWELL: Yes, Mr. Chairman, just very brief  
6 redirect.

7 REDIRECT EXAMINATION

8 BY MR. TIDWELL:

9 Q Witness Campbell, you just had an exchange with  
10 counsel for KeySpan in reference to page 13 of your  
11 testimony and a comparison of the estimated counting method  
12 percentages that show up on your Table 3.

13 And could you turn to that page 13, Table 3?

14 A Yes.

15 Q And there was some discussion about what the  
16 impact would be if you were to substitute your 14 percent  
17 BRMAS figure taken from the BRM Practices Study for the 31  
18 percent figure that you and counsel for KeySpan discussed.

19 And you were asked to accept, subject to check,  
20 that the unit cost for high volume BRM would be -- or QBRM  
21 would be in the neighborhood, I think, of 1.28 cents; do you  
22 recall that?

23 A Yes.

24 Q To calculate the cost for high volume QBRM,  
25 wouldn't you have to know more than just the change from 14

1 to 31 percent? I mean, wouldn't you also have to know the  
2 extent to which any of the other counting method percentages  
3 changed?

4 A Yes, you would.

5 MR. TIDWELL: That's all we have, Mr. Chairman.

6 CHAIRMAN GLEIMAN: Recross?

7 MR. HALL: Yes, a couple of things.

8 RECROSS EXAMINATION

9

10 BY MR. HALL:

11 Q First, with respect to the other categories there,  
12 the other processing methods or counting methods, you have  
13 SCM, which is a special counting machine, right?

14 A Yes.

15 Q And you have weight averaging, which is weight  
16 averaging, and then you have manual.

17 But under your methodology, you treat all three,  
18 manual, weight, and special counting machines, and apply the  
19 productivity of 951 manual, the manual productivity of 951  
20 pieces per hour to that; isn't that correct?

21 A Yes.

22 Q So, it wouldn't matter if you changed any of those  
23 numbers, would it? It wouldn't matter which one of those  
24 you changed.

25 You could take all of the difference out of

1 manual, you could take some of the difference out of manual,  
2 some out of weight, and some out of special counting  
3 machines, but the result would still be the same; wouldn't  
4 it?

5 A I don't see that. I think that potentially some  
6 of the end-of-run percentage could go over to SCM or weight  
7 average.

8 Q You mean it's going to migrate from EOR. How  
9 would the EOR percentage go down?

10 [Pause.]

11 That, again, is something you found you're  
12 actually doing, according to you. Why is somebody going to  
13 stop doing something that is, according to you, as efficient  
14 as BRMAS?

15 Is that correct? Is that as efficient as BRMAS in  
16 your methodology?

17 A I think it's certainly possible and likely that  
18 those who -- those sites who may have used end-of-run in the  
19 past, may use another method, depending on how their volumes  
20 have changed.

21 Q We're not talking about how volumes have changed.  
22 The 31 percent, remember, is an actual number; isn't it?

23 A Right. I guess what I'm looking for, to, say,  
24 confirm your 1.28 cents would be specific, you know, where  
25 do the specific percentages come from for the other counting



1 methods.

2 Q They come from manual.

3 A Okay, I see your point.

4 Q Okay. Now, the other thing is that the 31 percent  
5 that is manual -- the 31 percent that is BRMAS, just  
6 represented 142 million pieces, right?

7 A Right.

8 Q So, out of -- and that was out of 461 million  
9 pieces? That's how we got to the 31 percent; wasn't it?

10 A Right.

11 Q Okay. What was Mr. Bentley's total BRMAS  
12 coverage?

13 A Overall, the 44 percent.

14 Q So that would be 44 percent times 462 is what?

15 A Two hundred-two.

16 Q Two hundred and two million pieces? So in  
17 addition to the 31 percent which are actuals, he was  
18 predicting that there would be another 60 million pieces,  
19 right, that would be processed by BRMAS?

20 But that was out of a total universe of 462 or a  
21 remaining universe of 462 minus 142, roughly 320; isn't that  
22 right?

23 And is that approximately 20 percent?

24 A I believe so, yes.

25 Q A little over, right?

1 A Um-hmm.

2 Q So, that's what he's predicting as compared to the  
3 14 percent that you would be predicting?

4 A Okay.

5 Q Fine, thank you.

6 MR. HALL: That's all I have.

7 CHAIRMAN GLEIMAN: Mr. Tidwell?

8 MR. TIDWELL: No followup.

9 CHAIRMAN GLEIMAN: Thank you, that being the case,  
10 Mr. Campbell, that completes your testimony here today. We  
11 appreciate your appearance and contributions to the record,  
12 and we thank you, and you are excused.

13 [Witness Campbell excused.]

14 CHAIRMAN GLEIMAN: Mr. Rubin, I believe you have  
15 the next witness.

16 MR. RUBIN: The Postal Service calls Susan W. Mayo  
17 as its next witness.

18 CHAIRMAN GLEIMAN: Ms. Mayo, as I recall, is also  
19 already under oath in this proceeding, so as soon as she  
20 settles in and you're ready, you can proceed.

21 DIRECT EXAMINATION

22 BY MR. RUBIN:

23 Q Ms. Mayo, do you have two copies of a document  
24 titled Rebuttal Testimony of Susan W. Mayo on Behalf of  
25 United States Postal Service designated as USPS-RT-22?

1 A Yes, I do.

2 Q Was this testimony prepared by you or under your  
3 supervision?

4 A Yes, it was.

5 Q Do you have any corrections to make to this  
6 testimony at this time?

7 A Yes, I do. I have corrections to two pages. The  
8 first one is page 11, line 4. The change is, where it says  
9 third-class single-piece 8-to-16 ounce range, the ounce should  
10 be changed to ounce. And on page 29, lines 7 and 8 --  
11 excuse me -- line 7, after -- where it says "All three banks  
12 reported they would only cash money orders", there's an  
13 insert of "drawn on their bank or" and then the rest of the  
14 sentence, "for people with accounts at their banks."

15 Q Thank you. Have those changes been included in  
16 the copies before you?

17 A Yes, they have.

18 Q If you were to testify orally here today, would  
19 this be your testimony?

20 A Yes, it would.

21 MR. RUBIN: In that case, I will provide the two  
22 copies of the rebuttal testimony of Susan W. Mayo on behalf  
23 of United States Postal Service to the reporter, and I ask  
24 that this testimony be entered into evidence in this  
25 proceeding.

1 CHAIRMAN GLEIMAN: Is there an objection?

2 Hearing none, copies having been provided to the  
3 court reporter, I'll direct that the testimony be  
4 transcribed into the record and received into evidence.

5 [USPS-RT-22, Rebuttal Testimony of  
6 Susan W. Mayo, was received in  
7 evidence and transcribed in the  
8 record.]

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USPS-RT-22

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REBUTTAL TESTIMONY  
OF  
SUSAN W. MAYO  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

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1

2

3 **AUTOBIOGRAPHICAL SKETCH**

4

5 My autobiographical sketch is contained in my direct testimony, USPS-T-39,  
6 of this proceeding. This is my eighth appearance before the Commission.

1    **I.    PURPOSE AND SCOPE**

2

3           The purpose of my testimony is to rebut the testimonies of the following  
4   witnesses: Buc (CSA-T-1), Bentley (KE-T-1), and Collins (OCA-T-8). Witness  
5   Buc proposes a lower fee and lower cost coverage for Bulk Parcel Return  
6   Service (BPRS) than I proposed in my direct testimony (USPS-T-39) in this  
7   proceeding. This testimony will show that BPRS is a special service with a high  
8   value of service to its users. Consequently, I will demonstrate how witness Buc's  
9   reasoning for likening BPRS characteristics to Standard Mail (A) characteristics  
10   for purposes of cost coverage development is without merit. In rebutting the  
11   testimony of witness Bentley, I will demonstrate how the KeySpan proposal does  
12   not consider the moderate volume QBRM mailers who could take advantage of  
13   my proposed QBRM quarterly fee and a lower per piece fee.

14           I am rebutting arguments concerning two of the special services discussed  
15   in witness Collins' testimony – insurance and money orders. My testimony  
16   shows how my proposed incremental fee was developed based on cost  
17   information and why there is no basis for expanding the \$100 value level fee  
18   increments. I will also demonstrate why the supposed fee anomaly between  
19   insurance and registered mail should not be considered when recommending  
20   fees as the two services are quite different in design. With regard to money  
21   orders, I will show how the OCA proposal is not based on a fair comparison  
22   between the proposed postal money order fees and the fees of competitors, and  
23   how the OCA proposal does not take into consideration the total cost of

1 competitor's money orders when doing a price comparison. I will also  
2 demonstrate the superior convenience of postal money orders and show why the  
3 cost coverage should not be lowered.

4 Finally, I have provided errata to Domestic Mail Classification Schedule  
5 (DMCS) language proposed in my direct testimony (USPS-T-39). I am also  
6 suggesting several small DMCS changes to improve portions of the special  
7 services section.

## 1 II. BULK PARCEL RETURN SERVICE (BPRS)

2

### 3 1. Comparison of Postal Service Proposal with CSA Proposal

4 Continuity Shippers Association (CSA) witness Buc (CSA-T-1) proposes an  
 5 alternative Bulk Parcel Return Service (BPRS) fee and cost coverage to the fee  
 6 and cost coverage proposed by the Postal Service. Table 1 below compares the  
 7 proposed fees and cost coverages.

8

9

**Table 1 – Proposed Bulk Parcel Return Service Comparisons**

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### 2. Background of BPRS

23 Prior to the establishment of BPRS, parcels originally entered as bulk  
 24 Standard Mail (A) were returned as Standard Mail (A) Single-Piece when they  
 25 were refused or otherwise undeliverable-as-addressed. When rate parity  
 26 between Standard Mail (A) Single-Piece rates and First-Class Mail letter rates  
 27 was extended to the eleventh ounce in Docket No. R94-1, using the Standard  
 28 Mail (A) Single-Piece rate for returned parcels became less economically  
 29 attractive.

---

<sup>1</sup> USPS-T-39, page 15.

1       The Postal Service responded to the need for an effective and economical  
2   return service by proposing Bulk Parcel Return Service in Docket No. MC97-4.  
3   This special service provides high volume Standard Mail (A) parcel mailers with a  
4   standardized and cost-effective method of retrieving refused or otherwise  
5   undeliverable-as-addressed parcels. This special service was expanded in  
6   Docket No. MC99-4 to allow opened and resealed parcels to be returned using  
7   BPRS in certain circumstances.

8

9       **3. Description of BPRS**

10       BPRS parcels must originally be mailed as Standard Mail (A) bulk parcels  
11   (which, by definition, weigh less than one pound) and must be machinable.  
12   Each parcel must bear a BPRS endorsement and a return address in the delivery  
13   area of the post office issuing the BPRS permit. Parcels that have been opened  
14   and resealed by the recipient must either bear a BPRS return label or be re-  
15   entered into the mailstream with the original, properly endorsed label. The  
16   returns are either picked up in bulk from a designated postal facility or delivered  
17   in bulk to the mailer.

18       To qualify for this special service, a mailer must demonstrate receipt of at  
19   least 10,000 returned Standard Mail (A) parcels in the previous twelve months or  
20   demonstrate the high likelihood of receiving a minimum of 10,000 returned  
21   Standard Mail (A) parcels in the coming twelve months. Additionally, a permit

---

<sup>2</sup> Tr. 23/10643.

1 must be obtained and return postage must be guaranteed from a centralized  
2 advance deposit account.

3  
4 **4. Systemwide Cost Coverage Comparison**

5 On page 7 of his testimony, witness Buc states that my proposed cost  
6 coverage for BPRS is "too high" and "should be 132.9 percent, which is the  
7 coverage applied to Standard A Regular mail." (Tr. 23/10649) He bases this  
8 judgement primarily on pricing criteria summary comparisons of BPRS to  
9 outgoing Standard Mail (A). I believe a more detailed consideration of the nature  
10 of BPRS demonstrates that these comparisons are invalid. I have addressed this  
11 consideration in the following section.

12 My proposed cost coverage of 146 percent is not too high and reflects a  
13 variety of factors, including value as discussed below and in my direct testimony.  
14 When designing the fee my major consideration under the particular  
15 circumstances relevant to this service was developing a fee with a cost coverage  
16 close to the systemwide average, also for reasons discussed in my direct  
17 testimony.<sup>3</sup>

18 In this proceeding, the proposed systemwide average cost coverage is  
19 168 percent, or 22 percent higher than my proposed BPRS cost coverage. I also  
20 believe that the Docket No. MC99-4 extension of BPRS to opened and resealed  
21 parcels could justify a higher cost coverage than the one recommended in  
22 Docket No. MC97-4. A higher cost coverage therefore could be justified for a  
23 special service of this nature in general, and in particular a higher cost coverage

1 could be justified for this specific special service when considering why the  
2 service was initially established.

3

4 **5. Standard Mail (A) Cost Coverage Comparison**

5 In his testimony on page 7, lines 5-6, witness Buc states, "The cost  
6 coverage should be 132.9 percent, which is the coverage applied to Standard A  
7 Regular mail." Tr. 23/10649. He attempts throughout his testimony to  
8 demonstrate a close relationship between Standard Mail (A) and BPRS for  
9 pricing purposes. But it is important to remember that aside from the fact that  
10 BPRS is defined as a special service for the return of Standard Mail (A) parcels,  
11 pieces categorized as BPRS are very different from typical Standard Mail (A)  
12 pieces.

13 Commercial Standard Mail (A) is dominated by advertising mail that is  
14 letter- or flat-shaped. In most cases, although recipients may enjoy receiving  
15 advertising mail, it is unsolicited. A very small portion of Standard Mail Regular is  
16 merchandise fulfillment.<sup>4</sup> Unlike the majority of Standard Mail Regular, this  
17 merchandise is often parcel-shaped, and was solicited by the recipient. This  
18 merchandise is much more costly to process and deliver than advertising mail.  
19 Despite implementation of a surcharge on these more costly pieces following  
20 Docket No. R97-1, it was expected that their revenues still would not cover their

---

<sup>3</sup> USPS-T-39 at 17.

<sup>4</sup> Only 1.6 percent of the Regular subclass is expected to be subject to the Residual Shape Surcharge, which is generally applicable to parcel-shaped merchandise pieces. (USPS-T-35, Workpaper 1, pages 3 and 14).

1 costs.<sup>5</sup> This situation will continue, as stated in witness Moeller's testimony  
2 (USPS-T-35, page 7, lines 12-14). So, despite being categorized as Standard  
3 Mail (A), merchandise is shaped differently, its contents are different, its costs  
4 are much higher, it is more welcomed by the recipient, and it fails to make a  
5 contribution to covering the institutional costs of the Postal Service.

6 When a Standard Mail (A) parcel is returned to the mailstream as a BPRS  
7 piece, it, too, is significantly different from typical Standard Mail (A). The original  
8 mailer has asked to receive, and has a great interest in receiving, returned  
9 merchandise and whatever else may have been included in the case of opened  
10 and resealed BPRS parcels, such as customer information and payment. Again,  
11 this differs from the typical advertising mail piece in that, though potentially useful  
12 to the recipient, ad mail is generally unsolicited and return of ad mail is rarely, if  
13 ever, requested by the original sender.

14 The notion that the cost coverage for BPRS be restrained to that of  
15 Standard Mail Regular cannot be based on similarities between BPRS and  
16 Standard Mail Regular. In fact, characteristics for each are quite different.  
17 BPRS's physical difference is what makes it a contribution loser on its outbound  
18 shipment at Standard Mail (A) rates. Moreover, if one were inclined to make this  
19 comparison, it would be important to consider that if commercial Standard Mail

---

<sup>5</sup> Even with the surcharge, it was expected that the revenue would be 7.8 cents below cost. (PRC Op., R97-1, Vol. 1, at 426-27 [¶ 5487].



1 (A) were a single subclass (rather than two – Regular and Enhanced Carrier  
2 Route), it would have a cost coverage of 152 percent.<sup>6</sup>

3

4 **6. BPRS is a Special Service**

5 The Commission recommended the Postal Service's proposed  
6 classification for BPRS and the corresponding per-piece fee in Docket No.  
7 MC97-4. Specifically, the Commission clearly identifies BPRS as a special  
8 service.

9 This recommendation entails the establishment of two new  
10 special postal services, referred to as Bulk Parcel Return  
11 Service and Shipper-Paid Forwarding. PRC Op., MC97-4,  
12 at 1.  
13

14 In his testimony at page 8, witness Buc recognizes that BPRS is a special  
15 service.<sup>7</sup> Although the pricing of both a special service and a mail class is done  
16 with a review of the pricing criteria of section 3622(b) of title 39, with a few  
17 exceptions, special services provide a value of service above and beyond the  
18 basic mail class. Many special services are considered to be premium services.  
19 In the case of BPRS, the service is a valuable one.

20 BPRS was not designed as a subclass of Standard Mail (A) or any other  
21 class of mail. In fact, BPRS is a special service specifically designed to provide a  
22 simple and convenient means for a relatively small number of high volume  
23 Standard (A) bulk parcel shippers to obtain parcel returns.

---

<sup>6</sup> PRC Op., R97-1, Vol. 2, Appendix G, at 1 (134.6 for Regular and 203.0 for ECR weighted by volume).

1

2           **7. Application of Pricing Criteria**

3           When considering the value of service (Criterion 2), the service's value to  
4 both the mailer and the recipient must be considered. BPRS was designed  
5 initially, and later enhanced, in cooperation with mailers to provide an efficient  
6 and effective means for high volume Standard Mail (A) bulk parcel shippers to  
7 retrieve refused or otherwise undeliverable-as-addressed parcels, and parcels  
8 that were opened, resealed and redeposited in the mail by the customer.<sup>8</sup>

9           In his discussion at pages 7-10 of his testimony, witness Buc primarily  
10 addresses the value to the mailer.<sup>9</sup> He does not specifically consider the original  
11 recipient of the parcel. BPRS offers the recipient of a Standard Mail (A) parcel a  
12 high level of convenience. BPRS allows the original recipient to return unopened  
13 or resealed Standard Mail (A) parcels by merely re-entering them into the  
14 mailstream. The original recipient does not have to take the item to the post  
15 office or pay return postage. This high level of convenience, I believe, improves  
16 the chances that the original mailer will recover merchandise unwanted by the  
17 recipient in an expeditious manner.

---

<sup>7</sup> Tr. 23/10650.

<sup>8</sup> It is my understanding that the enhancement to BPRS including certain opened and resealed parcels was proposed in response to a request from a BPRS mailer that wanted to make it easier for its customers to return unwanted merchandise. The fact that the business strategy of some BPRS mailers is to discourage returns (Tr. 23/10683 and 10719-21) in no way detracts from the significant value of the enhancement.

<sup>9</sup> Tr. 23/10649-10652.

1           Witness Buc states that the "value of the BPRS service is much lower than  
2   the value indicated by the Postal Service's proposed cost coverage."<sup>10</sup> He  
3   supports this contention by specifying BPRS's low priority for processing and use  
4   of ground transportation, and its delivery restrictions. When BPRS was  
5   designed, the primary consideration was to provide a service desired by  
6   customers at a considerably lower price than what they were paying at that time.  
7   To accomplish this, BPRS is transported using only ground transportation, and  
8   the mailer and the Postal Service develop a delivery or pick-up arrangement. As  
9   described in DMM Section S924.2.1, the mailer is requested to state "the desired  
10  frequency and location of parcel pickup or delivery point." The definition of  
11  delivery arrangements is a cooperative process between the Postal Service and  
12  the mailer rather than a restriction reducing the value of the service.

13           Witness Buc relies on the requirement that BPRS labels must include a  
14  class of mail endorsement of "Standard Mail (A)" that is "needed because it  
15  informs postal employees [of] the processing requirements of BPRS mail."<sup>11</sup> He  
16  overlooks the requirement that the parcels must also include a BPRS  
17  endorsement (DMM S924.1.2) and, if using a return label, a "Bulk Parcel Return  
18  Service" service legend (DMM S924.5.5). The endorsement and/or service  
19  legend clearly identifies the parcel as a return under the requirements of the  
20  BPRS special service rather than as Standard Mail (A) and further contributes to  
21  the value of service for BPRS.

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<sup>10</sup> Tr. 23/10649.

<sup>11</sup> Tr. 23/10650.

REVISED  
August 24, 2000  
11

1 Criterion 4 addresses the impact of rate increases on the general public,  
2 mailers and enterprises engaged in the delivery of mail matter. Witness Buc  
3 notes in his testimony that BPRS was created to remedy a "draconian increase "  
4 of 66% in the Third Class single piece 8-16 ounce range. Tr. 23/10652. He  
5 states that the "highest Third Class Single Piece rate paid was \$2.95."  
6 However, when introduced the BPRS fee was set at \$1.75, \$0.04 less than the  
7 rate of \$1.79 that was in effect prior to the "draconian increase". My proposal  
8 would provide a further decrease. The following table compares selected Third-  
9 Class Single-Piece rates for a sixteen-ounce piece to the proposed BPRS fee of  
10 \$1.65 and shows that this fee is quite reasonable.

11

12 **Table 2**  
13 **Comparison of Third-Class Single-Piece Rate with the Proposed**  
14 **BPRS Fee**

15	16	17	18	19	20
		<b>Third-Class</b>		<b>Percentage</b>	
		<b>Single-Piece</b>		<b>Third-Class Rate</b>	
	<b><u>Date</u></b>	<b><u>Rate</u></b>		<b><u>Greater Than BPRS Fee</u></b>	
21	March 22, 1981	\$1.81		10%	
22	February 3, 1991	\$1.79		8%	
23	January 1, 1995	\$2.95		79%	

24  
25

26 The most important factor in considering Criterion 4 for my proposed  
27 BPRS fee is the fact that my proposal is for a fee decrease. There should not be  
28 any negative impact on BPRS customers, current and future, especially given the  
29 prices of the alternative services.

1           Regarding the availability of alternative means of sending and receiving  
2 mail (Criterion 5) witness Buc at page 10 sees no "economically realistic  
3 alternative" to BPRS.<sup>12</sup> There are alternatives, though. UPS and FedEx both  
4 offer return services. These services are based on zones, and therefore, are not  
5 directly comparable to the Postal Service's simple and easily understandable flat  
6 BPRS fee (Criterion 7). As an example, a parcel weighing one-pound or less,  
7 without corporate discounts or a call tag, can be returned by ground  
8 transportation from zone five for \$4.40 with United Parcel Service. This is \$2.75  
9 more than, or 167 percent higher than a BPRS return at the proposed fee. The  
10 UPS and FedEx customers who utilize these services must find them  
11 "economically realistic." Cosmetique may not believe that there are "economically  
12 realistic" alternatives for their specific business model, but there are real  
13 alternatives to BPRS. Furthermore, if there are fewer alternatives, Criterion 2,  
14 the value of service, would suggest that the value of service to BPRS users  
15 would be higher. This would not be the first time that Criterion 2 and Criterion 5  
16 would suggest conflicting directions. I believe that I have appropriately balanced  
17 these criteria with regard to the available alternatives.

18           When addressing Criterion 6 at page 10, witness Buc states that the  
19 machinability of the parcels and customer pick-ups reduce Postal Service costs  
20 and "This argues for lower rates."<sup>13</sup> I agree that these features of BPRS parcels  
21 and the return service itself serve to reduce the service costs, but this reduction  
22 is already reflected in the costs, and therefore in the proposed fee of \$1.65. Any

---

<sup>12</sup> Tr. 23/10652.

- 1 additional consideration of these factors in the determination of the cost coverage
- 2 is unwarranted.
- 3

---

<sup>13</sup> Tr. 23/10652.

1 **III. BUSINESS REPLY MAIL (BRM)**

2

3 **1. Comparison of Postal Service Proposal with KeySpan Proposal**

4 KeySpan Energy witness Bentley proposes alternative Business Reply Mail  
5 (BRM) fees to those fees proposed by the Postal Service. Table 3 below lists the  
6 proposed fee comparisons.

7

8 **Table 3 – Proposed Business Reply Mail Fee Comparisons**

9

10				Difference	Difference
11				Between	Between
12		USPS	KeySpan	USPS and	USPS and
13	<u>Description</u>	<u>Proposal<sup>14</sup></u>	<u>Proposal<sup>15</sup></u>	<u>USPS and</u>	<u>USPS and</u>
14				<u>Keyspan (\$)</u>	<u>Keyspan (%)</u>
15	QBRM per piece				
16	w/Quarterly Fee	\$0.03	\$0.005	\$0.025	83%
17					
18	QBRM per piece				
19	w/o Quarterly Fee	\$0.06	\$0.045	\$0.015	25%
20					
21	Quarterly Fee	\$850	\$3000	(\$2150)	(253%)
22					

23

24 **2. KeySpan Proposal for a High Volume QBRM Annual Fee**  
25 **Discriminates Against Moderate Volume QBRM Mailers**

26

27 Witness Bentley's counter proposal to my QBRM high volume quarterly fee  
28 would require QBRM mailers to pay \$1,000 a month to satisfy an annual fee. Tr.  
29 29/13986. Further, witness Bentley's proposal would attract only those mailers  
30 with a minimum annual volume of 300,000, or 165 percent greater than my  
31 proposed annual breakeven volume of 113,000. Moreover, my proposed

<sup>14</sup> USPS-T-39, Table 4, page 21.

1 quarterly fee would afford certain mailers to opt in during quarters when they  
2 would have large mailings, and, conversely, would allow these mailers to opt out  
3 during non-high volume mailing quarters. Keyspan's proposal caters to only the  
4 highest volume QBRM mailers and proposes a higher fee than my proposal for  
5 moderately high volume QBRM mailers.

6

7 **3. Witness Bentley's Discussion of Breakeven Volume Ignores the**  
8 **Variety of QBRM Customers**  
9

10 Witness Bentley's discussion of breakeven volumes for potential customers  
11 of high volume QBRM<sup>15</sup> does not consider the immediate benefit to QBRM  
12 mailers. If the Postal Service can offer a three-cent per piece fee in conjunction  
13 with a quarterly fee, it should be up to the mailers themselves to determine what  
14 is economically advantageous for their mailings. There are a variety of QBRM  
15 mailers. Some, like KeySpan, have high volumes spread evenly throughout the  
16 year, and others have lower annual volumes concentrated in part of the year.  
17 Absent detailed information on these types of mailers, I have proposed a first  
18 step in de-averaging QBRM fees. Fundamental to my classification and fee  
19 proposals is the understanding that the per piece and quarterly fees are based  
20 on the costs, and that there are a variety of QBRM mailers, with different volume  
21 patterns. KeySpan would like to limit the high volume QBRM classification to a  
22 small group of mailers with comparable mail volumes to KeySpan.

---

<sup>15</sup> Tr. 29/13986.

<sup>16</sup> Tr. 29/13990 and 13992.



1       Witness Bentley apparently did not know who proposed the Postal Service's  
2   QBRM postage discount and fees. USPS/KE-T1-12. Therefore, it is not  
3   surprising that he did not understand my proposal when he stated in his  
4   testimony on page 20, lines 12-15, "Using the CBCIS data, the average volume  
5   received by the 1300<sup>th</sup> largest recipient is less than 50,000 per year. Such  
6   recipients would never pay the \$850 quarterly fee under the Postal Service's  
7   proposal". Depending upon the seasonality of mail responses, a mailer receiving  
8   enough pieces within a three-month time period, though perhaps receiving less  
9   than 50,000 pieces per year, could very likely find the quarterly fee with the lower  
10   per piece fee financially beneficial.

1 **IV. INSURANCE**

2

3 **1. Comparison of Postal Service Proposal with OCA Proposal**

4 Office of Consumer Advocate (OCA) witness Collins (OCA-T-8) proposes an  
5 alternative incremental insurance fee to that fee proposed by the Postal  
6 Service.<sup>17</sup> Table 4 below compares the proposed fees.

7

8 **Table 4 – Proposed Insured Mail Incremental Fee Comparisons**

9

10				Difference	Difference
11				Between	Between
12		USPS	OCA	USPS and	USPS and
13	<u>Description</u>	<u>Proposal</u>	<u>Proposal</u>	<u>OCA (\$)</u>	<u>OCA (%)</u>
14					
15	Incremental Fee	\$1.00	\$0.95	\$0.05	5%
16	(per \$100 of value				
17	over first \$100)				
18					

19 Additionally, witness Collins has presumably proposed to increase the size  
20 of the incremental value levels above \$1000.<sup>18</sup> However, she states in her  
21 testimony, "I recommend that there be no increase in the per \$100 increment fee,  
22 and that there be a modification of the interval to \$250 or \$500 for insured value  
23 over \$100, with a corresponding adjustment in the per increment fee."<sup>19</sup> Since  
24 witness Collins mentions both value levels above \$1,000 and \$100 in her  
25 testimony in two separate places, I am assuming the OCA Trial Brief, which  
26 states \$1,000, contains the correct figure.<sup>20</sup> Witness Collins has failed to define

<sup>17</sup> Tr. 29/14199.

<sup>18</sup> Tr. 29/14198.

<sup>19</sup> Tr. 29/14199.

<sup>20</sup> Trial Brief of the Office of the Consumer Advocate, page 26.

1 what she means by "a corresponding adjustment in the per increment fee."<sup>21</sup>  
2 Why propose a "corresponding adjustment" if, in witness Collins' own words, it is  
3 "impossible to know what the appropriate 'corresponding' adjustment should  
4 be"?<sup>22</sup>

5 Finally, unlike what is stated in the OCA Trial Brief<sup>23</sup>, Witness Collins does  
6 not propose any change to the Postal Service proposed fees for unnumbered  
7 insurance or numbered insurance for items valued at \$100 and under in her  
8 testimony.<sup>24</sup>

9

10 **2. Incremental Fee Development was Based on Available Cost**  
11 **Information**  
12

13 Witness Collins states that "there is no cost justification in Docket No.  
14 R2000-1" for the incremental insurance fee.<sup>25</sup> She clarified this by stating that "at  
15 least 43 of the 50 increments for insured mail have no empirical justification." Tr.  
16 29/14247. This statement was further clarified in witness Collins oral cross  
17 examination where she agreed that her statement concerning no empirical  
18 justification in USPS/OCA-T8-10 referred to the 43 (actually 44) increments  
19 above the \$600 value level up to \$5000. Tr. 29/14271.

20 I believe that the Postal Service has provided ample justification supporting  
21 the increase in the incremental fee for the value levels from \$600.01 to \$5000.

---

<sup>21</sup> Tr. 29/14222.

<sup>22</sup> Tr. 29/14222.

<sup>23</sup> Trial Brief of the Office of the Consumer Advocate, page 26.

<sup>24</sup> Tr. 29/14201.

<sup>25</sup> Tr. 29/14197.

1 As described in my testimony at pages 63-64, and in my response to  
2 OCA/USPS-T39-6<sup>26</sup>, the development of the incremental fee involves the  
3 balancing of proposed fees against known costs and the need to generate a  
4 reasonable cost coverage. The known costs included the total volume variable  
5 and incremental costs presented by Witness Kay. USPS-T-23, Table 1A.  
6 Witness Davis provided an updated cost study addressing the average cost of  
7 unnumbered insurance and the average cost of numbered insurance. USPS-T-  
8 30, page 14, Table 3. Additionally, the indemnity analysis information provided at  
9 OCA/USPS-T39-5 was available.<sup>27</sup>

10 Knowing the average volume variable cost for the unnumbered increment  
11 provided a basis for establishing a reasonable fee for that increment. Due to the  
12 increase in the unnumbered volume variable cost, the fee was mitigated to limit  
13 the unnumbered fee increase. With the second known cost, the volume variable  
14 average cost for numbered insurance, I was able to establish a reasonable fee  
15 for the base numbered insurance increment (\$100 and under) and the base level  
16 fee for the remainder of the numbered increments. The incremental fee for  
17 increments over \$100 was then established to produce a reasonable overall cost  
18 coverage for insurance service when compared with the total volume variable  
19 costs provided by witness Kay.

20 The indemnity analysis was used primarily to verify that there was a general  
21 relationship between volume variable plus indemnity costs. This verification was  
22 useful for the lower increments (\$100 to \$900). But as the value of the

---

<sup>26</sup> Tr. 14/5594.

1 increments increases above the \$900 level, the number of transactions per  
2 increment decline, and there is the possibility that claims are classified in a  
3 higher increment as a result of non-insurance fee and postage reimbursement.<sup>28</sup>  
4 But some perspective is necessary. Based on FY 1998 data the total number of  
5 transactions in the increments above \$900 represent less than one percent of the  
6 total insurance transactions.<sup>29</sup>

7 The approach I used to establish proposed fees is appropriate, and the best  
8 approach given the available cost information. In fact, this approach is similar to  
9 that used by witness Collins to develop her fee proposals for the individual  
10 money order services based on total costs only. Witness Collins confirmed use  
11 of this approach when questioned on the cost coverage used to establish the fee  
12 for APO/FPO money orders. She states "I have no information regarding the  
13 specific costs of APO/FPO money orders. My proposal covers all reported costs  
14 of money order service and provides an appropriate contribution to institutional  
15 costs."<sup>30</sup>

16

17 **3. There is No Basis for Expanding the \$100 Fee Increments**

18 Witness Collins suggests in her testimony at page 14, lines 21-22 that  
19 "Perhaps the increments over \$1000 should be for every \$250 or \$500 of

---

<sup>27</sup> Tr. 14/5591.

<sup>28</sup> DBP/USPS-227 and 245.

<sup>29</sup> From LR-I-168, WP-13, 308,146/39,911,233, representing the sum of FY 1998 insurance transactions in increments \$1000 or greater divided by the total domestic insurance transactions.

<sup>30</sup> Tr. 29/14258.

1 insurance.”<sup>31</sup> Without any supporting factual information or analysis, witness  
2 Collins recommends at page 15, lines 5-7 “that there be a modification of the  
3 interval to \$250 or \$500 for insured value over \$100[0], with corresponding  
4 adjustment in the per increment fee.”<sup>32</sup>

5 I oppose such a change for the following reasons. First, witness Collins  
6 does not provide any reason for the change. There is not even a specific  
7 problem, need, or benefit identified. Second, I reviewed the increments used by  
8 our competitors, specifically UPS and FedEx, and found that they also assess  
9 insurance fees based on \$100 increments. For the Postal Service to introduce a  
10 substantially different fee structure may be confusing to consumers. Third, I do  
11 not believe it would be fair to our customers to establish larger increments. If the  
12 increments were increased to \$500, a customer who required \$1050 of insurance  
13 would be charged the same as a customer desiring to insure a mailpiece for  
14 \$1500. Serious consideration of a proposal for changing this approach when the  
15 Postal Service currently uses a long-standing, industry-standard approach would  
16 require a clear, thoroughly analyzed, and well-documented rationale.

17

18 **4. The Proposed Fee for Unnumbered Insurance Should Not be**  
19 **Lowered by the Full Level of the Cost Decrease**  
20

21 The per-piece cost for the unnumbered insurance increment used when  
22 developing the proposed fees was \$1.26. If the overall insurance special service  
23 cost coverage of 138.4 percent were used to develop a proposed fee, the fee

---

<sup>31</sup> Tr. 29/14198.

1 would have been \$1.74<sup>33</sup>. This would have resulted in a fee increase of 104.7  
2 percent.<sup>34</sup> A large increase of this magnitude was clearly unacceptable.  
3 Therefore, the proposed fee was mitigated to \$1.35, a 58.8 percent increase with  
4 a 104.5 percent implicit cost coverage.

5 On April 17, 2000, Witness Davis filed errata and revised the cost of the  
6 unnumbered insurance increment to \$0.95. USPS-T-30, page 14, Table 3, as  
7 revised April 17, 2000. Assuming no change in the proposed fee, the cost  
8 coverage increases to 138.6% (LR-I-168, WP-32, page 3), or within 0.2 percent  
9 of the overall cost coverage for the insurance special service. But there would  
10 still be a fee increase of 58.8 percent, which I believe should be reduced. If the  
11 current cost information had been available when preparing the original fee  
12 proposal, I would have proposed a fee lower than \$1.35, but not so low as to  
13 maintain the 104.5 percent implicit cost coverage.

14 One factor I would consider is the impact on the unnumbered bulk insurance  
15 fee. Despite the increase in bulk insurance cost savings, I was forced by the  
16 initial costs to propose an increase in this fee from \$0.45 to \$0.60. Reducing the  
17 unnumbered fee to \$1.20 would eliminate this increase.

18

---

<sup>32</sup> Tr. 29/14199.

<sup>33</sup>  $138.4\% \times \$1.26 = \$1.74$

<sup>34</sup>  $((\$1.74 - \$0.85) / \$0.85) \times 100 = 104.7\%$

1       **5. The Purported Fee Anomaly Between Insurance and Registered Mail**  
2       **Above the \$700 Level is Justifiable and Only Affects a Small Number of**  
3       **Transactions**  
4

5           Witness Collins discusses the supposed fee anomaly that occurs in  
6       proposed insurance fee levels. At proposed fees, the purported anomaly occurs  
7       for insurance increments above \$700.01.<sup>35</sup> In these increments, insurance is  
8       more expensive than registered mail. But, when considering these purported  
9       anomalies, it should be recognized that only one percent of the insured mail  
10      transactions is affected. It must also be noted that registered mail and insured  
11      mail are two different products, with different mailing requirements, different  
12      indemnity costs, and different transportation and handling measures. Simply  
13      stated, the combined handling and indemnity costs should be considered. For  
14      lower value levels, the lower handling costs of insurance outweighs the greater  
15      chance of indemnity. Registered mail has greater handling costs, but lower  
16      exposure to loss. At higher value levels, the benefits of the high security system  
17      outweigh the costs. Customers should be allowed to choose between these  
18      services based on their needs and the appropriate fees.

19

---

<sup>35</sup> Tr. 29/14197.



1   **V.     MONEY ORDERS**

2

3       **1. Comparison of Postal Service Proposal with OCA Proposal**

4       Office of Consumer Advocate (OCA) witness Collins proposes alternative  
5   money order fees to those fees proposed by the Postal Service. Table 5 below  
6   lists the proposed fee comparisons.

7

8

9

Table 5 – Proposed Money Order Fee Comparisons

10				Difference	Difference
11				Between	Between
12		USPS	OCA	USPS and	USPS and
13	<u>Description</u>	<u>Proposal<sup>36</sup></u>	<u>Proposal<sup>37</sup></u>	<u>OCA (\$)</u>	<u>OCA (%)</u>
14					
15	APO/FPO	\$0.35	\$0.25	\$0.10	29%
16	Domestic	\$0.90	\$0.75	\$0.15	17%
17	Inquiry Fee	\$3.00	\$2.75	\$0.25	8%

18

19

20

**2. The OCA Proposal Does Not Compare the Actual Fees**

21       On page 7 of her testimony, witness Collins presents examples of fees  
22   charged by a limited number of local Postal Service money order competitors. It  
23   is interesting that witness Collins' table does not provide a comparison of the  
24   actual fees charged when taking into consideration the higher maximum dollar  
25   amount of a Postal Service money order. Further, when questioned on the  
26   stand, witness Collins admitted that she did not consider any additional charges  
27   or lesser services related to non-postal money orders. Tr. 29/14272. In order to  
28   present an accurate fee comparison, as many characteristics of a Postal Service

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<sup>36</sup> USPS-T-39, Table 13, page 73.

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25

1 money order must be matched with the competition's offering. Hence, a  
2 comprehensive fee comparison of Postal Service money orders with competitors'  
3 money orders would compare the fees for money orders valued up to \$700. Only  
4 when questioned does witness Collins provide complete fee comparisons for a  
5 few of the establishments listed in the table on page 7 of her testimony. Tr.  
6 29/14226-7 and 14253. Table 6 below provides the comparisons between the  
7 Postal Service's proposed domestic money order fee (for \$700 value) with the  
8 equivalent fee charged by the competitors listed in witness Collins' table and her  
9 Exhibit OCA-8D. Tr. 29/14191, 14208-13.

10  
11 **Table 6 – Comparison of USPS Proposed Money Order Fees to Witness**  
12 **Collins' Competitors' Money Order Fees (\$700 value)**

13			Difference	Difference
14			Between	Between
15			Competitor's	Competitor's
16			and USPS	and USPS
17	<u>Competitor</u>	<u>Competitor's</u>	<u>Proposed Fee (\$)</u>	<u>Proposed Fee (%)</u>
18		<u>Fee</u>		
19	13 <sup>th</sup> St Variety	\$0.56	(\$0.34)	(38%)
20	Paradise Liquors	\$0.58	(\$0.32)	(36%)
21	S R Liquors	\$0.98	\$0.08	9%
22	Penn Mar Liquors	\$1.18	\$0.28	31%
23	American Cash Express	\$1.18	\$0.28	31%
24	Western Union	\$1.18	\$0.28	31%
25	CVS Pharmacy	\$1.58	\$0.68	76%
26	Seven-Eleven	\$2.00	\$1.10	122%
27				
28				
29				

---

<sup>37</sup> Tr. 29/14203.

1           **3. The OCA Proposal Does Not Consider the Total Cost to the**  
2           **Consumer**  
3

4           Witness Collins apparently feels that what a few local competitors charge for  
5           a typical value money orders is comparable to the fee of a domestic postal  
6           money order. She admitted on the stand that she did not consider service  
7           charges for non-postal money orders when developing her money order fee  
8           proposal. Tr. 29/14273-4. I feel it is important that the total cost to the money  
9           order consumer be identified.

10           Telephone calls were placed to the establishments in Table 6 above to  
11           find out what sort of additional charges may apply to their money orders. Two  
12           issues were considered. First, fundamental to the service of a money order is  
13           the ability to cash that money order. A postal money order can be cashed at any  
14           post office free-of-charge. The second issue was whether there was a time limit  
15           with respect to cashing a money order and if there was any applicable fee  
16           depending upon how soon the money order was cashed. A postal money order  
17           can be cashed free-of-charge for an indefinite period of time.

18           Following are the results of the telephone calls placed on July 14, 2000, to  
19           the establishments to determine if there were any charges for cashing money  
20           orders. 13<sup>th</sup> Street Variety will cash only money orders purchased from their  
21           store, and then charges two percent of the face value. Paradise Liquors and  
22           CVS will not cash money orders, including those purchased from their store.  
23           Additionally, CVS will not allow money orders issued from their store to be used  
24           for purchases at CVS stores. (On the stand, witness Collins assumed that she

1 would be able to cash a CVS money order at CVS. Tr. 29/14275.) Penn Mar  
2 Liquors will only cash money orders purchased from their store, and then  
3 charges one-and-one-half percent of the face value. American Cash Express will  
4 only cash money orders purchased at their establishment, and then charges five  
5 percent of the face value. Western Union will cash Travelers, Global Express,  
6 and American Express money orders. The charge to cash one of these money  
7 orders varies by the face value and the age of the money order. For a \$300  
8 money order less than 10 days old, the cashing fee is \$5.25. For all money  
9 orders over 10 days old, the cashing fee is six percent of the face value (e.g.,  
10 \$18 for a \$300 money order). Seven-Eleven will only cash their own money  
11 orders free-of-charge up to \$70. Again, a postal money order may be cashed  
12 free-of-charge at any post office.

13 With respect to any service charges assessed if a money order was not  
14 cashed within a certain time limit, witness Collins' Exhibit OCA-8D<sup>38</sup> provides  
15 some excellent examples of these fees charged by postal competitors. On  
16 pages 2 of 6 and 4 of 6, the service charge sections both state:

17 "If this Money Order is not used or cashed (presented  
18 for payment) within three (3) years of the purchase  
19 date, there will be a non-refundable service charge  
20 where permitted by law. The service charge will be  
21 deducted from the amount shown on the Money Order.  
22 The service charge is twenty-five (25) cents per month  
23 from the date of purchase, but not more than twenty-  
24 one (21) dollars."  
25

26 Tr. 29/14209 and Tr. 29/14211

---

<sup>38</sup> Tr. 29/14207-13.

1 On page 6 of 6, the service charge section states:

2 "The purchaser, each endorser and their successors  
3 agree that if this money order is not used or cashed  
4 (presented for payment) within one (1) year of its  
5 purchase date, there shall be a non-refundable service  
6 charge to the extent permitted by law. The service  
7 charge is two dollars and fifty cents (\$2.50) per month  
8 from the date of purchase or such lesser amount as  
9 may be permitted by applicable law. Notwithstanding  
10 the foregoing, for all money orders governed by  
11 Maryland law, upon the expiration of one (1) year from  
12 its date of purchase the service charges shall be \$5.00  
13 (for money orders with a face amount of less than  
14 \$50.00) or \$10.00 (for money orders with a face value  
15 of \$50.00 or more), per annum, charged retroactively  
16 and until escheated. Upon presentment after 1 year (as  
17 permitted by law), this money order will be stopped to  
18 assess the charge.  
19

20 Tr. 29/14213

21 Again, the postal money order may be cashed at any time without any  
22 payment penalty or service charge.  
23

#### 24 **4. Comparison of Postal Service Money Order Fees with Bank Fees**

25 Since banks are such prominent financial institutions, I find it curious that  
26 witness Collins, in her response to USPS/OCA-T8-15, admitted she had "no  
27 knowledge as to whether banks sell money orders" and "did not inquire."<sup>39</sup> Our  
28 office placed telephone calls to three large banks in the Washington, D.C.  
29 metropolitan area on July 17, 2000, to inquire about the fees charged for money  
30 orders and cashier's/official checks, which are financial instruments similar in  
31 nature to money orders. SunTrust Bank charges \$5.00 for a money order with

1 no maximum limit and \$8.00 for a cashier's/official check. First Virginia Bank  
2 charges \$5.00 for a money order with a \$250 limit and \$5.00 for a  
3 cashier's/official check. First Union Bank charges \$5.00 for a \$700 money order  
4 for a person with a First Union account and \$10.00 for a \$700 money order for a  
5 person without a First Union account. A First Union cashier's/official check is  
6 \$8.00 for an account holder and \$10.00 for a non-account holder. Additionally,  
7 all three banks reported they would only cash money orders drawn on their bank  
8 or for people with accounts at their banks.

9

10 **5. Cashing Convenience of Postal Service Money Orders**

11 In addition to the fact that the Postal Service does not charge a fee to cash  
12 its own money orders, it is important to note the convenience factor in cashing a  
13 postal money order. The ability to cash a money order at any United States post  
14 office makes postal money orders undoubtedly the easiest money orders to use.  
15 Also, subject to funds availability, rural carriers can also cash postal money  
16 orders, which broadens, and thereby enhances, the cashing convenience.  
17 Finally, although witness Collins did not investigate cashing fees for non-postal  
18 money orders, she did concede that "a Postal Service money order ought to be  
19 the easiest to cash." Tr. 29/14272.

20

21

---

<sup>39</sup> Tr. 29/14252.

1     **6. Purchasing Convenience of Postal Service Money Orders**

2           In addition to the fact that postal money orders can be purchased at any post  
3     office or from any rural carrier, payment alternatives for postal money orders also  
4     offer great convenience, compared to other money orders. The Postal Service  
5     accepts, in addition to cash, traveler's checks and automated teller machine  
6     (ATM) payments (where available) for the purchase of money orders. Telephone  
7     calls placed on July 25, 2000, to four of the establishments in Table 6 revealed  
8     the limitations of methods for purchasing money orders when compared to the  
9     Postal Service's accepted methods. Specifically, Paradise Liquors, 13<sup>th</sup> Street  
10    Variety, CVS, and Western Union accept only cash as payment for money  
11    orders.

12

13       **7. Money Order Customers**

14           Witness Collins, on page 5, lines 3-8 of her testimony, infers that I concur, in  
15    part, that money orders are used by customers with modest incomes because  
16    postal money orders are popular in rural areas. Tr. 29/14189. In response to  
17    USPS/OCA-T8-26, however, witness Collins more accurately reflects my feelings  
18    towards money order customers, and actually contradicts the statement in her  
19    testimony. Witness Collins states that customers on rural routes near her  
20    residence "most certainly could not be described as having 'a modest income'."  
21    Tr. 29/14267. Although I have stated that money orders are used by individuals  
22    with modest incomes, the point I was trying to make in my testimony was that  
23    there is a growing number of money order customers who are not low income

1 individuals. These new customers often use money orders for Internet  
2 purchases.

3

#### 4 **8. Money Order Fee History**

5 My proposal for a 90-cent domestic money order in this proceeding would, if  
6 recommended and approved, be the exact same postal money order fee for a  
7 money order over \$50 effective July 18, 1976. Without even considering  
8 inflation, I am requesting the same fee that was in place 24 years ago. Further,  
9 the 90-cent proposed fee is lower than the majority of the domestic money order  
10 fees from 1978 to 1988. Table 7 presents the past domestic money order fees  
11 that were equal to or higher than the fee I am proposing in this proceeding.

12

13 **TABLE 7 – Past Postal Money Order Fees Equal to**  
14 **or Greater Than the R2000-1 Proposed Fee**

15	16	17	18	19
<u>Date</u>	<u>Dollar Value</u>	<u>Fee</u>	<u>Percentage Old Fee Greater Than Proposed Fee</u>	
20 July 18, 1976	\$50.01 to \$300.00	\$0.90	0%	
21 May 29, 1978	\$50.01 to \$400.00	\$1.10	22%	
22 March 22, 1981	\$25.01 to \$50.00	\$1.10	22%	
23 March 22, 1981	\$50.01 to \$500.00	\$1.55	72%	
24 February 17, 1985	\$25.01 to \$700.00	\$1.00	11%	
25 April 3, 1988	\$35.01 to \$700.00	\$1.00	11%	
26				

27

#### 28 **9. Money Order Inquiry Fee**

29 Witness Collins fails to provide any justification for not increasing the  
30 money order inquiry fee. Further, she does not seem to be concerned that postal



1 competitors that she specifically pointed out at Exhibit 8D, page 2 of 6, (Tr.  
2 29/14209) charge 191 percent over the current USPS inquiry fee and 167  
3 percent over the proposed USPS inquiry fee (\$8.00 versus \$2.75 and \$3.00). In  
4 my direct testimony, I addressed the pricing criteria fully for money orders and  
5 have provided sufficient justification for the proposed modest increase.

6

7 **10. APO/FPO Money Order Fee**

8 As with the proposed money order inquiry fee, witness Collins fails to  
9 provide any justification for not increasing the APO/FPO money order fee, and  
10 especially does not provide any justification for lowering the current fee. Military  
11 personnel do not receive lower fee money orders from any of our competitors.  
12 The current APO/FPO fee is 63 percent lower than the current money order fee,  
13 and the proposed APO/FPO fee is 61 percent lower than the proposed money  
14 order fee. Under witness Collins' proposal, military personnel would pay 67  
15 percent less than all other money order customers when compared to her  
16 proposed money order fee. Postal money orders should actually be of an  
17 extremely high value to domestically-stationed military personnel away from their  
18 own financial institutions due to the abundance of post offices throughout the  
19 United States and its territories.

20

21 **11. Proposed Money Order Cost Coverage Should Not be Lowered**

22 During her oral testimony witness Collins made the following two statements  
23 concerning postal money orders: "I personally think that the Postal Service

1 money order is a very good instrument for the people to use" (Tr. 29/14272) and  
2 "I think it's a superior product" (Tr. 29/14276). I could not agree with her more.  
3 When considering all the advantages of postal money orders over all other  
4 money orders (such as the purchasing and cashing conveniences, cashing costs  
5 and replacement costs detailed earlier), I believe that postal money orders, at my  
6 proposed fees, offer the best value available.

7 So why then should the proposed cost coverage be lowered? Witness  
8 Collins herself praises postal money orders, stating that they are a superior  
9 product. I cannot fathom why a cost coverage of 142 percent (26 percentage  
10 points below the proposed systemwide average) for a superior special service  
11 should be lowered.<sup>40</sup>

12

13 **12. Calculation of Money Order Cost Coverage to Comport with**  
14 **Commission's Calculation in Docket No. R97-1**  
15

16 In Docket No. R97-1, the Commission calculated their recommend money  
17 order cost coverage without the float. Using my proposed fees, the cost  
18 coverage using volume variable costs with no float is 163 percent.<sup>41</sup> Under  
19 witness Collins' proposal, the cost coverage using volume variable costs with no  
20 float is 138 percent<sup>42</sup>. However, using incremental costs, it is crucial to note that  
21 my proposed fee revenue less float revenue results in a cost coverage of 115

---

<sup>40</sup> This includes float. The cost coverage is even lower if considering only fee revenue. USPS-T-39 at 73.

<sup>41</sup>  $((\$305,488 - \$54,821)/\$153,995) * 100 = 163\%$ . From LR-I-168, WP-16 and USPS-T-23, Table 1A.

<sup>42</sup>  $((\$276,849 - \$56,893)/\$159,605) * 100 = 138\%$ . From Tr. 29/14203.

1 percent.<sup>43</sup> On the other hand, witness Collins' comparable cost coverage is only  
2 98 percent.<sup>44</sup> Even without considering the other points I have made, witness  
3 Collins' proposal to lower the money order fees produces inadequate revenues,  
4 and therefore should be rejected.

---

<sup>43</sup>  $((\$305,488 - \$54,821)/\$217,464) * 100 = 115\%$ . From LR-I-168, WP-16 and USPS-T-23, Table 1A.

<sup>44</sup>  $((\$276,849 - \$56,893)/\$224,831) * 100 = 98\%$ . From Tr. 29/14203.

1 **VI. DMCS ERRATA AND SUGGESTED IMPROVEMENTS**

2

3 In my direct testimony I proposed a general rewrite of the special services  
4 section of the Domestic Mail Classification Schedule (DMCS). USPS-T-39 at  
5 165-66. Since then I have identified several errata. I also wish to suggest  
6 several minor DMCS changes that would improve several special services.

7 The errata are as follows:

8

9 **Attachment A**

10 Page 42: Change title of chapter 5 from "Package Services Mail" to "Package  
11 Services".

12

13 Page 57, Section [912.22], last line:  
14 Add "new names." after "addition of".

15

16 Page 60, Section 931.[3]21:  
17 Change "Section 221.24" to "Sections 221.24 or 222.34", and  
18 change "category" to "categories", to indicate the separate  
19 requirements for Qualified business reply mail letters and cards.

20

21 Page 66, Section 936.51:  
22 Insert "Parcel Post subclass of Package Services," after "First-  
23 Class Mail," and,  
24 Change "221 and 223" to "221, 223, and 521.2A", to conform this  
25 section with the proposed change in section 936.11, and my  
26 proposal in USPS-T-39, at page 138, lines 8 to 11.

27

1 Page 79, Section 948.21:

2 Change "the Parcel Post, Bound Printed Matter, Special and  
3 Library subclasses of Standard Mail" to "Package Services mail",  
4 for consistency with other changes.

5  
6 Change ". Delivery Confirmation is also available for " to ", as well  
7 as", for simplicity.

8

9 **Attachment B**

10

11 Page 59, Fee Schedule 933:

12 Add footnote 1 after \$4.00 fee for "Checking meter in or out of  
13 service", indicating that: "Fee does not apply to Secured Postage  
14 meters." This change reflects my proposal on page 80, lines 15 to  
15 16, and page 84, lines 10 to 13 of USPS-T-39.

16

17 Corrected pages are attached in Exhibit A.

18

1 I also believe that the following small changes should be made to the DMCS.

2

3 **Attachment A**

4

5 Section 932.51: Change "calendar year" to "12-month period" in second and  
6 third lines.

7 Section 935.51: Change "calendar year" to "12-month period" in second and  
8 third lines.

9 Section 936.52: Change "year" to "12-month period" in first line.

10

11

12 These changes reflect the Postal Service's practice of charging annual  
13 fees over different 12-month periods for different mailers, rather than limiting the  
14 period to a calendar year.

15

16 Section 943.244: Delete "unless instructions on the piece mailed indicate that  
17 it not be forwarded or returned"

18

19

20 The purpose of this change is to avoid circumstances in which insured  
21 mail would be discarded because a customer had written on the piece that it  
22 should not be forwarded or returned. The Postal Service has existing processes  
23 and ancillary endorsements for forwarding and return, and does not want to  
24 create an expectation that customers can bypass these by random written  
25 instructions.

26

27 Section 931.[3]22: Replace entire section with "To qualify for the advance  
28 deposit account per piece fees, the customer must maintain  
29 sufficient money in an advance deposit account to cover  
30 postage and fees due for returned business reply mail."

31

32 This change reflects the Postal Service's ability to deduct all kinds of  
33 postage and fees from a single account, so that a separate account for business

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- 1 reply mail only is no longer necessary. The change follows from my proposals to
- 2 charge an annual accounting fee for each service (BPRS, BRM, merchandise
- 3 return, and shipper paid forwarding) that uses an account, rather than just BRM.
- 4 See USPS-T-39 at pages 18, 69, and 140.

5  
6  
7

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1   **VII. CONCLUSION**

2

3           In conclusion, BPRS provides an effective and economically attractive  
4   special service for bulk parcel returns. This service was designed in cooperation  
5   with mailers to address their specific needs for a low cost and responsive  
6   service. BPRS provides a high value of service to the original mailer, and as  
7   importantly, it provides a highly convenient method for bulk parcel recipients to  
8   return unwanted merchandise.

9           The proposed BPRS fee is actually less than the fee in effect prior to the  
10   increase in Third-Class Single Piece rate resulting from R94-1. Therefore, I  
11   believe that the proposed reduction of the fee for BPRS to \$1.65, and the related  
12   cost coverage of 146%, is fair and reasonable and consistent with Section  
13   3622(b) of Title 39 of the United States Code.

14          My proposed QBRM quarterly fee and high volume per piece fee would be  
15   beneficial to many QBRM mailers. The basic thrust of my proposal is to provide  
16   lower fees for as many mailers as possible, noting that even moderate volume  
17   mailers could take advantage of lower fees during seasonal mailings by opting in  
18   and out of the quarterly classification.

19          My proposed incremental insurance fee was developed based on cost  
20   information and there is no basis for expanding the \$100 value level fee  
21   increments. The \$100 increments are an industry standard and have been  
22   useful to many insurance mailers throughout the years. Expanding the value



1 levels would also be detrimental to those customers insuring at values towards  
2 the low end of the increment.

3       Postal Service money orders are a high value special service that provide  
4 many benefits over the competition. Particularly when considering the growing  
5 new customer base of money order customers, the proposed cost coverage  
6 should not be lowered.

**Exhibit USPS-RT-22A**

**REVISED DMCS PAGES**

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*Note: For the following new section, changes shown are relative to current sections under Standard Mail.*

**PACKAGE SERVICES**  
**CLASSIFICATION SCHEDULE**

**5[3]10      DEFINITION**

**5[3]11      General**

Anyailable matter may be mailed as Package Services [Standard M]mail except:

- a. Matter required to be mailed as First-Class Mail;
- b. Copies of a publication that is entered as Periodicals class mail, except copies sent by a printer to a publisher, and except copies that would have traveled at the former second-class transient rate. (The transient rate applied to individual copies of second-class mail (currently Periodicals class mail) forwarded and mailed by the public, as well as to certain sample copies mailed by publishers.)

**[312      Printed Matter**

Printed matter, including printed letters which according to internal evidence are being sent in identical terms to several persons, but which do not have the character of actual or personal correspondence, may be mailed as Standard Mail. Printed matter does not lose its character as Standard Mail when the date and name of the addressee and of the sender are written thereon. For the purposes of the Standard Mail Classification Schedule, "printed" does not include reproduction by handwriting or typewriting.]

**512[313]      Written Additions**

Package Services [Standard M]mail may have the following written additions placed on the wrapper, on a tag or label attached to the outside of the parcel, or inside the parcel, either loose or attached to the article:

- a. Marks, numbers, name, or letters descriptive of contents;
- b. "Please Do Not Open Until Christmas," or words of similar import;
- c. Instructions and directions for the use of an article in the package;
- d. Manuscript dedication or inscription not in the nature of personal correspondence;
- e. Marks to call attention to any word or passage in text;
- f. Corrections of typographical errors in printed matter;
- g. Manuscripts accompanying related proof sheets, and corrections in proof sheets to include: corrections of typographical and other errors, alterations of text, insertion of new text, marginal instructions to the printer, and rewrites of parts if necessary for correction;

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mailing list.

(1) The Postal Service provides [a. T]the following corrections [will be made ]to name and address lists:

- (A)[a.] deletion of n[N]ames to which mail cannot be delivered or forwarded[ will be deleted];
- (B)[b.] correction of i[I]ncorrect house, rural, or post office box numbers[ will be corrected]; and
- (C)[c.] furnishing of new addresses, including ZIP Codes, w[W]hen permanent forwarding orders are on file for customers who have moved[, new addresses including ZIP Codes will be furnished];  
This service does not include the addition of new names.
- [d.      New names will not be added to the list.]

[912.23] (2) The Postal Service provides the following corrections[ will be made] to occupant lists:

- (A)[a.] deletion of n[N]umbers representing incorrect or non-existent street addresses[ will be deleted];
- (B)[b.] identification of b[B]usiness addresses and rural route addresses, to the extent [will be distinguished if] known; and
- (C)[c.] grouping of Corrected cards or sheets [will be grouped ]by route;
- [d.      Street address numbers will not be added or changed.]

[912.24] Corrected lists will be returned to customers at no additional charge.]

[912.25] [b. Change-of-address information for election boards and registration commissions. This service provides election boards and voter registration commissions with the current address of a residential addressee, if known to the Postal Service, [Residential change-of-address information is available only to election boards or registration commissions for obtaining, if known to the Postal Service, the current address of an addressee.]

[912.26] [c. ZIP coding of mailing lists. This service provides sortation of[that] addresses [will be sorted ]to the finest possible ZIP Code [sortation]level.

[912.27] Gummed labels, wrappers, envelopes, Stamped Cards, or postcards indicative of one-time use will not be accepted as mailing lists.]

[912.28] [d. Sequencing of address cards. This service provides for the removal of incorrect addresses, notation of missing addresses and addition of missing addresses.

**912.3      Requirements of Customer**

912.31      Correction of mailing list service is available only to the following owners of name and address or occupant mailing lists:

a.      Members of Congress

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921.[1]222[5] Caller service is not available to a customer whose[cannot be used when the] sole purpose for using this service is to obtain free forwarding or transfer of mail[.] by [subsequently ]filing change-of-address orders[, to have mail forwarded or transferred to another address by the Postal Service free of charge].

921.[1]23 **Fees**

921.[1]231 Fees for caller service are set forth in Fee Schedule 921.

930      **PAYMENT ALTERNATIVES**

931      **BUSINESS REPLY MAIL**

931.1      **Definitions**

931.11      Business reply mail[ is a] (BRM) service [whereby] enables a BRM permit holder, or the permit holder's authorized representative, to distribute BRM [business reply] cards, envelopes, cartons and labels, which can then be [may be distributed by or for a business reply distributor for ]used by mailers for sending First-Class Mail without prepayment of postage to an address chosen by the distributor. The permit holder guarantees payment on delivery of postage and fees for the BRM pieces that are returned to the addressee, including any pieces that the addressee refuses.[A distributor is the holder of a business reply license.]

[931.12      A business reply mail piece is nonletter-size for purposes of this section if it meets addressing and other preparation requirements, but does not meet the machinability requirements specified by the Postal Service for mechanized or automated letter sortation.]

931.2      **[Description of Service]**

[      The distributor guarantees payment on delivery of postage and fees for all returned business reply mail. Any distributor of business reply cards, envelopes, cartons and labels under any one license for return to several addresses guarantees to pay postage and fees on any returns refused by any such addressee.]

[931.3      **]Mailer Requirements[ of the Mailer]**

931.[3]21      Business reply cards, envelopes, cartons and labels must [be preaddressed, and] meet the addressing and preparation requirements[ bear business reply markings] specified by the Postal Service. Qualified business reply mail must in addition meet the requirements presented in Sections 221.24 or 222.34 for the First-Class Mail Qualified Business Reply Mail rate categories.

931.[3]22      To qualify for the active business reply mail advance deposit account fees set forth in Fee Schedule 931, the permit holder must establish an account used solely for business reply mail, with sufficient funds to pay postage and fees due for returned

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subclasses: Regular and Nonprofit.

936.22      Shipper Paid Forwarding is available only if automated Address Correction Service, as described in section 911, is used.

**936.3      Requirements of the Mailer**

936.31      [Shipper-Paid Forwarding is available only in conjunction with automated Address Correction Service in section 911.]

[936.32      ]Mail for which Shipper-Paid Forwarding is purchased must meet the preparation requirements of the Postal Service.

936.32[3]      Payment for Shipper-Paid Forwarding is made through advance deposit account, or as otherwise specified by the Postal Service.

936.33[4]      Mail for which Shipper-Paid Forwarding is requested must bear endorsements specified by the Postal Service.

**936.4      Other Services**

936.41      Other special services[The following services] may be available[purchased] in conjunction with Shipper-Paid Forwarding, as specified by the Postal Service.[:]

[Service	Fee Schedule]
----------	---------------

[a.    Certificate of Mailing	947]
[b.    Bulk Parcel Return Service	935]

**936.5      Applicable Rates and Fees**

936.51      Except as provided in section 935, single-piece rates under the Letters and Sealed Parcels subclass or the Priority Mail subclass of First-Class Mail, or the Parcel Post subclass of Package Services, as set forth in Rate Schedules 221, [and] 223, and 521.2A, apply to pieces forwarded or returned under this section.

936.52      The accounting fee specified in Fee Schedule 936 must be paid once each year for each advance deposit account.

**940      ACCOUNTABILITY AND RECEIPTS**

**941      CERTIFIED MAIL**

**941.1      Definition**

941.11      Certified mail service [is a service that] provides a mailer[ing receipt to the sender and] with evidence of mailing, and guarantees retention of a record of delivery by the Postal Service for a period specified by the Postal Service[at the office of delivery].

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**947.6[4] Fees**

947.6[4]1 The fees for certificate of mailing service are set forth in Fee Schedule 947.

**948 DELIVERY CONFIRMATION**

**948.1 Definition**

948.11 Delivery C[c]onfirmation service provides electronic confirmation to the mailer that an article was delivered or that a delivery attempt was made.

**948.2 Availability[Description of Service]**

948.21 Delivery C[c]onfirmation service is available for Priority Mail and Package Services Mail[the Parcel Post, Bound Printed Matter, Special and Library subclasses of Standard Mail.], as well as mail subject to residual shape surcharge in the Regular and Nonprofit subclasses of Standard Mail.

**948.3 Mailer Requirements**

948.31[22] Delivery C[c]onfirmation service may be requested only at the time of mailing.

948.32 Mail for which D[d]elivery C[c]onfirmation service is requested must meet preparation requirements specified[established] by the Postal Service, and bear a Delivery Confirmation barcode specified by the Postal Service.

948.33[24] Matter for which D[d]elivery C[c]onfirmation service is requested must be deposited in a manner specified by the Postal Service.

**948.4 Other Services**

948.41 Other special services may be available in conjunction with Delivery Confirmation service, as specified by the Postal Service.

**948.5[3] Fees**

948.5[3]1 The fees for Delivery C[c]onfirmation service are[is subject to the fees] set forth in Fee Schedule 948.

**949 SIGNATURE CONFIRMATION**

**949.1 Definition**

949.11 Signature Confirmation service provides electronic confirmation to the mailer that an article was delivered or that a delivery attempt was made, and a copy of the signature of the recipient.

**949.2 Availability**

## Fee Schedule 933

On-Site Meter Service[Setting]

	Current Fee	Proposed Fee
[First Meter By appointment]	[\$27.50]	
[Unscheduled request]	[\$31.00]	
<u>Meter Service (per employee)</u>	\$27.50/\$31.00	\$31.00
[Additional meters]	\$4.00	NA
<u>Meters reset and/or examined (per meter)</u>	NA	\$4.00
Checking meter in or out of service (per meter)	\$8.50	\$4.00 <sup>1</sup>

<sup>1</sup> Fee does not apply to Secured Postage meters.



1 CHAIRMAN GLEIMAN: Two parties have requested oral  
2 cross examination: Keyspan Energy and the Office of the  
3 Consumer Advocate. Is there anyone else who wishes to cross  
4 examine?

5 [No response.]

6 CHAIRMAN GLEIMAN: If not, then Mr. Hall, as soon  
7 as you catch your breath --

8 MR. HALL: Thank you, Mr. Chairman.

9 CROSS EXAMINATION

10 BY MR. HALL:

11 Q Could you please turn to the top of page 15 of  
12 your testimony, specifically where you say that mailers will  
13 be allowed to opt in and opt out of a high-volume QBRM  
14 program under your proposed QBRM fees.

15 A Yes, I'm there.

16 Q Could you point us to the portion of your direct  
17 testimony where you indicated that that option would be  
18 available to high-volume --

19 A Well, in my direct testimony on page -- on page  
20 28, lines 15 to 17, I discuss that, at my proposed fees, the  
21 volume at which it would be advantageous for a mailer to  
22 take place in the high-volume fee, paying the quarterly fee,  
23 would be approximately 9400 pieces per month, or, if you  
24 annualize that, 113,000 pieces per year.

25 Q This was page?

1 A Page 28.

2 Q Twenty-eight.

3 A Yes. I wouldn't have made the monthly reference  
4 if it hadn't been appropriate.

5 Q Well, can they opt out on a monthly basis?

6 A No. It's done on a quarterly. I assume that they  
7 could come in for a month if they wanted to, but they would  
8 still have to pay a quarterly fee.

9 Q Well, under the current fee structure for  
10 non-letter-size QBRM, the Postal Service is proposing a  
11 monthly fee of \$600; is that correct?

12 A That's correct.

13 Q And are those folks going to be able to opt in and  
14 opt out on a monthly basis?

15 A Presumably they can. I don't know of any that do,  
16 <sup>they can</sup> but since they pay it on a monthly fee.

17 Q Well, don't you testify that the current  
18 break-even for non-letter-size QBRM recipients will be  
19 80,000 pieces per year?

20 A Could you direct me to where that is in my  
21 rebuttal testimony?

22 Q No, I'll direct you to where it is in the  
23 transcript, which is transcript page 5566-67. I would be  
24 happy to provide you with a copy.

25 A Thanks.

1 Q Would you refer to your response?

2 A Okay.

3 Okay. I've read it.

4 Q And so you agree that that's the break-even for  
5 non-letter-size QBRM?

6 A Per year.

7 Q That's right.

8 A Yes.

9 Q And doesn't a derivation of the 80,000 break-even  
10 volume assume that a recipient pays the 600 monthly fee  
11 twelve times?

12 A Sure.

13 Q Okay. But you say that they can opt in and opt  
14 out?

15 A Well, they wouldn't have to pay it -- only for  
16 when they're using it. I mean, they don't pay it on an  
17 annual basis. I assume if they wanted to pay it ahead of  
18 time, they could.

19 Q No, I'm saying if they start off paying \$600, and  
20 they decide, okay, now I want to quit in the middle of the  
21 year, they just stop?

22 A They could.

23 Q So that's not an annual service.

24 A It depends on how often -- if they want to pay it  
25 for twelve months, for the year, then it's an annual

1 service.

2 Q Okay. And did you indicate that in your  
3 testimony?

4 A I don't believe so, no. I didn't see any reason  
5 to.

6 Q Okay. Now, you've expressed -- in terms of the  
7 QBM letter size universe, you've expressed the break-even in  
8 terms of an annual number of pieces, haven't you?

9 A Correct.

10 Q And that's 113,000?

11 A Correct.

12 Q Now, the real break-even apparently is not that,  
13 but 28,333, is that right, per quarter?

14 A Per quarter, correct.

15 Q Now, isn't it true that at footnote 5 of library  
16 reference 168, you state -- you compute the break-even  
17 volume by dividing the annualized quarterly fee -- in other  
18 words, \$850 by four -- times four by the  
19 three-cents-per-piece savings?

20 A Correct.

21 Q So why didn't you compute the break-even volume  
22 per quarter to show what the real break-even volume was?

23 A Because all of my workpapers are done on an  
24 annualized basis. These represent annual volumes for the  
25 test year, which is a year, or the base year, which is a

1 year. So this is just bringing it up to an annualized  
2 basis.

3 Q Do your calculations assume -- how many recipients  
4 do your calculations assume will opt in and opt out?

5 A I don't have any numbers for how many would opt in  
6 or opt out, but I can tell you that there are quite a few  
7 mailers below 50,000 or whatever that might do it for a  
8 quarter or whatever. If it's like you had said 28,300 or  
9 more in a quarter, the people would probably like to take  
10 advantage of my proposed fee.

11 Q Well, but you assumed in presenting your proposal  
12 that there would be a fixed number of people and they would  
13 remain -- I believe it was 1,358?

14 A Uh-huh.

15 Q And that they would remain -- all remain in for  
16 the full year, didn't you?

17 A That would be 1,358 for the year. Now, that might  
18 include customers that are only in there for one quarter or  
19 so. It was based on the equation in my workpaper, an  
20 estimate.

21 Q Where is that estimate provided?

22 A In library reference 168.

23 Q That you show people that are opting in and opting  
24 out?

25 A No. No. But what I said here in that footnote 5,

1 you know, as far as getting the number of customers that  
2 would take advantage of the quarterly fee, I had to do this  
3 on an annualized basis.

4 Q I appreciate that certain of your exhibits had to  
5 show annual revenues for example. I guess the problem I'm  
6 having is not having seen any reference in your testimony to  
7 an annual opt-in/opt-out option. I mean, that's sort of an  
8 important feature, isn't it?

9 A Not an annual opt in or opt out --

10 Q I'm sorry, a quarterly opt-in/opt-out.

11 A I don't know. All I know is Witness Bentley in  
12 his testimony presumed that -- made presumption about my  
13 testimony that you could not opt in or opt out, and I don't  
14 know where he got that idea.

15 Q Okay.

16 A I was never asked about it.

17 Q Okay. And it could be because it wasn't in your  
18 testimony, right?

19 A It wasn't in my -- it was put in my testimony as a  
20 quarterly classification, not as an annual classification.

21 Q Okay. In any event, I guess Keyspan's proposal  
22 could be converted to a quarterly proposal, couldn't it?

23 A I suppose you could, sure.

24 Q And --

25 A Although it wasn't, but I suppose it could be.

1 Witness Bentley proposed it as an annual in his testimony.  
2 I didn't see any other testimony from Keyspan proposing  
3 quarterly.

4 Q Well, he has the user paying a monthly fee,  
5 doesn't he?

6 A I think he has the user paying \$1,000 a month or  
7 12,000 -- which would -- 12,000 a year, which would equate  
8 to 1,000 a month.

9 Q Right. And if people can opt in and out of the  
10 non-letter-size BRM service on a monthly basis, then I guess  
11 you wouldn't have any problem with people opting in or  
12 opting out of the letter-size QBRM on a monthly basis, would  
13 you?

14 A Oh, yes I would. That's why I proposed a  
15 quarterly basis.

16 Q Okay.

17 A The non-letter is dealing with a lot fewer  
18 mailers. I think administratively, I considered a monthly  
19 fee but felt that quarterly fee would ~~not~~ be better. You  
20 wouldn't want to tie somebody necessarily to an annual fee,  
21 but a quarterly fee seemed reasonable.

22 Q What market studies did you perform to determine  
23 that a quarterly fee would be reasonable for letter-size  
24 QBRM?

25 A I didn't conduct any market studies.

1 Q And the factors that led you to choose a quarterly  
2 fee over a monthly fee were which? Could you enumerate  
3 those for us?

4 A Well, like I said, I believe it's administratively  
5 easier to deal with people opting in and out, if they do, on  
6 a quarterly basis as opposed to a monthly basis. I mean,  
7 you've got a larger time range when you're looking at 90  
8 days versus 30 days. Some of their mail may spill over. I  
9 mean, there are certain BRM mailers I imagine that get proxy  
10 statements, you know, for example, during a certain time of  
11 the year, could be more than one or two months, you know, in  
12 a time span, and a quarterly -- quarterly seemed reasonable  
13 to me for the reasons I outlined in my direct testimony.

14 Q So in terms of an administrative concern or the  
15 ease of administration, then an annual fee would be easier  
16 to administer than an quarterly fee, and a quarterly fee  
17 would be easier to administer than a monthly fee. Is that  
18 the way you would rank those?

19 A That sounds reasonable.

20 Q Okay. Now, what were -- what do you consider to  
21 be the administrative costs associated with opting in and  
22 opting out?

23 A I'm not familiar with the costs.

24 Q Okay.

25 A I'm just -- I just deal with the fees.



1 Q Did you go to, I guess -- is the costing witness  
2 Mr. Campbell?

3 A Yes, he is.

4 Q Okay. Did you go to Mr. Campbell and say, Mr.  
5 Campbell, when you're figuring out your costs that you're  
6 going to give me so I can come up with a fee, you better  
7 include some factor in there for people that are going to be  
8 opting in and opting out since those will be administrative  
9 costs?

10 A I believe that those administrative costs are  
11 covered in the accounting fee for something like that. Mr.  
12 Campbell and I discussed, you know -- before that, we  
13 discussed the opting in and out way back when, so he was  
14 aware of that. But he did the accounting fee, which is a  
15 separate BRM fee, and it's my understanding it includes  
16 that, although, like I said, I'm not a cost witness.

17 Q Were you here when Mr. Campbell testified?

18 A Today?

19 Q Yes.

20 A Yes.

21 Q Do you recall that he said he didn't recall  
22 speaking to you at all on the topic?

23 A No.

24 Q Okay.

25 [Pause.]

1                   Now, could you turn to transcript page 5634,  
2   please?

3           A     Okay.

4           Q     In that interrogatory, you were asked,  
5   hypothetically, to assume that the number of high volume  
6   QBRM recipients was only 50.

7           A     I'm sorry, which interrogatory is that?

8           Q     You have it; I don't. You have the advantage of  
9   me, but it's at that page I cited, I believe.

10          A     Okay. This is the transcript.

11          Q     That's right.

12          A     It's in my response to 12(d).

13          Q     Yes.

14          A     Okay, let me --

15                   [Pause.]

16          Q     It's really your answer that I'd like to focus on.  
17   Just confirm for me that you explained that 50 was quite  
18   unrealistic because the CBCIS data system showed that at  
19   least 486 recipients received more than 113,000 pieces per  
20   year.

21          A     Correct.

22          Q     Right.

23                   Now, again, you were focusing on an annual amount  
24   there. I'm not sure -- is it that the CBCIS data doesn't  
25   have quarterly data?

1           A     I'm not really sure. Even if it does, I still  
2 prepared my workpaper on an annual basis, so --

3           Q     But wouldn't that have been an occasion to tell  
4 us, oh, you can opt in an opt out, so not only are there 486  
5 people that have over 113,000 a year, but there are another  
6 500 recipients, hypothetically, that have something that  
7 would allow them to qualify for high volume on one or more  
8 quarters.

9           A     I wasn't asked about that directly, so, no.

10          Q     Now, maybe you'd just accept, subject to check,  
11 that the CBCIS data does list volumes by accounting period?

12          A     Subject to check, I'd accept that.

13          Q     All right.

14                Let's see, on the top of page 15, still, you are  
15 complaining that KeySpan's proposal caters to only the  
16 highest volume QBRM mailers; do you see that?

17          A     Yes.

18          Q     And at the bottom of page 15, you criticize the  
19 KeySpan proposal as being limited to a small group of  
20 mailers with comparable mail volumes to KeySpan?

21          A     Correct.

22          Q     First, as a general matter, it so happens that  
23 KeySpan's QBRM is pre-bar-coded, automation-compatible and  
24 consistent; isn't it?

25          A     I'm not sure. I would venture to say that it is,

1 ~~but~~ for the most part.

2 Q And it's very reliable, according to you, right?  
3 In other words, it comes in relatively even quantities  
4 across the year?

5 A I'm not aware of that, but I'm not aware of the  
6 daily quantities, but it seems like it would come in  
7 basically the same, roughly the same amount each month.

8 Q Well, I'm not sure then. What did you mean when  
9 you compared KeySpan, which received consistent volumes,  
10 with somebody who might only receive volumes during a  
11 particular quarter or during a small portion of the year?

12 A I don't know what you're talking about. The small  
13 group of mailers with comparable mail volumes to KeySpan; is  
14 that what you're talking about?

15 Those would be the mailers with 300,000 or more  
16 pieces a year.

17 Q What I'm referring to -- and maybe it's just me,  
18 but your testimony doesn't have any line numbers on it, so I  
19 can't give you that, but I'm still on page 15.

20 And it says some -- there are a variety of QBRM  
21 mailers. Some, like KeySpan, have high volumes spread  
22 evenly throughout the year.

23 A Right.

24 Q That's meant to refer to KeySpan, right?

25 A Right.

1 Q So when I say that they received volumes  
2 consistently throughout the year on a fairly reliable daily  
3 basis, you understand what I'm talking about; don't you?

4 A Yes.

5 Q That --

6 A My testimony does have line numbers, but it was  
7 refiled with line numbers, I believe it was August --

8 Q I'll trust you.

9 A -- 17th; I'm not sure, or August 24th -- no,  
10 today's the 24th.

11 Q The mail is slow getting to me.

12 A Okay.

13 Q And KeySpan's QBRM is local; isn't it?

14 A I guess so, sure.

15 Q It's a utility, a gas utility, right?

16 A If it's just Brooklyn Union Gas, as opposed to any  
17 other representative. I don't know if KeySpan represents  
18 any other mailers, but --

19 Q No.

20 A Okay.

21 Q So, and those are all qualities that help to  
22 reduce Postal processing costs; aren't they, in your mind?

23 A You know, again, I'm not the costing person.

24 Q Okay.

25 Do you know how many QBRM pieces KeySpan receives

1 per year?

2 A No, I don't.

3 Q You don't?

4 A No.

5 Q Then how do you know that KeySpan's proposal is  
6 limited to, quote, "a small group of mailers with comparable  
7 mail volumes to KeySpan"?

8 A Well, I don't know why KeySpan would propose a  
9 classification for 300,000 or more pieces a year if they  
10 didn't have at least that much volume.

11 Q Well, would it surprise you to learn that, in  
12 fact, their volume is more like 12.5 million pieces per  
13 year?

14 A No. That probably is reasonable.

15 Q And you said that the break-even under KeySpan's  
16 proposal is <sup>300,000</sup>~~30,000~~ per year?

17 A No, I believe that Witness Bentley said that.

18 Q You just said it.

19 A I didn't say the break-even; I said comparable  
20 value -- comparable mail volumes that were proposed.

21 Q Okay. Is that KeySpan's proposal?

22 A As far as I know, yes.

23 Q Okay. Now, do you know how many high volume QBRM  
24 recipients there would be if the group were limited to  
25 mailers with comparable mail volumes to KeySpan?

1           A     Well, 300,000 or above, as far as this proposal  
2     deals with. I believe I had heard the number, 289, plus  
3     maybe some extra from the 2500 accounts of a large BRM  
4     mailer.

5           Q     I guess what I'm trying to suggest to you is that  
6     if Brooklyn Union -- pardon me, if KeySpan were just  
7     interested in limiting it to a small group of customers with  
8     volumes that were just like KeySpan's, then there might be  
9     only four or five customers in the group, because there are  
10    only four or five QBRM recipients that receive as much as  
11    12.5 million pieces per year; isn't that correct?

12          A     I don't know that.

13          Q     So, all of your statements there are just based on  
14    the fact that you don't know?

15          A     No, not at all. I'm dealing with Witness  
16    Bentley's proposal of 300,000 pieces a year.

17                Any other BRM recipients that get 300,000 or more  
18    pieces per year is a small group, compared to what I am  
19    proposing of a larger group.

20                This proposal discriminates against moderate  
21    volume QBRM recipients, and that is what I take issue with.

22          Q     Oh, okay. So, in other words, it's not that  
23    KeySpan is really trying to make the group as small as  
24    possible; it's just that it's not making it as big as the  
25    group you want to make it available to; is that right?

1           A     I'm -- it's not making it as -- oh, it's making it  
2 much smaller than the group I want to apply it to.

3           Q     Well, what is the volume, the QBRM volume  
4 associated with your high volume proposal?

5           A     I believe that was in Library Reference 168. I  
6 had 153,870,000 mail pieces.

7           Q     155,000,000? Now, haven't we heard, under Mr.  
8 Bentley's proposal, how many pieces will qualify?

9           A     Under Mr. Bentley's proposal? I don't know.  
10 Could you point me to Mr. Bentley's testimony? I'm not  
11 quite sure I follow you.

12          Q     Well, if you are saying that fewer pieces will  
13 qualify under his proposal than under your proposal, and you  
14 know what your proposal is, --

15          A     Fewer customers.

16          Q     Oh, not fewer pieces.

17          A     Fewer customers.

18          Q     But more pieces?

19          A     I don't know about the pieces, I would have to  
20 look at Mr. Bentley's proposal.

21          Q     Okay. Well, would you accept, subject to check,  
22 that that is 345 million pieces?

23          A     Could you point me to his testimony and I will  
24 just confirm it?

25          Q     It is a click away. It is Library Reference KE-1,



1 page of that Library Reference.

2 A I only have the exhibits and the testimony. Do  
3 you have the --

4 Q Well, why don't you just accept, subject to check,  
5 that that is the number?

6 A Because I would like to see it if it is on the  
7 record.

8 Q Okay.

9 A I don't think --

10 CHAIRMAN GLEIMAN: Let's take a break and go to  
11 the docket room and get the Library References and bring  
12 them all in here. We are going to be here for a long time  
13 tonight.

14 Do you have it, Mr. Bentley, do you have it on  
15 your screen?

16 MR. BENTLEY: I am getting it.

17 CHAIRMAN GLEIMAN: Okay.

18 MR. BENTLEY: Yes.

19 CHAIRMAN GLEIMAN: Ms. Mayo, could I ask you to  
20 please step over and look over Mr. Bentley's shoulder?

21 Counsel, would you like to join and look at the  
22 computer screen?

23 You know, there is an element of distrust that has  
24 crept in here when someone says that it is in a Library  
25 Reference and gives a cite and says accept subject to check,

1 and the witnesses aren't willing to accept subject to check.  
2 If we are going to get into that kind of game, these  
3 hearings are going to go on for a long, long time. And what  
4 becomes -- what is good for the goose becomes good for the  
5 gander in this game, too.

6 MR. TIDWELL: Mr. Chairman, I don't think it is a  
7 matter of trust, I think it is oftentimes witnesses are more  
8 comfortable just having the document in front of them and  
9 seeing the number in the context in which it is presented.  
10 And they are sort of at a disadvantage if they just don't  
11 have the document in front of them.

12 CHAIRMAN GLEIMAN: You know, I haven't been at  
13 this all that long, I have only been here just short of  
14 seven years, and I have only been through a couple of dozen  
15 cases during the seven years, and I don't ever remember  
16 running into a situation akin to the one we have run into  
17 today with this witness just now and the witness that  
18 preceded her, and with a lack of willingness to accept  
19 subject to check, which is standard operating procedure.

20 Maybe I am wrong, maybe that is -- maybe I have  
21 just missed it and it has been going on for the past seven  
22 years in every one of the cases. But, you know, like I  
23 said, it is fine with me, we will be here for a long time,  
24 though, longer than anybody maybe wants to be here if we are  
25 going to do that.

1           And as I said, you know, if people aren't willing  
2   to accept subject to check, where if the number doesn't  
3   exist, they have a right to get back and let us know that  
4   the number didn't exist, it is going to be interesting,  
5   because I am going to be unwilling to accept things unless I  
6   see them all the time in the context also.

7           THE WITNESS: Mr. Hall, yes, I can accept that it  
8   is in Mr. Bentley's testimony on page 20. I just asked for  
9   the testimony cite. You referred me to a Library Reference  
10  that I wasn't in possession of.

11           BY MR. HALL:

12           Q    Okay. And in very rough terms, isn't that well  
13  over 50-60 percent of the total universe of QBRM that you  
14  say will exist?

15           A    Mr. Bentley's estimate of 345 million, yes.

16           Q    Right. And as a matter of fact, the actual data  
17  for the top 74 or 75 accounts exceeds the total quantity  
18  that you have put down for high volume QBRM, isn't that  
19  true? Let me give you that number, subject to check, and it  
20  appears on the same page. It is 183 million pieces.

21           A    Okay. Subject to check, yes.

22           Q    Now, in any event, if you were really concerned  
23  about cutting people out of availability of the benefits of  
24  this QBRM high volume rate category, Mr. Bentley's proposal  
25  could certainly be modified to, as we have discussed,

1 operate on quarterly basis, and the stated fee could be  
2 reduced, couldn't it?

3 A Mr. Bentley's stated fee?

4 Q Yes.

5 A Oh, I don't know. I think his fee is too low to  
6 begin with. I couldn't see reducing it.

7 Q His fixed accounting fee is too low? I thought  
8 you were complaining it was too high.

9 A Oh, I thought you meant his per piece fee.

10 Q No.

11 A Yeah. His accounting fee?

12 Q Yes.

13 A You think that it could be reduced, is that what  
14 you are asking me? If it was --

15 Q If the Commission shares your concerns about  
16 limiting this to what we will call an elite group or small  
17 group of recipients, then there are steps they can take,  
18 working from Mr. Bentley's proposal, aren't there?

19 A Well, of course, there are steps they can take  
20 working from either proposal, but I would recommend that --  
21 in my opinion, if you reduce the monthly, or annual, or  
22 whatever fee that Mr. Bentley is proposing and put it in a  
23 quarterly basis, if you reduce any of those accounting --  
24 the accounting fee, you need to look at increasing the per  
25 piece fee probably.

1 Q And why is that? If you reduce the accounting fee  
2 that he is proposing, as long as you keep it above the level  
3 of the accounting fee you are proposing, then it would be  
4 recovering all of the costs for the accounting function,  
5 wouldn't it?

6 A Maybe for the accounting function, but working in  
7 tandem <sup>is</sup> ~~with~~ that per piece fee, his cost coverage is low and  
8 you would really need to look at the per piece -- they work  
9 together, the accounting fee and the per piece fee. If you  
10 are going to adjust one, you have to look at the other <sup>+100.</sup> ~~two.~~

11 Q And the same would be true of yours?

12 A Of course.

13 Q Right. Okay. But in terms of the accounting fee,  
14 there would be no problem as long as you reduced, -- in  
15 terms of recovery of accounting fee costs, as long as the  
16 reduced fee were above the level of the fee that you are  
17 proposing, namely, \$850 a quarter or \$3,400 a year, you  
18 would have no problem with that, would you?

19 A Given my per piece fee and if using my per piece  
20 fee, --

21 Q In terms of recovering accounting fee costs.

22 A Like I said, I view them together because it is a  
23 total, those are implicit --

24 Q I would like you to view them separately since it  
25 will be easier to understand if we understand the nature of

1 your concerns.

2 A But I can't do that because it would -- you have  
3 implicit cost coverages. This is to cover the cost fully of  
4 Business <sup>Reply</sup> Mail. If you reduce Witness Bentley's  
5 accounting fee by any amount, I don't know if you would end  
6 up recovering the cost for Business <sup>Reply</sup> Mail if you don't  
7 adjust the per piece fee.

8 Q That is because you are assuming that his per  
9 piece fee doesn't recover the appropriate level of costs?

10 A Well, I am not saying that based on what he  
11 decides is an appropriate level of cost. Maybe his covers  
12 it based on his interpretation of what the cost is.  
13 However, I am talking about the overall Business Reply Mail  
14 cost coverage.

15 Q Before you is a copy of KeySpan Cross-Examination  
16 Exhibit 4.

17 A Four?

18 Q Yes.

19 A No, I don't have any KeySpan cross-examination  
20 exhibits. This is my cross-examination exhibit?

21 Q That was a cross-examination exhibit that we  
22 discussed with Mr. Campbell originally. All I would like  
23 you to do is to confirm certain numbers that are I believe  
24 within your area of expertise, because I think there was a  
25 ruling that they certainly were not within Mr. Campbell's

1 area of expertise.

2 First, you will see the entry for Post Office  
3 Boxes, current fees, current operations, if we look at the  
4 top line. And here, what we have called the unit cost, this  
5 happens to be a unit cost to a customer, not a unit. It  
6 also represents the unit fee that the Postal Service  
7 charges.

8 A Are you talking about the -- what fee is this  
9 exactly?

10 Q It is an annualized version of the semi-annual  
11 caller service fees, which we have described as Post Office  
12 Boxes.

13 A Caller service?

14 MR. RUBIN: The Postal Service would like to  
15 object to this line of questioning. I don't see the  
16 relevance of this cross-examination exhibit to Witness  
17 Mayo's testimony. She doesn't have testimony on the 56  
18 million pieces that were at issue in Witness Campbell's  
19 testimony. Her testimony on KeySpan limiting the high  
20 volume group doesn't -- is true regardless of whether some  
21 of the accounts can be merged.

22 CHAIRMAN GLEIMAN: Well, I am not exactly sure  
23 where Mr. Hall is going with this, and I didn't hear him say  
24 anything about 56 million or 56,000, or 56 billion, or 56  
25 anything. And I think he is talking dollars and cents, but

1 I am going to let him go a little bit further and see if it  
2 makes some sense.

3 MR. HALL: Okay.

4 BY MR. HALL:

5 Q At the moment, -- and I can show you what the  
6 existing semi-annual caller service fee is.

7 A I know, I am aware of the caller service fee, but  
8 I don't understand how the caller service fee has anything  
9 to do with my Business Reply Mail rebuttal testimony. I am  
10 just very confused looking at this.

11 Q These are elements of a cost presentation that we  
12 have made, and we need you, since, correct me if I am wrong,  
13 are you not the witness who is presenting the proposed  
14 increase in caller service fees?

15 A Sure. But I testified to that back in April.

16 Q All I am asking you to confirm is that 550 is  
17 twice the semi-annual fee of 275.

18 A The current fee, yes, that is correct.

19 Q And that you are proposing, on an annual basis,  
20 that that go up to 750?

21 A That's correct.

22 Q And that appears for all of those numbers. Do you  
23 recognize the current quarterly fee or a unit fee, numbers  
24 that appear here? Let's take the first column, current  
25 fees, current operations, the 5 cent fee, do recognize that?



1 A The 5 cent fee, yes, correct.

2 Q And is the 6 cent fee a fee that you recognize in  
3 the next column?

4 A Yes, I do.

5 Q And what is that fee?

6 A It is -- this is not my quarterly fee, though.  
7 This is without the quarterly fee. So I don't --

8 Q And who would that apply to?

9 A That would apply to QBRM without the quarterly  
10 fee.

11 Q Meaning low volume QBRM?

12 A Well, those who decided not to use the high volume  
13 quarterly fee proposal.

14 Q Okay.

15 A But it says here quarterly fee, so I don't know  
16 why it says that.

17 Q But the amount there is zero, isn't it, or a dash?

18 A Oh. Oh, you mean in the middle. Okay. The line  
19 above. I was looking at the line with -- because you told  
20 me 5 cents and 6 cents, and said that was the quarterly fee,  
21 unit fee, and I am like, no.

22 Q No.

23 A Okay. The quarterly --

24 Q By fee I mean per piece fee.

25 A Okay. All right. Using that one line quarterly

1 fee going across, right, there is -- but I have proposed  
2 that fee, so it should be listed under the unit cost column.

3 Q What fee should?

4 A Under USPS proposed fees, current operations. I  
5 don't know why --

6 Q Current operations is what is in place now, not  
7 what is being proposed by the Postal Service.

8 A Well, you have my proposed fees in there. Why  
9 isn't that part of it?

10 Q Oh, I'm sorry. Current operations is the mailer's  
11 current operations.

12 A Okay. I am just saying if you have got the  
13 proposed fees for everything else, why don't you have the  
14 proposed quarterly fee in there, too.

15 Q We do, in the third column.

16 A Okay. I am talking about the second set. Should  
17 it be in there also?

18 Q The second -- no, the second set is low volume.  
19 Low volume has a 6 cent -- you propose a 6 cent per piece  
20 fee, no quarterly fee.

21 A This is very confusing. Okay.

22 Q For high volume, you are proposing a quarterly fee  
23 of 850, or 3,400 on annual basis, aren't you?

24 A Right.

25 Q And do you see that in the third column over, on

1 the line quarterly fee?

2 A Yes. Yes, I do.

3 Q And beneath that you see the 3 cent unit cost?

4 A Right. Right.

5 Q That is the per piece fee.

6 A Yes, okay. Okay.

7 Q Okay. Now, turning to the portion at the bottom,  
8 do you see that what we have here is what -- all we have  
9 done is substituted Mr. Bentley's proposed fees for your  
10 proposed fees? And, once again, in the first column, you  
11 have the existing situation.

12 A Okay.

13 Q Current fees, current operations.

14 A Okay.

15 Q From the perspective of your areas of expertise,  
16 is it important to have an idea of how mailers are going to  
17 react to your proposal?

18 A Not in this situation, no, because when you  
19 propose a lower fee than somebody is already paying, I don't  
20 think there is any need to find out whether or not the  
21 mailer would like that.

22 I'm going to assume that a mailer would rather pay  
23 a lower fee.

24 Q Right, he would do something to avoid going up to  
25 six cents in this case. He's got five, six cents, and he

1 has a chance to get down to three cents, he's going to take  
2 it, right?

3 A Correct.

4 Q Okay. And that's exactly what's being depicted  
5 here, is that the mailer will achieve savings of \$3.5  
6 million that's in these boxes here, \$3.5 million, roughly,  
7 under your proposal, and \$4.1 million under the Postal  
8 Service proposal.

9 MR. RUBIN: Here I object to KeySpan's testimony  
10 on this exhibit here. The Postal Service witness has just  
11 provided some answers about some fees, and it seems like,  
12 first, very little foundation has been laid for this, and  
13 then the conclusion seems to be coming from KeySpan counsel.

14 CHAIRMAN GLEIMAN: Well, I don't know whether he's  
15 got some questions that he's going to ask about it or not,  
16 and if there is no foundation for the numbers, then there's  
17 not going to be any harm in having them presented today,  
18 because I'm sure that you'll make clear to us that there is  
19 no foundation for them.

20 MR. HALL: I believe that the witness has  
21 confirmed all of the numbers that are relevant to her area  
22 of expertise, and I would ask her to accept, subject to  
23 check, that we've accurately calculated the savings in  
24 changing operations under the USPS proposed fees and under  
25 KeySpan's proposed fees.

1

2

BY MR. HALL:

3

Q Can you do that?

4

A Subject --

5

MR. RUBIN: Objection. I don't see what basis this witness has to be confirming a particular customer's change in operations.

8

CHAIRMAN GLEIMAN: Yes.

9

MR. HALL: She just -- the witness just testified that she didn't need to do any particular market research in this instance because it would be, using my words, a slam-dunk for a customer to say I will choose a lower rate that's being offered to me, if I'm facing the possibility of going up to higher rates.

15

MR. RUBIN: Well, the context of that was just the two fees; it was not in the context of what's on this exhibit, which are some total cost numbers for a particular customer.

19

CHAIRMAN GLEIMAN: While I'm, as you know, inclined to have people accept things subject to check, you know, first of all, I find this chart very confusing myself.

22

And I have followed along with you, and I think I understand how you compared on the top and bottom, the existing and proposed fees of the Postal Service and the KeySpan Energy witness.

25

1           MR. HALL: Well, I have no further questions of  
2 the witness on this. I would simply move its admission at  
3 this point.

4           MR. RUBIN: The Postal Service would object to its  
5 admission into evidence.

6           CHAIRMAN GLEIMAN: The witness testified solely,  
7 as far as I can tell, to the existing fees under unit costs  
8 in columns 1, 2, and 3, top and bottom.

9           And for purposes of the witness having confirmed  
10 those fees, both the ones that are currently in effect and  
11 the ones that are proposed by the Postal Service, and the  
12 ones that are proposed by KeySpan Energy, I'll admit it into  
13 evidence, but that's the only purpose it's admitted into  
14 evidence for. It identifies the fees.

15           We're now dealing with what we had previously  
16 marked as KE/USPS-RT-23-XE-4; is that correct?

17           MR. HALL: Yes.

18           CHAIRMAN GLEIMAN: Transcribe it in the record,  
19 and it's admitted into evidence insofar as it confirms  
20 existing unit cost fees and proposed unit cost fees by both  
21 the Postal Service and KeySpan Energy.

22           It was marked as Exhibit Number 4, and I suspect  
23 that since we've used it for this witness, we ought to  
24 correct and make it RT-22, just so there is a little less  
25 confusion than there might otherwise be. Is that agreeable?

1 MR. RUBIN: Is it 4 or 1?

2 CHAIRMAN GLEIMAN: I'm sorry?

3 MR. RUBIN: Is it Cross Examination Exhibit 4 or  
4 1?

5 CHAIRMAN GLEIMAN: Well, we may as well change it  
6 to 1 then, and I thank you for your help on that, because  
7 it's the first cross examination exhibit now for this  
8 witness.

9 [Exhibit Number KE/USPS-RT-22-EX-1  
10 was marked for identification,  
11 received into evidence, and  
12 transcribed into the record.]  
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KeySpan/USPS-RT-22-Ex-1

MMA XC -

# Summary of Savings Should Large Recipient Consolidate Its 2,500 Accounts Into One Account

## Postage Savings Under USPS Proposed QBRM Fees

	Current Fees Current Operations			USPS Proposed Fees Current Operations			USPS Proposed Fees Changed Operations		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Post Office Boxes	2,500	\$ 550	\$ 1,375,000	2,500	\$ 750	\$ 1,875,000	1	\$ 750	\$ 750
Quarterly Fee			\$ -			\$ -	4	\$ 850	\$ 3,400
Unit Fee	56,000,000	\$ 0.05	\$ 2,800,000	56,000,000	\$ 0.06	\$ 3,360,000	56,000,000	\$ 0.030	\$ 1,680,000
Total Postage Paid			\$ 4,175,000			\$ 5,235,000			\$ 1,684,150

Increase to Maintain Operations Under USPS Proposed Fees: \$ 1,060,000

Savings to Change Operations Under USPS Proposed Fees: \$ 3,550,850

## Postage Savings Under KE Proposed QBRM Fees

	Current Fees Current Operations			KE Proposed Fees Current Operations			KE Proposed Fees Changed Operations		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Post Office Boxes	2,500	\$ 550	\$ 1,375,000	2,500	\$ 750	\$ 1,875,000	1	\$ 750	\$ 750
Monthly Fee			\$ -			\$ -	12	\$ 1,000	\$ 12,000
Unit Fee	56,000,000	\$ 0.05	\$ 2,800,000	56,000,000	\$ 0.045	\$ 2,520,000	56,000,000	\$ 0.005	\$ 280,000
Total Postage Paid			\$ 4,175,000			\$ 4,395,000			\$ 292,750

Increase to Maintain Operations Under USPS Proposed Fees: \$ 220,000

Savings to Change Operations Under KE Proposed Fees: \$ 4,102,250



1 CHAIRMAN GLEIMAN: Do you have more questions, you  
2 say?

3 MR. HALL: Yes.

4 CHAIRMAN GLEIMAN: Relative to that cross  
5 examination exhibit?

6 MR. HALL: Yes.

7 BY MR. HALL:

8 Q In terms of looking at what we've called Post  
9 Office boxes, but what you and I understand are really  
10 semiannual caller service fees or annual caller service  
11 fees, if --

12 CHAIRMAN GLEIMAN: They're not semiannual or  
13 annual; the numbers here represent annual.

14 BY MR. HALL:

15 Q The numbers represent annual --

16 CHAIRMAN GLEIMAN: Annual caller fees as opposed  
17 to semiannual caller fees or Post Office Box fees, right?

18 MR. HALL: That's correct.

19 CHAIRMAN GLEIMAN: Fine.

20 BY MR. HALL:

21 Q Ms. Mayo, if you had 2500 -- if you were paying  
22 for 2500 caller service fees to maintain 2500 separate  
23 accounts, would it make sense and save you money to reduce  
24 that number down to one, if you could do it?

25 A If I could do it.

1           Q     I have only one final question. In the middle of  
2 page 15 you state that it should be up to mailers themselves  
3 to determine what is economically advantageous for their  
4 mailings.

5                     Mailers are able to do that under KeySpan's  
6 proposal and the Postal Service's proposal; aren't they?

7           A     Sure.

8           Q     Thank you.

9                     MR. HALL: Those are all the questions we have.

10                    CHAIRMAN GLEIMAN: Ms. Dreifuss, can you give me  
11 an idea of how long you plan to go?

12                    MS. DREIFUSS: I wouldn't think more than half an  
13 hour.

14                    CHAIRMAN GLEIMAN: Well, I think if it's possibly  
15 that long, I'd like to take a break right now.

16                    We'll take ten and come back at five after the  
17 hour.

18                    [Recess.]

19                    CHAIRMAN GLEIMAN: I think I should warn you all I  
20 am drinking iced coffee with two extra shots in it so I am  
21 really going to be wired when I finish this. So, you know,  
22 if I jump too soon, tell me to calm down.

23                    Ms. Dreifuss, when you are ready.

24                    MS. DREIFUSS: I hope you find OCA's  
25 cross-examination so stimulating, Mr. Chairman, that you

1 won't even need to drink the coffee.

2 CHAIRMAN GLEIMAN: As the coffee or instead of? I  
3 hope it is instead of. I will reserve judgment.

4 CROSS-EXAMINATION

5 BY MS. DREIFUSS:

6 Q Good afternoon, Ms. Mayo.

7 A Good afternoon.

8 Q Could you turn to your testimony at page 5,  
9 please? And I would like you to look at the second full  
10 paragraph on that page. There is a sentence beginning,  
11 "When designing the fee." I guess we are talking about the  
12 fee for Bulk Parcel Return Service, is that right, at that  
13 point?

14 A Correct. Yes.

15 Q And you continue further into that sentence that  
16 your major consideration in developing this fee was to  
17 develop a fee with a cost coverage close to the systemwide  
18 average, is that correct?

19 A That's correct.

20 Q What did you have in mind when you used the phrase  
21 "close to the systemwide average"?

22 A I was looking actually for something -- something  
23 that would not exceed the systemwide average, but at that  
24 time would be reasonably close.

25 Q You didn't want to exceed it, did you want it to

1 be -- did you want your cost coverage to be approximately  
2 equal to the systemwide average?

3 A Actually, I wanted to make sure that I came in a  
4 little below just based on the systemwide average that was  
5 used in MC 97-4.

6 Q What was that systemwide average, do you recall?

7 A It was either 156 or 157.

8 Q So you proposed 146 percent, approximately 10  
9 points less than that?

10 A Correct. Yes. I was sensitive to the fact that  
11 there was a complaint being filed, and I wanted to make sure  
12 that this was -- did not exceed our systemwide cost  
13 coverage.

14 Q So 156 or 157 was your starting point. Did you  
15 know when you developed your fee proposal for BPRS in this  
16 case what the systemwide average cost coverage would be in  
17 R2000?

18 A Yes, I was aware as we were going through the  
19 motions of preparing. I pretty much had stayed tuned in to  
20 what was going on.

21 Q It turned out that the proposed cost coverage of  
22 146 percent is about 22 percent less than the systemwide  
23 average cost coverage in this proceeding, isn't it?

24 A Yes.

25 Q Do you know what the proposed cost coverage is for

1 Standard A Regular in this case?

2 A Oh, you know, off the top of my head, no, I don't.  
3 I'm sorry.

4 Q Would you accept, subject to check, -- and I will  
5 tell you what I am reading from, I am looking at Witness  
6 Mayes' Exhibit 32B. Would you accept, subject to check,  
7 that the Standard Mail A Regular cost coverage is 132.9  
8 percent, or approximately 133 percent?

9 A Oh, yes. Actually, that is in my testimony, too.  
10 Yes. Yes. I accept that.

11 Q Would you describe the systemwide average cost  
12 coverage of 168 percent in this case significantly higher  
13 than the 156 or 157 percent from MC 97-4?

14 A To me, no, it doesn't seem significantly higher.

15 Q It is higher, though, isn't it?

16 A Yes, it is higher.

17 Q It is 11 or 12 points higher?

18 A Correct.

19 Q You accepted that and know that the Standard A  
20 Regular cost coverage is 133 percent in this proceeding?

21 A Correct.

22 Q And that would make your proposed business -- Bulk  
23 Reply -- Bulk Parcel -- am I getting this right?

24 A Yes.

25 Q Bulk Parcel Return Service, 13 percent higher than

1 that, is that correct?

2 A Correct.

3 Q And would you agree that the 146 percent that you  
4 propose is actually closer to the Standard A Regular cost  
5 coverage than it is the systemwide average?

6 A Yes, it is.

7 Q You apply the cost coverage of 146 percent for  
8 BPRS to a volume variable cost per piece of \$1.13, is that  
9 correct?

10 A That's correct.

11 Q And that included a 2.5 percent contingency, is  
12 that correct?

13 A A 2-1/2 percent contingency.

14 Q Right.

15 A Yes.

16 Q If the current BPRS fee of \$1.75 were retained,  
17 would you accept, subject to check, that the resulting cost  
18 coverage for BPRS would then be approximately 155 percent?

19 A Yes, I would accept that, subject to check.

20 Q Therefore, if the fee were to be \$1.75, it would  
21 actually be closer to the systemwide average cost coverage  
22 than the cost coverage that you have proposed, is that  
23 correct?

24 A That's correct.

25 Q Just for the sake of comparison, do you know what

1 the unit cost is that CSA Witness Buc determined in this  
2 proceeding in his testimony at CSA-T-1?

3 A Yes, I have that with me. Let me get it.

4 Q Okay.

5 A It appears that he estimates the unit cost should  
6 be no more than 98.9 cents without contingency.

7 Q Right, that's the figure I found, too, in his  
8 testimony at page 1.

9 And would you agree, or would you accept, subject  
10 to check, that if you apply his proposed one-percent  
11 contingency, then the unit cost would be 99.9 cents?

12 A Yes.

13 Q If we started with CSA's unit cost of 99.9 cents  
14 and retained the current BPRS fee of \$1.75, would you  
15 accept, subject to check, that the resulting cost coverage  
16 is just a little over 175 percent?

17 A Yes.

18 Q And do you agree that this figure is, although a  
19 little higher than the systemwide average cost coverage, is  
20 close to it?

21 A Yes.

22 Q Would you agree that it's actually closer to the  
23 systemwide cost coverage, even in the cost coverage that you  
24 have proposed?

25 A Yes.

1 Q Would you accept, subject to check, that if we  
2 used Witness Buc's 98.9 cent fee and applied a 2.5  
3 contingency to it, as opposed to the one-percent contingency  
4 that I asked you about a moment ago, that the resulting unit  
5 cost would be a dollar and 1.4 cents?

6 A Yes.

7 Q And if we make that dollar and 1.4 cents the  
8 starting point, and assume, hypothetically, that the current  
9 BPRS fee of \$1.75 is retained, would you accept, subject to  
10 check, that the resulting cost coverage is approximately 173  
11 percent?

12 A Yes.

13 Q And this figure is also pretty close to the  
14 proposed systemwide average cost coverage in this  
15 proceeding; isn't it?

16 A Yes, it appears to be the closest of all the ones  
17 that you've given me.

18 Q Okay, I'm going to turn to another topic now.

19 A Okay.

20 Q Would you turn to your testimony at the bottom of  
21 page 22, please?

22 A Okay.

23 Q Actually, I'm going to ask you questions from a  
24 number of statements on that page.

25 A Okay.



1 Q In the first sentence of the first full paragraph,  
2 you note that Witness Davis filed errata to then unnumbered  
3 insurance increment from -- you don't say it, but it was  
4 originally \$1.26 and he changed it to 95 cents; is that  
5 correct?

6 A That's correct.

7 Q \$1.26 was your starting point for proposing \$1.35  
8 fee for unnumbered insurance; is that correct?

9 A That's correct.

10 Q And then further down the page, you discuss how  
11 you would deal with this cost difference. As a matter of  
12 fact, the revision is a 31-cent reduction from the unit cost  
13 he originally provided to you to the correct figure now; is  
14 that correct?

15 A That's correct.

16 Q And what you recommend doing at the bottom of page  
17 22, is reducing the unnumbered fee from \$1.35 to \$1.20; is  
18 that correct?

19 A Well, I'm not -- I can't actually propose that,  
20 but it was just a number I would consider. I would  
21 recommend considering it, but I can't, you know, propose a  
22 new fee.

23 Q You think that would be -- if the Commission were  
24 to recommend such a fee, you feel that that would be a  
25 reasonable step?

1           A     Yes, I believe so, because that way, the bulk  
2 insurance net fee, as it's called, would not be impacted if  
3 it were like at \$1.35.

4           Q     The \$1.20, if the Commission were to recommend a  
5 \$1.20 fee, it would apply equally to bulk insurance,  
6 unnumbered, and non-bulk insurance unnumbered; wouldn't it?

7           A     Yes.

8           Q     Would you think it would be reasonable to pass  
9 along even more of that 31-cent difference, more than the 15  
10 cents that you mention at the bottom of page 22?

11          A     Actually, I really don't think so. Unnumbered  
12 insurance, I believe, does have some value.

13                The only reason why I was constrained initially  
14 was because of the high cost I got, but I do believe when  
15 you consider all the criteria, it -- I personally would not  
16 like to see it go below 120. I don't think it should be  
17 reduced by the ultimate reduction in the cost.

18          Q     It is true, though, that if the Commission stayed  
19 with your initially proposed cost coverage, they could pass  
20 along more of that 31-cent cost differential than you  
21 suggest at the bottom of page 22; is that correct?

22          A     I'm sorry, could you repeat that?

23          Q     If the Commission -- if only 15 cents of the 31  
24 cents is passed along to insurance purchasers, then the  
25 resulting cost coverage is higher than the one you proposed;

1 is it not?

2 A Right, yes, exactly.

3 Q And, conversely, if the Commission stayed with the  
4 initial cost coverage that you proposed, they could pass  
5 along more of that 31 cents and still achieve that cost  
6 coverage?

7 A Right, right.

8 Q Do you recall that in response to an OCA  
9 interrogatory, you provided an indemnity analysis for \$100  
10 increments of insurance?

11 A Yes.

12 Q And another important source of information for  
13 determining insurance fees was Witness Davis's revised Table  
14 3, the one that we've just been discussing; is that correct?

15 A Table -- the one that included the lower insurance  
16 costs?

17 Q Right.

18 A Yes.

19 Q It's the one that presents unit costs averaged for  
20 all values, averaged for unnumbered, averaged for numbered;  
21 does that ring a bell?

22 A Yes, it does. I don't have it with me, but I  
23 remember it.

24 Q Is it correct that the information that Witness  
25 Davis provided to you does not break out these costs, these

1 unit costs, aside from indemnity by \$100 increments?

2 A That's correct.

3 Q Table 3 is supposed -- Witness Davis's Table 3,  
4 that I think you said you recall --

5 A I recall it, yes.

6 Q That's supposed to recover costs incurred for all  
7 other activities, aside from indemnity, associated with the  
8 provision of insurance to the public; does that sound right?

9 A Yes, probably.

10 Q There are window service costs associated with the  
11 sale of insurance; are there not?

12 A As far as I know, but he's probably the better one  
13 to -- I mean, if it's about costs, he can tell you more,  
14 but, yes, it's my understanding that, yes, there are window  
15 service costs for insurance.

16 Q And that the fees that you propose should recover  
17 those; is that correct?

18 A The fees that I propose should recover all of the  
19 costs.

20 Q Including window service costs?

21 A Yes.

22 Q Would you imagine that it would take 50 times the  
23 amount of clerk time to sell insurance on a \$5,000 item than  
24 it would a \$100 item?

25 A You know, I really don't know, because I've not

1 really studied that. I really don't know.

2 Q Have you ever observed a transaction involving the  
3 sale of insurance at a window?

4 A Actually, yes, I have.

5 Q Could you describe the kinds of activities that  
6 take place?

7 A But that was prior to the high value; that was  
8 back, I believe, when the maximum value was about \$400,  
9 probably.

10 Q Do you know if there is any different paperwork  
11 involved at the window for the purchase of \$5,000 worth of  
12 insurance, versus \$100 of insurance?

13 A I'm not sure, no. I don't believe so, but I'm not  
14 sure. I can imagine it might take more time in explaining  
15 certain things if somebody is probably trying to decide  
16 whether they should send it insured or registered or that  
17 sort of thing, and that could probably take more time than  
18 just the standard kind of \$100, you know, want to insure it  
19 for \$100 sort of transaction.

20 Q Well, do you think that there are always more  
21 questions involved when one is insuring for \$5,000 than for  
22 \$100?

23 A You know, I'm not sure, but I imagine there would  
24 be. It's just my gut feeling that there would be more  
25 questions involved.

1           Q     But do you think it's reasonable to expect that  
2     there would be 50 times more time spent by a clerk for that  
3     \$5,000 sale than the \$100 sale?

4           A     I really wouldn't know, but I imagine that there's  
5     more that goes into the cost as opposed to the window  
6     service, so I don't know if that helps you out there.

7                     I mean, I don't know all of the cost components  
8     that go into insurance.

9           Q     You say you don't know whether 50 times more time  
10    would be involved, but a 50 times higher fee would be paid,  
11    would it not?

12          A     Fifty times higher than for?

13          Q     For \$5,000 compared to \$100 of insurance.

14          A     Yeah, that sounds right. It sounds sort of -- I  
15    mean it is close to it.

16          Q     Well, you are recommending that insurance fees go  
17    up a dollar per increment, is that correct?

18          A     Right. But I am recommending, I believe it is  
19    \$2.10 for the first 100, and then a dollar after that.

20          Q     Right.

21          A     So it is close, right. It is close to 50, right.

22          Q     Right. Roughly the same. We could talk about 59  
23    times.

24          A     Sure, sure.

25          Q     To be exactly accurate. But 50 is close.

1 A Yes, it is close.

2 Q Since you are recommending a fee that is, let's  
3 say, 49 or 50 times higher for \$5,000 worth of insurance  
4 than \$100 worth of insurance, wouldn't you want to know  
5 whether the underlying costs really reflect that kind of  
6 pattern? That is, there are 50 times more costs associated  
7 with a \$5,000 sale than a one or \$200 sale of insurance?

8 A Well, I mean like I said, I am not a cost expert,  
9 but I also realize that their claims costs would vary by the  
10 amount. There are lots of Post Offices where there is local  
11 adjudication for insurance claims \$100 and below. So if you  
12 had, you know, -- whereas, the claims process for a \$5,000  
13 indemnity would be higher. But I am not exactly sure what  
14 the costs are specifically. And I don't know what other  
15 components might be adding to it, too, because of the value.

16 Q Well, at least as far as the window service costs  
17 are concerned, for your proposed fees to be fair with  
18 respect to window service costs, then there should really be  
19 about 50 times more window service time in selling a \$5,000  
20 insurance a \$100 or \$200 insurance, isn't that correct?

21 A I don't think so. I actually don't agree with it.  
22 Like I said, there are other things that would factor into  
23 this that deal with the costs, and I am not -- I don't think  
24 that just the window service alone should be the only  
25 consideration here.

1           Q     How about in terms of claims processing, do you  
2 think it takes 50 times more time to process a claim for  
3 \$5,000 worth of insurance than for \$100 or \$200 worth of  
4 insurance?

5           A     It very well could. Like I said, there is local  
6 adjudication, which you would not have for anything maybe  
7 over a hundred or \$200. Therefore, somebody can just walk  
8 into the Post Office and get that done quickly. Whereas, we  
9 have a much more involved claims process for higher value  
10 items and they need to be verified, you know, I mean local  
11 adjudication can take place without any sort of real  
12 verification of whether or not the parcel or insured piece  
13 was actually delivered or not.

14          Q     Is there local adjudication for claims of \$200 and  
15 up?

16          A     I am not sure about \$200 and up. I am not sure.  
17 I know definitely for \$100, and I believe that has been  
18 expanded some, but I am not sure. It also is my  
19 understanding that it varies, too, within different regions  
20 or areas within the country.

21          Q     Do you know whether it varies by amount, apart  
22 from this local adjudication? Is claims processing done  
23 differently for all claims above that threshold amount?

24          A     I am not quite sure as far as above that  
25 threshold, but I believe that there is a standard claims



1 processing, but what deviates from that, based on the value  
2 of the article, I am not familiar with.

3 Q Well, whatever that threshold is, let's assume for  
4 the sake of argument that it is \$200.

5 A Okay.

6 Q \$200 and above, those claims are all processed in  
7 the same manner.

8 A Okay.

9 Q Do you think it is appropriate to charge 50 times  
10 the amount to reflect a cost that might very well be close  
11 for a \$200 insurance claim versus a \$5,000 insurance claim?

12 A Well, I don't -- again, I would really have to see  
13 if we did have costs for -- I would have to be able to look  
14 at that first. But I believe that the increments that we  
15 have are industry, you know, an industry standard. They  
16 work well. I just, I couldn't imagine not having what we do  
17 right now.

18 Q Don't you think the Postal Service is under an  
19 obligation to investigate the underlying costs in providing  
20 insurance to see whether that uniform fee across \$100  
21 increments is appropriate and fair to customers?

22 A Well, I think the important thing to consider here  
23 is, overall, we cover the total cost for insured mail, and  
24 make a contribution. And my proposal is I believe 138 or  
25 139 percent cost coverage. I think absent any information

1 about incremental levels, it is important to make sure that  
2 the total costs are covered.

3 Q Where would information about incremental levels  
4 come from?

5 A As far as the costing goes, I would have to ask a  
6 cost person, I really would.

7 Q Right. It has to come from the Postal Service,  
8 doesn't it? It can't come from any of the other parties to  
9 this proceeding, can it?

10 A Somebody could try to do a study, I suppose, but I  
11 would assume that the Postal Service would be the best  
12 person to do that.

13 Q Well, can you say with confidence that the fee  
14 schedule you propose is a fair and equitable one if it --

15 A Oh, yes. Yes.

16 Q You may very well be grossly overcharging  
17 claimants for higher levels of insurance, and possibly  
18 under-charging claimants for lower levels of insurance.

19 A No, I don't think so at all. I think, based on  
20 what I had -- what I testified to in my original direct  
21 testimony, my proposed fees are fair and equitable. That  
22 includes the incremental fee with respect to recovery total  
23 costs and making a contribution to other costs, and  
24 considering that the \$5,000 that I had proposed back in  
25 Docket MC 96-3 is still fairly new, we don't have a whole

1 lot of volume above 600. Most of our insurance volume is  
2 concentrated in I believe it is only like 1 percent or even  
3 less than 1 percent of our volume is that over \$900.

4 There is an alternative of Registered Mail, too.  
5 It is just -- it really depends. But based on the pricing  
6 criteria I discussed in my direct testimony, I believe my  
7 proposed fee is fair and equitable.

8 Q Well, based on the cost information that you had  
9 available to you, at most you could only say with confidence  
10 that overall fees are fair and equitable. You could not say  
11 that the per increment fees are fair and equitable, can you?

12 A I think I can. I mean the Commission in the last  
13 rate case recommended 96 cent increments, deemed that to be  
14 fair and equitable. I believe that my modest proposed  
15 increase to a dollar per 100 value increment is also fair  
16 and equitable. And being able to take the known costs of  
17 the other insurance components and making sure they were  
18 recovering their costs, getting a target cost coverage that  
19 is, you know, moderate is, I believe, in my opinion,  
20 reasonable for insured mail.

21 Q Do you know how long the \$5,000 limit has been in  
22 effect?

23 A Yes. June 8th, 1997.

24 Q What was the limit prior to 1997?

25 A It was \$600.

1           Q     Wouldn't you agree that this very dramatic  
2     increase in the level of insurance coverage in 1997 would  
3     warrant a close examination of the costs associated with  
4     these much higher sized insurance purchases than previously  
5     when insurance purchases were all fairly close together in  
6     value?

7           A     Well, I believe that -- I mean when it was  
8     initially recommended by the Commission, and I had proposed  
9     an extension of the current then 90 cent increment level,  
10    they deemed that that was fair and equitable until such a  
11    time there was enough information to be able to measure any  
12    costs that we could. And there is still not a lot of  
13    volume, like I said, and I am not sure if there is -- where  
14    the costing approach would be, because I am not a costing  
15    expert.

16          Q     Would you recommend to Postal Service management  
17    prior to the next omnibus rate case that the underlying  
18    costs of insurance be closely examined to see whether it is  
19    appropriate to charge fees that are possibly 49 times higher  
20    for the maximum than for minimum levels of insurance?

21          A     I would be willing to recommend that the  
22    incremental costs be measured in whatever way possible.

23          Q     Could you turn to page 25 of your testimony,  
24    please?

25          A     Okay.

1 Q There you present fees for money orders valued at  
2 \$700; is that correct?

3 A That's correct.

4 Q Ms. Collins, in her testimony, presented fees for  
5 various establishments that sold money orders for values up  
6 to \$500. I better reword that. I think my words got  
7 twisted.

8 Ms. Collins, in her testimony, presented fees for  
9 up to \$500; is that correct?

10 A That's correct.

11 Q And in her testimony, if you can recall, the fees  
12 charged for up to \$500 were less than the current Postal  
13 Service fee of 80 cents; is that correct?

14 A Well, let's see. With the exception of, I guess,  
15 7-11 here, which I believe is a dollar, yes. The others  
16 were less up to 500.

17 Q Aside from 7-11, in six other cases, the fees were  
18 less than current Postal Service fee of 80 cents for up to  
19 \$500 in value; is that correct?

20 A That's correct.

21 Q And, of course, they're that much less than the  
22 proposed 90-cent fee; is that also correct?

23 A With the exception of 7-11, yes.

24 Q You agree that the Postal Service does sell money  
25 orders from one cent to \$500, do you not?

1 A Yes, from one cent to \$700.

2 Q And that would include up to \$500 as well,  
3 wouldn't it?

4 A Yes, it would.

5 Q Do you happen to know the distribution of the  
6 volumes of money orders from one cent to \$500 versus \$500 to  
7 \$700?

8 A I believe I had that within this direct testimony  
9 before, but I don't have it with me now, but --

10 Q Do you know if the vast majority of purchased  
11 money orders tends to be below \$500?

12 A I believe it was. I think the average turned out  
13 to be \$130, something like that, \$120 or \$130.

14 Q So, in that case, Ms. Collins's limited search of  
15 various establishments that sold money orders up to \$500 was  
16 pretty well representative of most of the money orders that  
17 the Postal Service sells; wasn't it?

18 A Well, with respect to probably the majority of the  
19 volume, yes, but with respect to the full dollar value, no.

20 I mean, I really felt it was important that if I  
21 wanted to get a \$700 money order, because that's what we  
22 offer -- and I think there's -- I mean, there is some value  
23 to those people who purchase more than one money order.

24 And I don't know how many of these people that  
25 visit these establishments other than the Postal Service,

1 get money orders for more than \$500 and would have to  
2 purchase two.

3 So I think it's good to put it in perspective as  
4 far as the total value.

5 Q Your testimony is that it's appropriate to raise  
6 the fee for money orders for all purchasers because at the  
7 \$700 level, competitors charge even higher prices?

8 A No. I said I think it was important to make the  
9 -- compare apples and apples, instead of apples and oranges  
10 with respect to the dollar value.

11 I also went on and compared other things, too,  
12 such as what these other competitors charged to cash it or  
13 these hidden charges, if it's to redeem it, yes, to redeem  
14 it, that sort of thing.

15 Q Right now I just want to focus on the fees  
16 themselves.

17 A Right.

18 Q With respect to the fees charged, Ms. Collins  
19 found that potential purchasers of money orders could get a  
20 much better deal, except for 7-11, at the establishments of  
21 Postal Service competitors if they were purchasing money  
22 orders up to \$500; didn't they?

23 A Well, when you say a much better deal, you just  
24 mean with respect to the fee alone, not the hidden charges  
25 that these other places have.

1 Q Yes, I'm limiting my question to the fees.

2 A If it was for \$500 or less, then, yes.

3 Q And we agree that that covers the vast majority of  
4 purchasers of Postal Money Orders.

5 A Of Postal Money Orders, but I might add that I'm  
6 not sure about these money order customers. I don't have  
7 any information on these people.

8 Q Could you turn to page 30 of your testimony,  
9 please?

10 A Okay.

11 Q You say in the first paragraph on that page that  
12 the Postal Service accepts cash, travelers checks, and ATM  
13 payments; is that correct?

14 A Yes, where available, the ATM payments, right.

15 Q For money orders, I should say? .

16 A Yes.

17 Q And sometimes after this cash and these other  
18 instruments are collected, the Postal Service uses the  
19 amounts that have been paid to them to earn float; is that  
20 correct?

21 A Yes.

22 Q And in addition to that, some money orders are  
23 never redeemed; that's also true; isn't it?

24 A That's correct.

25 Q When that happens, the Postal Service not only



1 earns interest on the principal amount, but retains the  
2 principal amount as well; is that correct?

3 A I would assume that applies to anybody that sells  
4 money orders, yes.

5 Q If the Postal Service withdrew money orders from  
6 its menu of services to the public, then there would be no  
7 Postal Money Orders, and, accordingly, no float and no  
8 retained principal; is that correct?

9 A That's correct.

10 Q In Docket Number R97-1, at paragraph 6007, I will  
11 ask you to accept this, subject to check, the Commission  
12 stated a low cost coverage is appropriate for a service  
13 relied upon by consumers with modest incomes. Do you agree  
14 with the statement that money order service is relied upon  
15 by consumers with modest incomes?

16 A I agree to some extent, however, my testimony  
17 discusses -- my direct testimony discusses money order  
18 customers that I am aware of that are not of low income at  
19 all.

20 Q Do you know what proportion higher income  
21 individuals make of the customers that purchase money  
22 orders?

23 A No. We don't have any information on that.

24 Q With respect to those low income individuals who  
25 rely -- or moderate income individuals who rely on money

1 orders, cost coverage should be established in a somewhat  
2 downward direction, shouldn't it?

3 A Well, downward from what I have proposed or --

4 Q Well, that is a factor that would cause you to set  
5 the cost coverage somewhat lower than otherwise, wouldn't  
6 it?

7 A Well, yes, if we are dealing with sort of a public  
8 service type issue. But as you have pointed out, there are  
9 so many other competitors that charge lower fees, that I  
10 imagine low income would probably seek out the -- might be  
11 able to seek out the lowest fees that they can get.

12 Q Well, you mentioned some of the difficulties that  
13 recipients of money orders might have in cashing them, did  
14 you not?

15 A Yes.

16 Q You mentioned that in your testimony.

17 A Oh, yeah.

18 Q That means that low income individuals and perhaps  
19 even the recipients of the money orders that they purchase  
20 may be highly dependent on the Postal Service for this  
21 service, doesn't that sound right?

22 A It depends. I couldn't really say. It depends on  
23 what they are using it, what they are using the money orders  
24 for.

25 Q Well, for example, some of the establishments that

1 you looked at would only cash money orders purchased at  
2 those establishments, that is true, isn't it?

3 A Right. That is true, and some wouldn't even cash  
4 the money orders purchased at their own establishment.

5 Q On the other hand, the Postal Service will cash in  
6 any Post Office money orders that have been purchased  
7 through the Postal Service?

8 A That is correct. But, again, it depends on who  
9 the recipient is. If it is a utility company or a phone  
10 company, or something like that, I don't know if they take  
11 them all to their bank. Their bank may cash them all for  
12 them without any problem. This sounds more like an  
13 individual to individual basis kind of thing, and I am not  
14 sure if that really has a lot of bearing.

15 Q Well, if money orders are used to make payments to  
16 individuals or corporate establishments that are some  
17 distance away from where the money order was purchased, then  
18 the purchaser would have difficulty compensating the  
19 recipient if the money order could only be cashed at the  
20 local establishment, that sounds right, doesn't it?

21 A I don't know. I don't know if it could only be  
22 cashed at the local establishment. I mean I am saying that  
23 the banks of these other customers -- the personal banks of  
24 the recipients might cash the money orders.

25 Q Well, you gave some examples of banks in your

1 testimony. I thought you had said that in many cases these  
2 financial instruments had to be purchased at the bank where  
3 the demand for payment was met, did you not?

4 A They would be -- no, they would cash money orders  
5 drawn on their own bank or for people that had accounts at  
6 their banks.

7 Q But at any rate, for money orders that are used to  
8 make payments outside the local area, it is quite possible  
9 that when the demand is met outside the local area, it would  
10 be difficult to cash those money orders?

11 A I assume in some cases it would be. I don't know  
12 of any restrictions places impose such as must only send  
13 Postal money orders or American Express, or whatever. I am  
14 not sure what recipients will accept. I just know in terms  
15 of an individual purchasing and, you know, what I have found  
16 out here.

17 Q Do you recall that in R97, the Commission  
18 explicitly rejected the then current money order fee?

19 A I'm sorry. What was that?

20 Q Do you recall that in R97, in the Commission's R97  
21 opinion, the Commission explicitly rejected the then-current  
22 fee --

23 A Oh, then-current.

24 Q -- that resulted in a 203 percent cost coverage,  
25 and they reduced the money order fee by 5 cents?

1           A     Yes, I recall that.

2           MS. DREIFUSS: I have no other questions.

3           CHAIRMAN GLEIMAN: Is there any follow-up? Are  
4 there questions from the bench?

5           [No response.]

6           CHAIRMAN GLEIMAN: I have a couple of quickie  
7 questions about money orders as they relate to the military.  
8 I am looking at page 32, I believe of your rebuttal  
9 testimony. There is a paragraph numbered 10, and it talks  
10 about APO, FPO money order fees. Then you point out how  
11 much lower the military fee is for money orders than the  
12 current fee and the proposed fee. And you point out that  
13 Witness Collins' proposal would have the military paying  
14 even a lesser percentage relative to the commercial rate  
15 that the Postal Service charges.

16          THE WITNESS: Yes.

17          CHAIRMAN GLEIMAN: Do you have any -- I mean, the  
18 numbers, just to, you know, get them out here so that we can  
19 get them in perspective, the current APO/FPO fee is 63  
20 percent lower than the current money order fee.

21                The proposed is 61 percent lower, and under the  
22 Collins proposal, it would be 67 percent less than all other  
23 money orders, customers would have to pay.

24                Do you know how military benefits stack up  
25 relative -- military pay stacks up relative to the civilian

1 pay in terms of percentage?

2 THE WITNESS: No, I don't.

3 CHAIRMAN GLEIMAN: Do you know whether there is  
4 any precedent for providing special treatment for military  
5 when it comes to Postal matters?

6 THE WITNESS: I know that in times of war, that  
7 soldiers on active duty can send mail, I believe, free of  
8 charge. That's all I know, though.

9 CHAIRMAN GLEIMAN: You have a sentence here that  
10 says that Postal Money Orders should actually be of  
11 extremely high value to domestically-stationed military  
12 personnel away from their own financial institutions due to  
13 the abundance of Post Offices throughout the United States  
14 and its territories.

15 Do you think if they're of extremely high value to  
16 people who are based domestically, then they're of  
17 ultra-extreme value, one would think, to military personnel  
18 based overseas.

19 So do you think we should charge people who are  
20 based overseas defending our country even more?

21 THE WITNESS: No. I'm -- no, I think one fee for  
22 military money orders should be sufficient.

23 CHAIRMAN GLEIMAN: I'm just trying to figure out  
24 why you singled out domestically stationed military  
25 personnel in that sentence.

1 THE WITNESS: Oh, well, that's because they could  
2 -- the cashing convenience at any U.S. Post Office.

3 CHAIRMAN GLEIMAN: How much revenue, money order  
4 revenue is associated with APO/FPO money order sales?

5 THE WITNESS: Well, let's see.

6 [Pause.]

7 Let's see, in my work paper, well, it's test year  
8 after rates, under the proposed 35-cent fee, we're looking  
9 at \$327,000 out of a total \$305.5 million money order  
10 revenue.

11 CHAIRMAN GLEIMAN: Do you have a volume figure  
12 handy there?

13 THE WITNESS: Yes, 934,000 transactions.

14 CHAIRMAN GLEIMAN: And we're talking a nickel a  
15 pop; we're talking big bucks here that we're going to  
16 extract from the military.

17 Okay, I don't have any further questions. Anybody  
18 else?

19 [No response.]

20 CHAIRMAN GLEIMAN: Followup to questions from the  
21 Bench?

22 [No response.]

23 CHAIRMAN GLEIMAN: Time for redirect?

24 MR. RUBIN: Yes, we'd like five minutes.

25 CHAIRMAN GLEIMAN: We'll give you seven and a half

1 minutes; how about that?

2 MR. RUBIN: Thank you.

3 CHAIRMAN GLEIMAN: Till 5:00. Let me mention at  
4 this point in time that if you have an automobile parked in  
5 the garage in this building, that it behooves you at some  
6 point before 7:00 and go down and retrieve your car keys and  
7 let the garage attendants know that you're doing so, because  
8 you may be here late.

9 We wouldn't want anyone to wind up with their car  
10 locked in the garage without their car keys available. We  
11 don't have real good sleeping facilities here at the  
12 Commission, so I just forewarn you all.

13 [Recess.]

14 CHAIRMAN GLEIMAN: Mr. Rubin?

15 MR. RUBIN: Thank you.

16 REDIRECT EXAMINATION

17 BY MR. RUBIN:

18 Q I just have a couple of questions regarding the  
19 discussion with OCA on insurance.

20 When Witness Davis revised the cost for insurance  
21 value between, I guess, a penny and \$100, did the overall  
22 CRA insurance costs used in your workpapers change?

23 A No.

24 Q So if any of the insurance fees are reduced as a  
25 result of Witness Davis's changes, would those reductions



1 also reduce the cost coverage?

2 A The total cost coverage, sure.

3 Q You also had discussions comparing insurance items  
4 valued at \$5,000 versus \$100. Wouldn't the claim amount for  
5 the \$5,000 item tend to be about 50 times as high as a claim  
6 amount for a \$100 item?

7 A Well, sure. I mean, the difference between \$100  
8 and \$5,000 would be 50, yes.

9 Q And isn't that a basis for higher insurance fees  
10 for higher value items?

11 A Well, I would think so, yes.

12 MR. RUBIN: Thank you, that's all I have.

13 CHAIRMAN GLEIMAN: Recross?

14 MS. DREIFUSS: Very quick.

15 RECROSS EXAMINATION

16 BY MS. DREIFUSS:

17 Q The costs that need to be recovered by insurance  
18 include indemnity costs, right?

19 A Yes.

20 Q Those are the ones that Mr. Rubin just discussed  
21 with you.

22 A Well, he actually was talking about the indemnity  
23 amount, not the cost of -- like the claims costs, but more  
24 the indemnity amount just as \$100 is, you know, 50 times  
25 less than \$5,000.

1 Q Right. He's talking about the amount to  
2 indemnify?

3 A Right.

4 Q But in addition to that, there are claims  
5 processing costs and window service costs, among others; is  
6 that correct?

7 A Right, exactly, as far as the cost goes, yes.

8 MS. DREIFUSS: I have no other questions.

9 CHAIRMAN GLEIMAN: Mr. Rubin?

10 MR. RUBIN: I'm fine.

11 CHAIRMAN GLEIMAN: Ms. Mayo, that completes your  
12 testimony here today. We appreciate your appearance and  
13 your contributions to the record, and we thank you and you  
14 are excused.

15 THE WITNESS: Thank you.

16 [Witness Mayo excused.]

17 CHAIRMAN GLEIMAN: Mr. Cooper, I believe you have  
18 the next witness.

19 MR. COOPER: The Postal Service calls Nancy Kay to  
20 the witness stand.

21 CHAIRMAN GLEIMAN: Ms. Kay, you're already under  
22 oath in this proceeding, so there is no need to swear you in  
23 again.

24 Counsel, we can proceed whenever you and your  
25 witness are ready.

1 Whereupon,

2 NANCY KAY,

3 a witness, was called for examination by counsel on behalf  
4 of the United States Postal Service and, having been  
5 previously duly sworn, was further examined and testified as  
6 follows:

7 DIRECT EXAMINATION

8 BY MR. COOPER:

9 Q Ms. Kay, I'm handing you two copies of a document  
10 entitled Rebuttal Testimony of Nancy R. Kay on behalf of  
11 United States Postal Service, marked for identification as  
12 USPS-RT-13.

13 Have you examined that document?

14 A I have.

15 Q Was it prepared by you or under your direct  
16 supervision?

17 A It was.

18 Q If you were to be giving testimony orally today,  
19 is this the testimony that you would give?

20 A Yes, it is.

21 Q I note that this document does reflect errata  
22 filed earlier. Is that the case?

23 A Yes. The errata are all in here.

24 Q Okay.

25 MR. COOPER: Mr. Chairman, I ask that these two

1 documents be admitted into evidence. I will hand them to  
2 the court reporter.

3 CHAIRMAN GLEIMAN: Is there an objection?

4 [No response.]

5 CHAIRMAN GLEIMAN: Hearing none, if counsel does  
6 provide the documents to the court reporter, I'll direct  
7 that the rebuttal testimony of Witness Kay be transcribed  
8 into the record and received into evidence.

9 [USPS-RT-13, Rebuttal Testimony of  
10 Nancy R. Kay, was received in  
11 evidence and transcribed in the  
12 record.]

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USPS-RT-13

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

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POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

REBUTTAL TESTIMONY  
OF  
NANCY R. KAY  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

USPS-RT-13

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**LIST OF EXHIBITS**

- EXHIBIT USPS-RT-13A Handbook M-41, City Delivey Carriers Duties and Responsibilities, Page 43, Section 273 (Allowable Satchel Weight)
- EXHIBIT USPS-RT-13B Handbook M-41, Pages 15-24, Section 22, Casing and Preparing Mail
- EXHIBIT USPS-RT-13C Attribution of Cost for Loading Parcels Onto Vehicles
- EXHIBIT USPS-RT-13D
1. Handbook M-41, Pages 71-76, Chapter 6, Parcel Post (Procedures for Special Purpose Routes)
  2. Handbook M-39, Chapter 1, Administration of City Delivery Service, Page 8, Section 116.9, Parcel Post
- EXHIBIT USPS-RT-13E Costing of DDU Parcel Post Using USPS Methodology
- EXHIBIT USPS-RT-13F Costing of DDU Parcel Post Using PRC Methodology

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1           **AUTOBIOGRAPHICAL SKETCH**

2

3           Please refer to the autobiographical sketch contained in my direct testimony,  
4   USPS-T-23.

5

6           **PURPOSE AND SCOPE OF TESTIMONY**

7

8           My testimony is divided into two parts. Part I pertains to the direct testimony of  
9   UPS witness Luciani. I review four points made in that testimony dealing with city and  
10   rural carrier costing. Witness Luciani contends that city carrier elemental load costs  
11   should be distributed based on weight. I show that city carrier elemental load costs are  
12   driven by shape of mail, and that the current treatment of these costs is correct.  
13   Second, I discuss witness Luciani's analysis of the loading of parcels onto vehicles by  
14   city carriers, and show that the current, accepted treatment of street support accurately  
15   treats all street support costs. Third, I show that Parcel Post costs are treated properly  
16   on special purpose routes. Finally, I fix the analysis of the cost for delivering parcels,  
17   developed by Mr. Luciani's in his discussion of DDU-entry costs. The revised analysis  
18   shows a cost per piece significantly less than witness Luciani's analysis.

19          The second part of my testimony presents updated base year and test year costs  
20   for city and rural carriers. I incorporate the revised Postal position described by witness  
21   Baron and witness Glick's recommendation for the rural carrier Mail Shape Adjustment.  
22   I also correct errors to rural carrier evaluation factors discovered when preparing this  
23   testimony.



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1   **MATERIALS ASSOCIATED WITH THIS TESTIMONY**

2

3       This testimony is accompanied by library references.

4       USPS-LR-I-450 – Updated Spreadsheets for Cost Segments 6, 7, and 10.

5       This library reference contains updated CRA spreadsheets CS06&7.xls,

6   CS10.xls and the accompanying I\_Forms.xls.

7       USPS-LR-I-451 – Distribution of Pieces Delivered on Special Purpose Routes by  
8       Route Type.

9       This library reference contains data filed in Docket No. R97-1, USPS-H-152 on  
10   special purpose routes, and a SAS program from Docket No. R97-1 USPS-H-157 that I  
11   revised to calculate the distribution of pieces delivered on special purpose routes by  
12   individual route type.

13

14   **PART I. ANALYSIS OF THE WITNESS LUCIANI'S CARRIER COSTING**  
15   **TESTIMONY**

16

17       Part I of my testimony examines witness Luciani's carrier costing testimony. In  
18   Section 1, I show that his contention that city carrier elemental load costs for parcels  
19   should be distributed across subclasses by weight is inappropriate, and that city carrier  
20   load costs are correctly distributed by piece within shape. Section 2 discusses Mr.  
21   Luciani's analysis of the costs for loading parcels onto vehicles by city carriers. I show  
22   that the current treatment of street support costs properly treats all street support costs.  
23   Section 3 refutes Mr. Luciani's argument that costs for Exclusive Parcel Post routes  
24   should be specific fixed to Parcel Post. I show that the accepted treatment of special

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1 purpose routes is correct. Section 4 corrects Mr. Luciani's calculations of the cost per  
2 piece for delivering parcels that he presents in his discussion on DDU-entry costs.

3

4 **SECTION 1. CITY CARRIER ELEMENTAL LOAD COSTS ARE CORRECTLY**  
5 **DISTRIBUTED BY PIECE WITHIN SHAPE.**  
6

7 Mr. Luciani contends that elemental load costs for parcels should be distributed  
8 across subclasses by weight. UPS-T-5 at 7-10 Tr. 25/11780-11783. He bases his  
9 argument on the testimony of witness Daniel. USPS-T-28, page 3, 8-9. Witness Daniel  
10 provides weight studies (USPS-LR-I-91, USPS-LR-I-92, USPS-LR-I-93) that estimate  
11 costs by ounce increments within the subclasses of First-Class Mail, Standard (A) and  
12 Periodicals. The weight studies are intended to provide guidance for the effect of  
13 weight on cost within those subclasses. Pricing witnesses Moeller (USPS-T-35) and  
14 Fronk (USPS-T-33) refer to these studies in their testimony on Standard (A) and First-  
15 Class Mail, respectively.

16 Ms. Daniel very carefully states that her weight studies are to provide a general,  
17 not an exact indication of costs.

18 The results of the weight analysis presented in this testimony are intended to  
19 guide rate design by providing a *general* indication of the effect weight has on  
20 total volume variable costs. They are not necessarily intended to be an *exact*  
21 quantification of costs for every individual weight increment. Isolating the effect  
22 of weight on cost is very difficult because weight is rarely the only characteristic  
23 that varies between different mail pieces. The shape, origin/destination  
24 combination, cube, and level of presorting and dropshipping of mail can affect the  
25 cost of mail. USPS-T-23, p. 3-4.

26  
27 Ms. Daniel makes certain assumptions about the effect of weight on cost. Some of  
28 those assumptions, while appropriate in the context of her weight studies, are not based  
29 on studies or evidence, such as her assumption that elemental load costs are weight

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REVISED 8/22/00

1 related. Her weight studies must be used within the proper context, which is to provide  
2 a general indication of the effect of weight on cost *within* a rate category. In fact, when  
3 delivery costs must be quantified precisely *across* rate categories, as they are in Ms.  
4 Daniel's delivery cost study (USPS-LR-I-95), elemental load costs are distributed by  
5 piece within shape.

6 The weight studies provided by witness McGrane in Docket No. R97-1 distributed  
7 elemental load costs among ounce increments by pieces within shape, following the  
8 accepted methodology used to develop city carrier elemental load costs in cost segment  
9 7. For this Docket, Ms. Daniel revises the assumptions used in the weight study, and  
10 distributes elemental load costs within subclass by weight, although she is aware that  
11 studies show that elemental load costs vary by shape, USPS-T-23 at 8, and that no new  
12 studies have been undertaken that show the effect of weight on city carrier costs.  
13 AAPS/USPS-T28-3 Tr. 4/ 1159.

14 Her purpose in distributing elemental load costs by weight is to set an upper  
15 bound of the effects of weight for city carrier costs. Ms. Daniel states "I allocated  
16 elemental load costs on the basis of weight to illustrate more of an upper bound that  
17 weight could have on carrier street costs." Tr 4/1395. "Using weight as a key  
18 compensates for any weight-related effects in route and access time, which have been  
19 allocated on the basis of piece...", USPS-T-28 at 8, because "...[i]n fact, route time is  
20 allocated on the basis of weight in the CRA." Tr 4/1396. Ms. Daniel's distribution of  
21 elemental load costs among ounce increments within a rate category does exactly as  
22 she intends and sets an upper bound for the effects of weight on city carrier costs *within*  
23 rate categories.

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1 Mr. Daniel is clearly not recommending that the Postal Service distribute  
 2 elemental load costs on weight *between* subclasses in the CRA, as Mr. Luciani  
 3 contends. UPS-T-5 at 7, Tr. 25/11780. She is aware that studies show that load costs  
 4 are sensitive to the shape, or dimension, or the mail piece, and that no studies exist that  
 5 show load costs are sensitive to weight.

6 Witness Baron (USPS-T-12) presents the Postal Service position on load time  
 7 costing. He develops the volume variabilities for load time, basing his variability  
 8 analysis on the load equations developed by the Commission for Docket No. R90-1.  
 9 These load equations use the average of the times to load an additional parcel, flat,  
 10 letter, or accountable at a delivery point. The average marginal load time for letters is  
 11 0.79 seconds, 1.02 seconds for flats, 11.28 seconds for parcels, and 36.85 seconds for  
 12 accountables. USPS-LR-I-310, Table 2<sup>1</sup>. Parcels take longer to load than letters or  
 13 flats because parcels tend to be larger than letters or flats. Shape is the only driving  
 14 factor in load costs cited on this record.<sup>2</sup>

15 Although larger items of the same shape may be assumed to be heavier, the  
 16 reverse may also be true. A small parcel containing lead fishing weights will easily fit in

---

<sup>1</sup> The marginal load times listed here are the weighted average of the marginal load times documented in USPS-LR-I-310, Table 2. FY 1998 City Carrier Cost System pieces from USPS-LR-I-80, file CS06&7.xls, WS 7.0.8 are used as the weight. For example, the marginal load times in seconds for letters in Table 2 are 0.57, 1.89, and 0.22 for SDR, MDR, and BAM, respectively. The 1998 CCCS letter pieces are 50,934,127, 18,284,670, and 15,561,499 for SDR, MDR, and BAM, respectively.  $((0.57 * 50,934,127) + (1.89 * 18,284,670) + (0.22 * 15,561,499)) / (50,937,127 + 18,284,670 + 15,561,499) = 0.79$ . This is the weighted marginal load time in seconds for letters.

<sup>2</sup> Witness Baron's response to interrogatory OCA/USPS-T12-11c, Tr 18/ 7211 states "[i]t is my understanding that weight has not been used to distribute elemental load time costs because of the view that shape alone is the primary mail characteristic that determines why one piece takes longer to load than another piece. For example, a parcel is viewed as taking longer to load than a flat or a letter primarily because its typical shape dimension makes it more difficult to handle during the loading process."

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1 a customer's mailbox, while a large parcel containing a down comforter or a sweater  
2 might be difficult to bend and fit into the box. Likewise, a flat generally takes longer to  
3 load than a letter because often the dimension of the mail piece causes the carrier to  
4 take more time fitting the piece into (loading) the mailbox than a letter. Understandably,  
5 accountables take the most time to load because of the required customer contact.

6 In his rebuttal testimony, witness Baron (USPS-RT-12) presents new regression  
7 equations for load time that utilize the Engineering Studies database, as an update to  
8 the Commission's load equations developed from the 1985 LTV study. UPS/USPS-  
9 T12-20(c), also USPS-LR-I-402. These new regression equations also show that the  
10 shape of the mail piece is the driver in load costs, not weight.

11 Mr. Luciani uses as an additional argument for his proposal to distribute  
12 elemental load costs by weight the two cents per pound adder charged by the Postal  
13 Service to account for weight-related non-transportation costs. UPS-T-5 at 9, Tr.  
14 25/11782. He refers to the testimony of witness Plunkett, which postulates a scenario  
15 where a carrier has to deliver two extremely heavy parcels. Tr. 13/5082. The motorized  
16 letter route deviation delivery analysis covers this type of situation. Docket No. R97-1,  
17 USPS-T-19, p. 6. Factors other than weight, such as size and accountability, cause  
18 deviation deliveries. The accepted motorized letter route analysis correctly accounts for  
19 these costs<sup>3</sup>.

---

<sup>3</sup> Foot route carriers would not deliver the heavy parcels in Mr. Plunkett's scenario because carriers are precluded from carrying a satchel over 35 pounds, see Handbook M-41, p. 43 shown in Exhibit USPS-RT-13A.

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1           Because weight is not a proven factor in city carrier load costs, Mr. Luciani's  
2   proposal to distribute elemental load costs across subclasses by weight is clearly  
3   inappropriate and should not be implemented. The city carrier cost system (CCCS)  
4   correctly provides distribution keys for each shape category of load costs using  
5   numbers of pieces by mail subclass in the shape category. These distribution keys do  
6   not need to be modified.

7

8           **SECTION 2. COSTS FOR LOADING PARCELS ONTO VEHICLES.**

9

10           Vehicle loading is one of many street support activities for city carriers. USPS-  
11   LR-I-1, p. 7-9. Mr. Luciani believes that the loading of parcels by city carriers is  
12   analogous to casing of letters and flats in-office, because the carrier may sequence  
13   parcels while loading. He proposes a revised treatment of street support costs for the  
14   time spent 'sequencing' parcels. UPS-T-5 at 10-12, Tr. 25/11783-11785. His  
15   assertions are based on one visit to a DDU where he observed carriers loading vehicles  
16   for about 25 minutes and watched two carriers load their vehicles from start to finish.  
17   Tr. 25/12011. Mr. Luciani also refers to the testimonies of witnesses Kingsley (Tr.  
18   5/2093) and Raymond (Tr. 19/8081-8082), where Mr. Raymond categorizes the carrier  
19   as placing the parcels in the vehicle in 'route zone groupings' and is careful not to call  
20   this activity 'sequencing'.

21           Mr. Luciani calculates the cost for 'sequencing' parcels in Exhibit UPS-T-5C, filed  
22   under seal. This bottom-up analysis is based on the confidential Standard Operating  
23   Procedures time standards filed in USPS-LR-I-242. Mr. Luciani multiplies the Standard  
24   Operating Procedures time standard for loading a parcel onto a truck by the city carrier

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1 wage rate to get a cost per piece for loading parcels onto the truck. The cost per piece  
2 is then multiplied by the number of large parcels in a subclass from the City Carrier Cost  
3 System (CCCS) to get a total cost for 'sequencing' parcels. This total cost is then  
4 multiplied by the in-office activity variability to get volume variable cost for 'sequencing'  
5 parcels.

6 While it is tempting to use witness Raymond's USPS-LR-I-242 Standard  
7 Operating Procedures time standards to generate costs, it is clearly a misuse of the  
8 data. The time standards presented in the Standard Operating Procedures are used as  
9 parameters into a complicated modeling program that estimates route delivery time and  
10 should not be used in isolation<sup>4</sup>.

11 Even if the individual Standard Operating Procedures time standards could be  
12 used in isolation (which they cannot), there are conceptual problems with their use in  
13 product costing. Mr. Luciani even notes one of the problems in his testimony – "[t]he  
14 Engineered Standards study is based on time standards rather than actual  
15 observations." UPS-T-5 at 11, Tr. 25/11784. Mr. Luciani believes this is not a problem  
16 because "[i]n practice city carriers are likely not yet meeting those time standards since  
17 they reflect more efficient operating procedures than are now used, and thus the cost  
18 per piece for sequencing parcels obtained using the results of the time standards study  
19 is a conservatively low estimate." *Id.* This ignores the fact that if the Postal Service  
20 were to implement the time standards with the objective of minimizing total cost, it would  
21 implement the time standards jointly over all activities. The time for some activities will

---

<sup>4</sup> The USPS-LR-I-242 Standard Operating Procedure used by Mr. Luciani is subtitled Engineered Route Adjustment Calculator with Preloaded Values and clearly states that the "tables in this version reflect the values used by ERAC to calculate route and zone times and zone FTEs."

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1 likely increase, while the time for others will likely decrease. Mr. Luciani's principle of  
2 conservatism does not hold. Witness Raymond expects that the time to load parcels  
3 onto vehicles would likely increase if his work methods were adopted. USPS-RT-11.  
4 We cannot simplify carrier costing by multiplying a single time standard by a carrier  
5 wage rate and mail volume.<sup>5</sup> Time standards cannot substitute for engineering studies  
6 involving actual observations.

7 Time standards represent average cost per piece and not marginal cost per  
8 piece. This is another conceptual problem with use of the time standards in product  
9 costing. Volume variable costs are based on marginal costs, which include scale and  
10 scope economies. Therefore, the time standards must be multiplied by a variability to  
11 make them applicable to the costing process. Mr. Luciani appears to concede this  
12 point, as he multiplies the 'total cost for sequencing parcels' calculated with the time  
13 standard, wage rate, and mail volume by the in-office activity variability. Exhibit UPS-T-  
14 5C, p. 1 column 6.

15 This selection of the in-office activity variability is a very curious choice. In-office  
16 work is primarily the casing of letters and flats. There is no sound reason to assume  
17 that the activity of loading parcels measured by the time standard is the same as the  
18 activity of casing letters and flats. Mr. Raymond describes the loading of parcels onto  
19 vehicles as a very casual process. The main objective is to load the vehicle, with the  
20 sequencing of parcels as a subordinate activity that is accomplished with varying  
21 degrees of precision. The carrier does not make certain that the parcels are placed in

---

<sup>5</sup> In the case of rural carrier costing, where we use evaluation factors negotiated between the carrier unions and the Postal Service (see USPS-LR-I-80, file CS10.xls, WS 10.1.1), this is how the Postal Service actually incurs cost.



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1 exact delivery sequence. USPS-RT-11. Casing letters and flats, on the other hand, is  
2 an in-office activity that involves placing a mail piece into a case in delivery sequence  
3 order, and then putting the sorted mail into trays in delivery order. UPS/USPS-T11-25  
4 Tr. 18/7840-7843, also USPS-LR-I-1, p. 6-2. In fact, the M-41 Handbook on City  
5 Delivery Carriers Duties and Responsibilities has an entire section on the procedures  
6 for casing letters and flats, see Exhibit USPS-RT-13B, but there is no section on  
7 procedures for casing or even sequencing parcels. There is no parcel case in the  
8 vehicle, there is no requirement to sequence parcels into delivery sequence order, and  
9 parcels are not put into trays for delivery. There is no foundation for assigning the in-  
10 office activity variability to the street activity of loading parcels onto vehicles.

11 A more reasonable variability to apply would be the parcel load time variability.  
12 This is at least the correct shape, and although not a perfect match, at least loading.  
13 Table 1 shows the volume variable cost for loading parcels using Mr. Luciani's method  
14 compared to the volume variable cost if the aggregate parcel load time variability is  
15 used. This analysis shows that the costs for loading parcels calculated using the time  
16 standards is highly dependent on the selected variability.

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TABLE 1. Volume Variable Cost to Load Parcels Onto Vehicles Using In-Office Variability Compared With Parcel Load Time Variability

	Volume Variable Cost to Load Parcels Onto Vehicles Using In- Office Variability \$(000)	Volume Variable Cost to Load Parcels Onto Vehicles Cost Using Parcel Load Time Variability \$(000)
Priority	\$ 7,975	\$ 676
Standard B	\$ 9,622	\$ 815
Total	\$ 17,597	\$ 1,491

Source: Exhibit USPS-RT-13C

The current, accepted treatment of street support activities considers street support costs to be a property of the entire route and to vary with the number of routes in the system. Street support costs are thus given the same variability and distribution as the combination of city carrier in-office and street costs. Accrued street support costs are calculated as a proportion of total city carrier street costs. USPS-LR-I-453. These proportions are developed by Mr. Baron, USPS-RT-12, from the appropriate part of witness Raymond's study – the Engineered Standards time studies data, USPS-LR-I-337. The Engineered Standards time studies captures the proportion of time spent loading the vehicle, although not the time spent loading just parcels. Vehicle loading supports all carrier delivery activities, so the application of the aggregate city carrier variability and distribution is correct, and applies to all vehicle loading costs. It is unnecessary to separate vehicle load costs for parcels from other street support costs. The current, accepted treatment properly treats all street support costs.

In summary, witness Luciani's categorization of loading parcels onto vehicles as comparable to sequencing letters and flats in-office is inaccurate, and his cost analysis relies on this premise. He depends on the Standard Operating Procedures time

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1 standards for his analysis of parcel loading costs. These time standards are not  
2 acceptable for use in product costing, because their intended usage is to model route  
3 delivery time, not to provide actual costs, and because they are not marginal costs. Mr.  
4 Luciani's usage of the in-office casing variability is not appropriate because there is no  
5 evidence that loading parcels onto a vehicle is analogous to casing letters and flats in-  
6 office. The most accurate method for calculating vehicle loading is the current,  
7 accepted treatment of street support costs.

8

9 **SECTION 3. THE CURRENT TREATMENT OF EXCLUSIVE PARCEL POST**  
10 **ROUTE COSTS DOES NOT REQUIRE MODIFICATION.**  
11  
12

13 Mr. Luciani argues that costs for Exclusive Parcel Post routes should be product  
14 specific to Parcel Post. UPS-T-5 at 12-14 Tr. 25/11785-11787. The In-Office Cost  
15 System (IOCS) shows \$37.4 million in cost for Exclusive Parcel Post Routes, which is a  
16 type of special purpose route. Witness Meehan distributes \$10.8 million (or \$11.0  
17 million using PRC costing) of all special purpose route costs to Parcel Post. USPS-LR-  
18 I-80 (USPS), USPS-LR-I-130 (PRC). Mr. Luciani assigns the difference between the  
19 IOCS cost for Exclusive Parcel Post routes and the Parcel Post volume variable special  
20 purpose route costs as product specific to Parcel Post. His decision to assign  
21 Exclusive Parcel Post Route costs is apparently based solely on the title and description  
22 of the route contained in USPS-LR-I-14<sup>6</sup>. Exhibit USPS-RT-13D contains examples of

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<sup>6</sup> In his response to interrogatory USPS/UPS-T5-2, Tr. 25/11862-11863, Mr. Luciani asserts that his reason for assigning Exclusive Parcel Post Route costs to Parcel Post is based on "...Witness Meehan's testimony in response to UPS/USPS-T11-21(b), Tr. 21/8531-33." In that response, Ms. Meehan refers to the definition of the route contained in USPS-LR-I-14, pages 10-4 and 10-5. The definition of an Exclusive

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1 other USPS publications that show the Postal Service frequently uses the term 'Parcel  
2 Post' to mean all parcels.

3 Table 2 shows the percentage distribution of pieces on special purpose routes by  
4 individual route type. Many volumes besides Parcel Post are handled on Exclusive  
5 Parcel Post Routes. This table was generated using data from the Docket No. R97-1  
6 special purpose route study, Docket No. R97-1, USPS-LR-H-152. Table 2 shows that  
7 only 11.9% of the pieces delivered on Exclusive Parcel Post Routes are for Parcel Post,  
8 while 12.0% of the pieces delivered on Non-Parcel Combination Routes are for Parcel  
9 Post. Clearly, the neither the name nor the description of the route can be used as the  
10 indicator of the type of mail delivered on the route<sup>7</sup>. The assignment of Exclusive  
11 Parcel Post Route costs as product specific to Parcel Post is clearly wrong.

12

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Parcel Post route in this library reference is "... a regular route devoted entirely to parcel post delivery." For other examples of this interchangeability of the terms "parcel post delivery" and "parcel delivery" see Handbook M-39, Chapter 1, Administration of City Delivery Service, p. 8-9 and M-41 Duties and Responsibilities of City Delivery Carriers, Chapter 6, p. 73-74, shown in Exhibit USPS-RT-13D.

<sup>7</sup> As an alternative approach to the method described in his testimony, Mr. Luciani suggests distributing costs for Exclusive Parcel Post and Parcel Post Combination routes separately to the classes of mail delivered to them. USPS/UPS-T5-6a, Tr. 25/11870-11871. Mr. Luciani does not suggest what variability to apply to these costs, or what to do with costs for the other special purpose route types. Witness Nelson's Docket No. R97-1, USPS-T-19 activity-based analysis provides both appropriate variabilities and distribution keys for all special purpose route costs.

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TABLE 2. PERCENTAGE DISTRIBUTION OF PIECES DELIVERED ON  
SPECIAL PURPOSE ROUTES BY ROUTE TYPE<sup>8</sup>

MAIL CLASS	EXCLUSIVE PARCEL POST	NON-PARCEL COMBINATION	PARCEL POST COMBINATION	COLLECTION	RELAY	OTHERS
FIRST-CLASS MAIL	1.39%	7.79%	1.61%	3.57%	10.38%	27.61%
PRIORITY	37.67%	15.44%	29.53%	39.36%	34.13%	27.79%
EXPRESS	1.02%	34.52%	4.42%	13.27%	6.66%	12.49%
MAILGRAM	0.00%	0.00%	0.09%	0.29%	0.00%	0.00%
PERIODICALS	3.39%	1.09%	4.43%	5.70%	0.49%	3.76%
STANDARD (A) SINGLE PIECE	0.84%	0.00%	2.57%	2.01%	0.53%	3.54%
REMAINING STANDARD (A)	3.06%	5.47%	7.09%	7.03%	2.73%	8.68%
STANDARD (B)						
PARCEL POST ZONE RATE	11.85%	12.03%	25.63%	9.73%	20.04%	8.63%
BOUND PRINTED MATTER	19.10%	8.75%	14.83%	6.89%	8.60%	3.01%
SPECIAL STANDARD	14.26%	5.47%	5.72%	6.59%	1.93%	1.49%
LIBRARY	2.77%	3.28%	3.10%	2.80%	2.50%	1.84%
TOTAL STANDARD (B)	47.99%	29.52%	49.28%	26.02%	33.08%	14.96%
INTERNATIONAL	4.62%	6.16%	0.96%	2.41%	12.00%	0.86%
SPECIAL DELIVERY	0.01%	0.00%	0.03%	0.32%	0.00%	0.31%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: USPS-LR-I-451

The Docket No. R97-1 activity-based special purpose route analysis, which has been accepted by the Commission in its Recommended Decision, correctly determines the volume variable and product specific costs for each subclass and should not be modified.

#### SECTION 4. CORRECTED COSTS FOR PARCEL DELIVERY.

Mr. Luciani's Exhibit UPS-T-51, filed under seal, is a bottom-up costing of DDU-Entry Parcel Post. As part of this analysis, Mr. Luciani calculates parcel delivery costs for both city and rural carriers. Neither calculation is based on the established costing

<sup>8</sup> The Docket No. R97-1 special purpose route study is designed to provide accurate distribution keys in the aggregate. The breakdown by route type shown in Table 2 is for illustrative purposes, and is not meant to replace the distribution key found in the 'Total' column on Docket No. R97-1, USPS-T-19, WP 1.8.

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1 methodology used in cost segments 7 and 10.

2 The calculations in Exhibit UPS-T-5I are dependent on the USPS-LR-I-242  
3 Standard Operating Procedures time standards. Section 2 of my testimony discusses  
4 the problems with using these time standards in product costing. First, the time  
5 standards are meant as parameters into a complicated route delivery time estimation  
6 model and should not be used in isolation. Second, the time standards are idealized  
7 times, not actual observations. The assertion that use of the time standards results in a  
8 conservative cost estimate is incorrect. If the Postal Service's objective were to  
9 minimize total cost, it would implement all the time standards at once, which would lead  
10 to increasing time for some activities and decreasing time for other activities. Third,  
11 the time standards represent average cost per piece and are not marginal costs, which  
12 include scope and scale economies.

13 Mr. Luciani's calculations shown in Exhibit UPS-T-5I contain numerous errors.  
14 Even if we accept his use of the USPS-LR-I-242 time standards, his calculations include  
15 time standards that are not appropriate for delivery of an additional parcel. Activity  
16 2121, 'Make tally mark on ODR', applies to accountables only, and this activity is a  
17 suggestion that the Postal Service has not yet implemented. Activity 2125, 'Walk 1-20  
18 paces', has a frequency listing of one trip per day. It is an extremely rare occurrence for  
19 a parcel to be the only mail piece delivered at a delivery point, so this activity should not  
20 be applied to each parcel delivery.

21 Mr. Luciani's analysis mixes marginal (volume variable) cost per piece with the  
22 average cost per piece calculated from the time standards. City carrier in-office and  
23 driving route city costs in lines 5 and 6 from Exhibit UPS-T-5I, page 1, are volume

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1 variable costs per piece, which include economies of scope and scale. City carrier  
2 loading/delivery cost per piece in line 4 of Exhibit UPS-T-5I is an average cost per piece  
3 calculated with the USPS-LR-I-242 time standards. Unlike his analysis on vehicle  
4 loading costs, Mr. Luciani does not attempt to apply a volume variability to these  
5 loading/delivery costs. The volume variabilities for load time are well below 100%,  
6 (USPS-LR-I-450 and USPS-LR-I-130, file CS06&7.xls, worksheet 7.0.4.2), and would  
7 dramatically lower the \$0.63 average cost per piece shown by Mr. Luciani for city carrier  
8 loading/delivery.

9 Mr. Luciani applies the city carrier loading/delivery cost per piece calculated with  
10 the time standards to rural routes, adjusting for the difference in city and rural carrier  
11 wage rates. Rural carriers have an existing evaluation factor for delivering parcels of  
12 0.500 minutes per piece<sup>9</sup>. The rural evaluation factors, in conjunction with the yearly  
13 route evaluation, are used to determine a rural carrier's salary, and thus represent an  
14 actual cost to the Postal Service. The rural evaluation factors are negotiated with the  
15 rural carriers' union, and are considered by both parties to be fair compensation. It is  
16 incorrect to supplant this evaluation factor with the USPS-LR-I-242 time standards.

17 Mr. Luciani's errors continue. He computes in-office and driving route costs for  
18 rural carriers using the volume variable costs for city carriers, adjusted for the difference  
19 in the city and rural carrier wage rates. This calculation is totally inappropriate. The

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<sup>9</sup> The CRA spreadsheets filed in USPS-LR-I-80 and USPS-LR-I-130 show an evaluation factor of 0.333 minutes per piece for parcels. Upon review, it was found that the evaluation factor should be 0.500 minutes per piece and is corrected in USPS-LR-I-450. The sector segment evaluation of .0444 is also incorrect and is corrected to .0610 in USPS-LR-I-450.

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1 accepted city and rural carrier costing methodologies are entirely different, and one  
2 cannot be applied to the other. The concept of 'in-office' and 'street' costs, with street  
3 costs divided further into access, load, route, and street support activities, applies to city  
4 carrier costing only. Rural carrier costs are calculated with evaluation factors that  
5 determine the delivery costs of different types of mail, and include all of the individual  
6 activities involved in the delivery process.

7 Fortunately, the egregious errors in Mr. Luciani's calculations can be corrected.  
8 Delivery cost per piece for Parcel Post mail for both city and rural carriers can be  
9 computed using the same methodology that is used to compute volume variable (or  
10 attributable using the PRC methodology) costs. This method of calculation eliminates  
11 all of the errors in Mr. Luciani's Exhibit UPS-T-5I. My corrections are shown in Exhibit  
12 USPS-RT-13E for USPS costing and Exhibit USPS-RT-13F for PRC costing.

13 I calculate test year Parcel Post delivery cost per piece for city carriers using  
14 volume variable cost segment 6 and 7 letter route delivery costs for Parcel Post mail.  
15 There is no need to use the USPS-LR-I-242 Standard Operating Procedures time  
16 standards in this analysis. The corrected test year 2001 piggybacked Parcel Post  
17 delivery cost per piece on city routes is \$0.55 (PRC methodology) or \$0.52 (USPS  
18 methodology). This is much less than the \$1.11 city carrier delivery cost per piece  
19 calculated by Mr. Luciani using an inappropriate mix of volume variable and average  
20 cost per piece.

21 I calculate parcel delivery cost per piece for rural carriers using the rural  
22 evaluation factor for parcel delivery. The test year 2001 piggybacked rural carrier  
23 parcel delivery cost per piece with this method is \$0.25 for both USPS and PRC costing



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1 methodologies. Mr. Luciani shows \$0.78 for the rural carrier delivery cost per piece,  
2 incorrectly calculated using USPS-LR-I-242 time standards and adjusted city delivery  
3 volume variable costs.<sup>10</sup>

4 The final weighted test year DDU-Entry Parcel Post cost per piece, after my  
5 corrections to Mr. Luciani's calculations, is \$0.57 using PRC attributable costs, or \$0.54  
6 using USPS volume variable costs. These corrected costs are considerably less than  
7 Mr. Luciani's DDU-Entry Parcel Post cost of \$1.14 per piece. My calculations are  
8 completely consistent with accepted costing methodologies for both city and rural  
9 carriers, and eliminate the serious errors in Mr. Luciani's method.

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<sup>10</sup> This is a real world example that shows how the USPS-LR-I-242 Standard Operating Procedures time standards cannot be used in isolation, and that the time standards cannot be considered to be conservative. The rural carrier unions and the Postal Service have agreed on evaluation factors that both consider fair compensation. These evaluation factors result in a parcel delivery cost per piece that is much lower than the one Mr. Luciani calculates with the time standards.

1 **PART II. REVISIONS TO CITY AND RURAL DELIVERY COSTS BY USPS**  
2 **WITNESSES**

3

4       Witness Baron (USPS-RT-12) presents several changes to city carrier street  
5 costing in response to the testimonies of witnesses Crowder and Nelson. These  
6 changes include:

- 7       1. Adopting route-level regression for load time variability, as filed in USPS-LR-I-  
8       402.
- 9       2. Improving the ES street time percentages.
- 10      3. Setting routine loops/dismounts variability to zero.

11      Table 3 shows the combined effect of these changes on Base Year 1998 city carrier  
12 street costs (cost segment 7).

13

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TABLE 3. UPDATED CITY CARRIER COSTS FOR BASE YEAR 1998

LINE NO	CLASS, SUBCLASS, OR SPECIAL SERVICE	TOTAL C/S 7 AS FILED	TOTAL C/S 7 WITH UPDATES	DIFFERENCE C/S 7	PIGGYBACK FACTORS	DIFFERENCE C/S 7 WITH PIGGYBACKS	PERCENTAGE CHANGE C/S 7
	COLUMN NUMBER UNITS COLUMN SOURCE/NOTES	(1) \$(000) USPS-LR-I-80, CS06&7.xls, Output to CRA [a]	(2) \$(000) USPS-LR-I-450 emata, CS06&7.xls, Output to CRA [a]	(3) \$(000)	(4) % USPS-T-21, Attachment 10	(5) \$(000)	(6) %
	CALCULATIONS			=C2-C1		=C3x C4	=C3/C1
1	FIRST-CLASS MAIL:						
2	SINGLE-PIECE LETTERS	661,614	588,521	(73,092)	1.352	(98,621)	-11.0%
3	PRESORT LETTERS	493,023	362,268	(130,754)	1.352	(176,780)	-26.5%
4	TOTAL LETTERS	1,154,636	950,790	(203,847)		(275,601)	-17.7%
5	SINGLE-PIECE CARDS	42,149	34,759	(7,390)	1.353	(9,999)	-17.5%
6	PRESORT CARDS	25,325	19,097	(6,228)	1.353	(8,426)	-24.6%
7	TOTAL CARDS	67,474	53,856	(13,618)		(18,425)	-20.2%
8	TOTAL FIRST-CLASS	1,222,110	1,004,646	(217,464)		(294,026)	-17.8%
9	PRIORITY MAIL	128,075	122,673	(5,402)	1.417	(7,655)	-4.2%
10	EXPRESS MAIL	38,450	55,059	16,609	1.416	23,519	43.2%
11	MAILGRAMS	321	296	(25)	1.458	(37)	-7.9%
12	PERIODICALS:						
13	IN-COUNTY	15,783	9,155	(6,628)	1.372	(9,094)	-42.0%
14	OUTSIDE COUNTY:						
15	REGULAR	136,650	85,160	(51,490)	1.361	(70,078)	-37.7%
16	NON-PROFIT	38,791	23,481	(15,311)	1.364	(20,884)	-39.5%
17	CLASSROOM	1,011	575	(436)	1.373	(599)	-43.2%
18	TOTAL PERIODICALS	192,236	118,370	(73,866)		(100,655)	-38.4%
19	STANDARD MAIL (A):						
20	SINGLE-PIECE RATE	9,404	9,384	(20)	1.381	(28)	-0.2%
21	COMMERCIAL STANDARD:						
22	ENHANCED CARR RTE	544,972	345,562	(199,410)	1.361	(271,396)	-36.6%
23	REGULAR	500,608	381,281	(119,327)	1.352	(161,330)	-23.8%
24	TOTAL COMMERCIAL	1,045,580	726,844	(318,736)		(432,726)	-30.5%
25	AGGREGATE NONPROFIT:						
26	NONPROF ENH CARR RTE	27,002	18,865	(8,136)	1.358	(11,049)	-30.1%
27	NONPROFIT	112,704	81,328	(31,376)	1.351	(42,389)	-27.8%
28	TOTAL AGGREG NONPROFIT	139,706	100,194	(39,512)		(53,438)	-28.3%
29	TOTAL STANDARD (A)	1,194,690	836,422	(358,269)		(486,192)	-30.0%
30	STANDARD MAIL (B):						
31	PARCELS ZONE RATE	59,598	58,132	(1,466)	1.427	(2,092)	-2.5%
32	BOUND PRINTED MATTER	57,549	53,960	(3,589)	1.440	(5,169)	-6.2%
33	SPECIAL STANDARD	26,473	25,510	(963)	1.443	(1,390)	-3.6%
34	LIBRARY MAIL	4,906	4,374	(535)	1.444	(772)	-10.9%
35	TOTAL STANDARD (B)	148,526	141,975	(6,554)		(9,423)	-4.4%
36	US POSTAL SERVICE	4,945	3,871	(1,074)	1.352	(1,452)	-21.7%
37	FREE MAIL	2,649	2,507	(142)	1.363	(193)	-5.3%
38	INTERNATIONAL MAIL	15,591	13,351	(2,240)	1.391	(3,116)	-14.4%
39	TOTAL MAIL	2,947,595	2,299,189	(648,426)		(879,230)	-22.0%
40	SPECIAL SERVICES:						
41	REGISTRY	6,374	6,709	334	1.357	454	5.2%
42	CERTIFIED	115,306	168,491	53,185	1.353	71,959	46.1%
43	INSURANCE	5,501	9,121	3,620	1.354	4,901	65.8%
44	COD	2,437	4,504	2,067	1.353	2,797	84.8%
45	SPECIAL DELIVERY	-	-	-		-	
46	MONEY ORDERS	-	-	-		-	
47	STAMPED ENVELOPES	-	-	-		-	
48	SPECIAL HANDLING	-	-	-		-	
49	POST OFFICE BOX	80	81	1	1.332	1	1.0%
50	OTHER	1,422	1,431	9	1.349	12	0.6%
51	TOTAL SPECIAL SERVICES	131,119	190,336	59,216		80,125	45.2%
52	TOTAL VOLUME VARIABLE	3,078,714	2,489,504	(589,210)		(799,105)	-19.1%
53	OTHER	5,181,851	5,770,855				
54	TOTAL COSTS	8,260,365	8,260,359				

Notes:

[a] Street support costs for office, load, access, and route distributed on their respective base components.

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1 I make two changes to rural carrier costing. Witness Glick makes a compelling  
2 argument to use a full year's Rural Carrier Cost System (RCCS) volume in the Mail  
3 Shape Adjustment. MPA-T-2, p. 11-14 Tr. 24/11223-11226. The Mail Shape  
4 Adjustment ensures that the percentage of letters and flats in the RCCS distribution  
5 keys matches the percentage of letters and flats in the National Mail Count (NMC). The  
6 National Mail Count is used to determine the proportion of rural carrier costs going to  
7 letters and flats (see USPS-LR-I-450, CS10.xls, WS 10.1.1 and USPS-LR-I-152) and  
8 should thus be the basis for the percentage of letters and flats. Use of a full year's  
9 RCCS volume results in a lower coefficient of variation for the RCCS percentage of flats  
10 than using RCCS volume from the same four-week time period as the NMC.  
11 MPA/USPS-49 Tr. . This is because the RCCS was "designed to produce  
12 precise annual estimates, with a sample size of over 6,000 tests". MPA/USPS-1 Tr.  
13 21/8913. The RCCS was not designed to produce precise estimates for any four-week  
14 time period. The Mail Shape Adjustment, as filed in USPS-LR-I-80 and USPS-LR-I-130,  
15 uses only two weeks of RCCS volume, which was to correspond to the same time  
16 period as the NMC<sup>11</sup>. Because the Postal Service considers the NMC to provide  
17 "representative estimates of average weekly volumes over the entire FY 1998 period",  
18 MPA/USPS-50-51, Tr. , Mr. Glick's recommendation to use RCCS volumes  
19 that are also considered representative for the entire FY 1998 period has been  
20 accepted by the Postal Service.

21 The second change to rural carrier costing corrects the error in the parcel and  
22 sector segment evaluation factors discussed on page 16 of this testimony.

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<sup>11</sup> The Postal Service acknowledges that four weeks of RCCS volume should have been used in the Mail Shape Adjustment. MPA/USPS-1 Tr. 21/8913.

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1           Table 4 shows the combined effect of the changes in Base Year 1998 rural  
2 carrier costs.

3           Table 5 shows the combined effect of both city and rural carrier changes for total  
4 Base Year 1998 costs, and estimates the effect of these combined changes on Test  
5 Year 2001 (AR) costs.

6           New CRA spreadsheets for city and rural carriers with the above changes are  
7 filed in USPS-LR-I-450.

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TABLE 4. UPDATED RURAL CARRIER COSTS FOR BASE YEAR 1998

LINE NO	CLASS, SUBCLASS, OR SPECIAL SERVICE	TOTAL C/S 10 AS FILED	TOTAL C/S 10 WITH UPDATES	DIFFERENCE C/S 10	PIGGYBACK FACTORS	DIFFERENCE C/S 10 WITH PIGGYBACKS	PERCENTAGE CHANGE C/S 10
	COLUMN NUMBER UNITS COLUMN SOURCE/NOTES CALCULATIONS	(1) \$(000) USPS-LR-I-80, CS010.xls	(2) \$(000) USPS-LR-I-450, CS10.xls	(3) \$(000) =C2-C1	(4) % USPS-T-21, Attachment 10	(5) \$(000) =C3xC4	(6) % =C3/C1
1	FIRST-CLASS MAIL:						
2	SINGLE-PIECE LETTERS	288,432	299,750	11,318	1.242	14,057	3.9%
3	PRESORT LETTERS	222,696	240,248	17,552	1.242	21,800	7.9%
4	TOTAL LETTERS	511,128	539,998	28,870		35,857	5.6%
5	SINGLE-PIECE CARDS	18,411	17,010	599	1.242	744	3.6%
6	PRESORT CARDS	10,164	10,721	557	1.242	692	5.5%
7	TOTAL CARDS	26,575	27,731	1,156		1,436	4.3%
8	TOTAL FIRST-CLASS	537,703	567,729	30,026		37,292	5.6%
9	PRIORITY MAIL	24,079	30,355	6,276	1.242	7,795	26.1%
10	EXPRESS MAIL	6,133	5,958	(175)	1.242	(217)	-2.9%
11	MAILGRAMS	167	172	5	1.234	6	3.0%
12	PERIODICALS:						
13	IN-COUNTY	15,355	13,614	(1,541)	1.242	(1,914)	-10.0%
14	OUTSIDE COUNTY:						
15	REGULAR	119,587	107,582	(12,005)	1.242	(14,910)	-10.0%
16	NON-PROFIT	35,517	31,951	(3,566)	1.242	(4,429)	-10.0%
17	CLASSROOM	1,010	909	(101)	1.241	(125)	-10.0%
18	TOTAL PERIODICALS	171,469	154,256	(17,213)		(21,378)	-10.0%
19	STANDARD MAIL (A):						
20	SINGLE-PIECE RATE	1,072	1,192	120	1.241	149	11.2%
21	COMMERCIAL STANDARD:						
22	ENHANCED CARR RTE	326,363	304,393	(21,970)	1.242	(27,287)	-6.7%
23	REGULAR	250,762	245,547	(4,615)	1.242	(5,980)	-1.4%
24	TOTAL COMMERCIAL	677,125	650,340	(26,785)		(33,267)	-4.0%
25	AGGREGATE NONPROFIT:						
26	NONPROF ENH CARR RTE	13,918	13,291	(627)	1.242	(779)	-4.5%
27	NONPROFIT	69,221	69,648	427	1.242	530	0.6%
28	TOTAL AGGREG NONPROFIT	83,139	82,939	(200)		(248)	-0.2%
29	TOTAL STANDARD (A)	761,336	734,471	(26,865)		(33,366)	-3.5%
30	STANDARD MAIL (B):						
31	PARCELS ZONE RATE	11,511	15,888	4,377	1.241	5,432	38.0%
32	BOUND PRINTED MATTER	11,761	15,552	3,791	1.242	4,708	32.2%
33	SPECIAL STANDARD	4,192	5,559	1,367	1.241	1,696	32.6%
34	LIBRARY MAIL	805	957	152	1.237	188	18.9%
35	TOTAL STANDARD (B)	28,269	37,956	9,687		12,025	34.3%
36	US POSTAL SERVICE	1,336	1,361	25	1.240	31	1.9%
37	FREE MAIL	734	903	169	1.238	209	23.0%
38	INTERNATIONAL MAIL	2,786	2,949	163	1.241	202	5.9%
39	TOTAL MAIL	1,534,012	1,536,110	2,098		2,588	0.1%
40	SPECIAL SERVICES:						
41	REGISTRY	2,588	2,515	(73)	1.242	(91)	-2.8%
42	CERTIFIED	62,423	60,647	(1,776)	1.242	(2,206)	-2.8%
43	INSURANCE	4,870	4,732	(138)	1.241	(171)	-2.8%
44	COD	2,872	2,789	(83)	1.241	(103)	-2.9%
45	SPECIAL DELIVERY	-	-	-		-	
46	MONEY ORDERS	1,087	1,058	(29)	1.241	(36)	-2.7%
47	STAMPED ENVELOPES	-	-	-		-	
48	SPECIAL HANDLING	-	-	-		-	
49	POST OFFICE BOX	-	-	-		-	
50	OTHER	22	21	(1)	1.182	(1)	-4.5%
51	TOTAL SPECIAL SERVICES	73,862	71,782	(2,100)		(2,808)	-2.8%
52	TOTAL VOLUME VARIABLE	1,607,874	1,607,872	(2)		(10)	
53	OTHER	1,742,818	1,742,818				
54	TOTAL COSTS	3,678,215	3,678,213				

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USPS-RT-13

TABLE 5. CHANGE IN TOTAL CRA COSTS FOR BASE YEAR 1998 AND TEST YEAR 2001 (AR)

LINE NO	CLASS, SUBCLASS, OR SPECIAL SERVICE	CHANGE IN C/S					
		BASE YEAR 1998 CRA, AS FILED	7 AND C/S 10 WITH PIGGYBACKS	BASE YEAR 1998 CRA, WITH CHANGES	PERCENTAGE CHANGE	TEST YEAR 2001(AR), AS FILED	TEST YEAR 2001(AR) WITH CHANGES
	COLUMN NUMBER UNITS COLUMNS NOTES CALCULATIONS	(1) \$(000) USPS-LR-4-80	(2) \$(000) Tables 3 & 4	(3) \$(000) C1 - C2	(4) % (C3-C1)/C1	(5) \$(000) USPS-LR-4-8	(6) \$(000) C3 x (1 + C4)
1	FIRST-CLASS MAIL:						
2	SINGLE-PIECE LETTERS	12,412,946	(84,784)	12,328,162	-0.7%	12,925,691	12,837,426
3	PRESORT LETTERS	4,167,656	(154,960)	4,012,676	-3.7%	5,098,247	4,908,661
4	TOTAL LETTERS	16,580,602	(239,744)	16,340,858	-1.4%	18,023,938	17,763,324
5	SINGLE-PIECE CARDS	519,574	(9,255)	510,319	-1.8%	526,750	517,368
6	PRESORT CARDS	147,145	(7,734)	139,411	-5.3%	168,719	159,851
7	TOTAL CARDS	666,719	(16,989)	649,730	-2.5%	695,469	677,747
8	TOTAL FIRST-CLASS	17,247,321	(256,733)	16,990,588	-1.5%	18,719,407	18,440,761
9	PRIORITY MAIL	2,395,877	140	2,396,017	0.0%	2,887,653	2,887,622
10	EXPRESS MAIL	384,814	23,301	407,915	6.1%	469,253	497,682
11	MAILGRAMS	1,105	(31)	1,074	-2.8%	976	949
12	PERIODICALS:						
13	IN-COUNTY	76,873	(11,008)	65,865	-14.3%	79,412	68,040
14	OUTSIDE COUNTY:						
15	REGULAR	1,749,726	(84,988)	1,664,738	-4.9%	1,933,256	1,839,353
16	NON-PROFIT	362,146	(25,313)	336,833	-7.0%	379,093	352,596
17	CLASSROOM	13,991	(724)	13,267	-5.2%	13,692	12,983
18	TOTAL PERIODICALS	2,202,736	(122,034)	2,080,702	-5.5%	2,405,453	2,272,188
19	STANDARD MAIL (A):						
20	SINGLE-PIECE RATE	213,627	121	213,748	0.1%	-	-
21	COMMERCIAL STANDARD:						
22	ENHANCED CARR RTE	2,234,455	(288,683)	1,945,772	-13.4%	2,398,576	2,078,000
23	REGULAR	3,339,163	(167,310)	3,171,853	-3.0%	6,971,212	6,760,495
24	TOTAL COMMERCIAL	7,769,648	(465,993)	7,303,655	-6.0%	9,369,838	8,807,871
25	AGGREGATE NONPROFIT:						
26	NONPROF ENH CARR RTE	169,833	(11,828)	158,005	-7.0%	196,943	183,227
27	NONPROFIT	1,130,549	(41,858)	1,088,691	-3.7%	1,312,948	1,264,336
28	TOTAL AGGREG NONPROFIT	1,300,382	(53,686)	1,246,696	-4.1%	1,509,891	1,447,555
29	TOTAL STANDARD (A)	9,283,657	(519,558)	8,764,099	-5.6%	10,879,729	10,270,847
30	STANDARD MAIL (B):						
31	PARCELS ZONE RATE	861,780	3,340	865,120	0.4%	1,067,100	1,071,236
32	BOUND PRINTED MATTER	394,443	(461)	393,982	-0.1%	467,516	466,970
33	SPECIAL STANDARD	247,598	306	247,904	0.1%	293,849	294,213
34	LIBRARY MAIL	41,051	(584)	40,467	-1.4%	46,287	45,629
35	TOTAL STANDARD (B)	1,544,872	2,802	1,547,674	0.2%	1,874,752	1,877,909
36	US POSTAL SERVICE	262,798	(1,421)	261,377	-0.5%	286,649	285,207
37	FREE MAIL	33,441	16	33,457	0.0%	39,364	39,363
38	INTERNATIONAL MAIL	1,311,481	(2,913)	1,308,568	-0.2%	1,395,040	1,391,941
39	TOTAL MAIL	34,667,902	(876,632)	33,791,270	-2.5%	38,938,276	37,953,661
40	SPECIAL SERVICES:						
41	REGISTRY	89,336	363	89,699	0.4%	83,275	83,579
42	CERTIFIED	402,771	89,754	472,525	17.3%	447,067	524,515
43	INSURANCE	81,858	4,730	86,588	7.7%	75,121	80,884
44	COD	14,171	2,894	16,065	19.0%	14,674	17,464
45	SPECIAL DELIVERY	1	-	1	0.0%	1	1
46	MONEY ORDERS	122,800	(36)	122,764	0.0%	150,236	150,195
47	STAMPED ENVELOPES	18,319	-	18,319	0.0%	15,598	15,598
48	SPECIAL HANDLING	2,221	-	2,221	0.0%	2,421	2,421
49	POST OFFICE BOX	473,477	1	473,478	0.0%	574,855	574,856
50	OTHER	90,832	11	90,843	0.0%	135,967	135,984
51	TOTAL SPECIAL SERVICES	1,283,586	77,517	1,361,103	6.0%	1,499,238	1,589,778
52	TOTAL VOLUME VARIABLE	35,951,488	(799,115)	35,152,373	-2.2%	40,437,514	39,538,686
53	OTHER	23,815,029				27,029,845	
54	TOTAL COSTS	59,566,517				67,467,159	

# EXHIBIT USPS-RT-13A

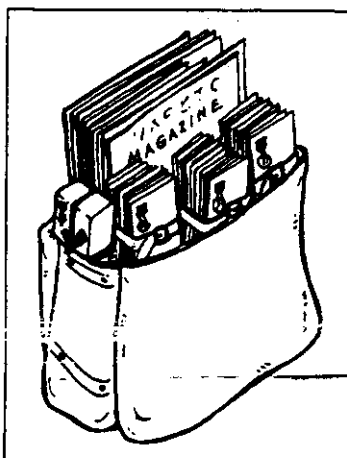
## PAGE 1

Office Time — Preparation

28

### 272 Carry-Outs — Packing the Single Satchel

- 272.1 Strap out the carry-out mail (letters and flats) as described for relayed mail, and number each bundle.
- 272.2 Place registered and other special articles in pocket of satchel.
- 272.3 Pack the bundles bearing highest numbers at bottom of satchel and work up so that number one bundle will be on top. The mail will then be packed in the order of delivery.
- 272.4 Pack the bottom of satchel solid and stand first bundles of flats on end, on top of bottom row, with addresses on top so they can be easily read when carrying the satchel.



### 273 Carry-Outs — Packing the Double Satchel

When using the Double Satchel in a configuration with the waist belt, the satchel must be put on first and then loaded with mail. Carriers are required to carry the appropriate amount of mail, up to the 35 pound limit, to complete each assigned relay without additional trips to the vehicle or relay box. Carriers should use their discretion in arranging mail in the Double Satchel to ensure the most efficient methods and comfortable weight distribution.

### 274 Motorized Routes

All mail on a motorized route is carry-out mail (see part 322).

## 28 Carrier-Auxiliary Control

Prepare Form 3996, *Carrier-Auxiliary Control* (see exhibit 28) as follows:

- a. *Items C, D, and E.* Enter the date (C); route number and name (D); lunch place and time, if applicable (E).
- b. *Item F.* Place an X in the space below the number indicating the case shelf containing the mail for which assistance is being requested. The bottom shelf of the letter separations is designated No. 1. When

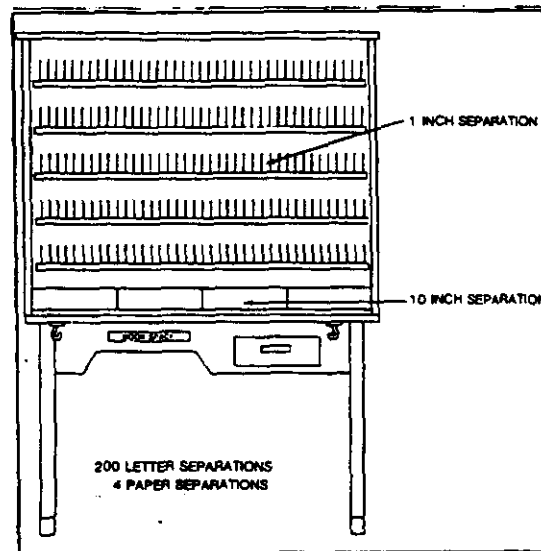


EXHIBIT USPS-RT-13B  
PAGE 1 OF 10

Office Time -- Preparation

221.2

## 22 Casing and Preparing Mail



### 221 Carrier Cases

#### 221.1 Description

- 221.11 Small separations (1" or 2" wide) are for letters.
- 221.12 Wide separations (approximately 10" wide) are for magazines, papers, and large flats.
- 221.13 The street numbers on a carrier case are placed in the order carrier serves his route.
- 221.14 The first delivery on the route is at the left side of the lowest shelf for letters and flats.
- 221.15 The numbers run from left to right with the last delivery at the right side of the uppermost shelf for letters and flats.

#### 221.2 Arrangement of Separations

The standard city carrier case normally may utilize 4, 5, or 6 evenly spaced shelves with 40 one-inch separations in each as outlined in the Memorandum of Understanding dated September 17, 1992. The dividers are removable so that wider separations can be made for flat mail and for customers receiving larger volume. The basic case may be further modified by adding wings, similar to the basic case, to provide for an even greater volume of paper and flat mail or for a greater number of separations for letter-size mail.

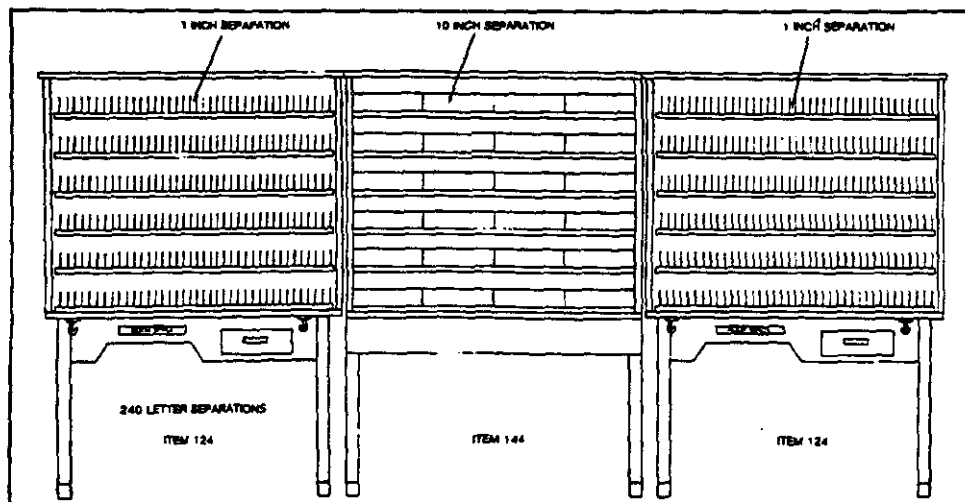
# EXHIBIT USPS-RT-13B PAGE 2 OF 10

221.3

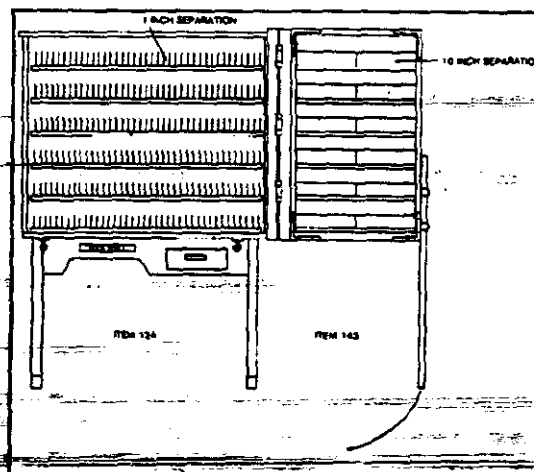
Office Time — Preparation

## 221.3 Modified Carrier Cases

- 221.31 This case is arranged to provide for 240 one-inch separations for letter-size mail and 24 separations for flat mail. Twelve separations may be used for flats by one carrier and twelve by the adjoining carrier.



- 221.32 This case provides 6 shelves for letter mail and the entire flat paper wing case (12 separations) for flats.

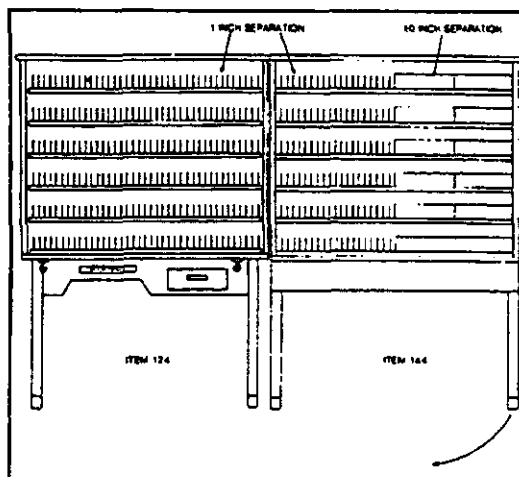


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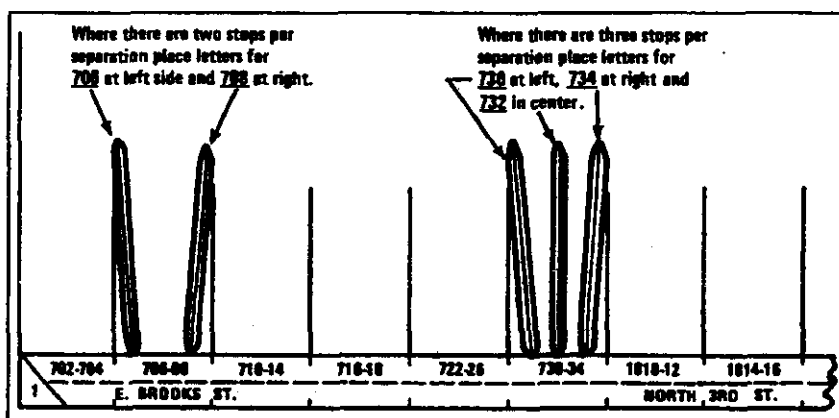
221.42

- 221.33 This case, with wing, shows how the separations may be arranged when more than 6 rows of separations are needed for letters. When so arranged, all are within reach and mail will not have to be rehandled.



## 221.4 Letter Separations

- 221.41 If possible, letter separations should contain not more than two numbers of deliveries, particularly on motorized routes, so mail can be distributed in the order of delivery. This is done by placing mail for one number at the left side of separation and one at the right side.
- 221.42 When necessary to use three numbers per separation, mail for the middle address should protrude from the case in order to sequence without rehandling.



## EXHIBIT USPS-RT-13B

### PAGE 4 OF 10

221.5

Office Time — Preparation

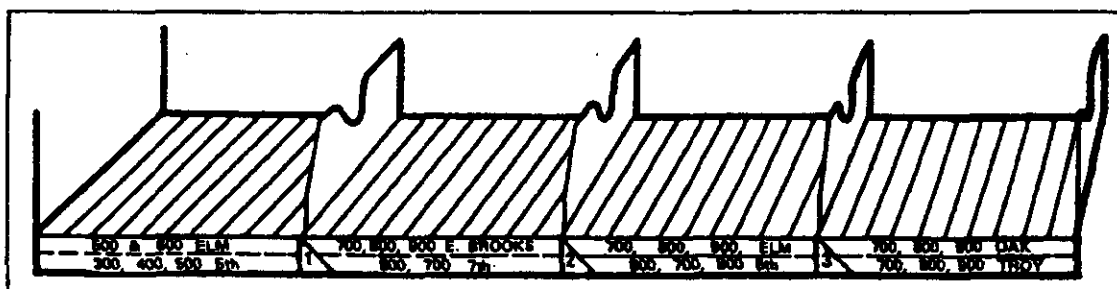
#### 221.5 Identifying Relays

Each *relay* (see glossary) is identified by a number on the label of the letter separations. The number is placed under a diagonal line directly under the first street number of the relay to be served.

RELAY MARK									
704	706-08	710-14	716-18	722-26	730-34	1810-12	1814-16	1	
E. BROOKS ST.									

#### 221.6 Number Arrangement for Flat Separations

Each wide or flat separation contains a series of street numbers which generally embraces the carry-out and relays. The first separation is the carry-out, and subsequent separations are for relays that cover the same territory as the letter separations and in the same order from lower left to upper right. To the extent possible, these flat separations should embrace the same territory as for each *relay* on the letter case and, therefore, should bear the relay number of the related letter separation and the streets and block numbers included in each relay.



221.7 Flat cases may be configured to accommodate Vertical Flat Casing (VFC). The use of four and five shelf cases is permitted under the VFC method. VFC guidelines issued in January 1990 provide additional information concerning this matter.

221.8 Under certain conditions letter cases may be configured to four and five shelves in lieu of six-shelf cases. The Memorandum of Understanding on Case Configuration, dated September 17, 1992, provides guidelines on this matter.

#### 222 Systems for Casing and Preparing Mail

As a general rule, three basic systems are commonly used for casing and preparing mail for delivery. Management may prescribe any one of these methods, but for efficiency and economy, some degree of uniformity should be maintained. However, more than one casing system at an installation may be used for the particular type of route served. The three basic systems are:

# EXHIBIT USPS-RT-13B PAGE 4 OF 10

221.5

Office Time — Preparation

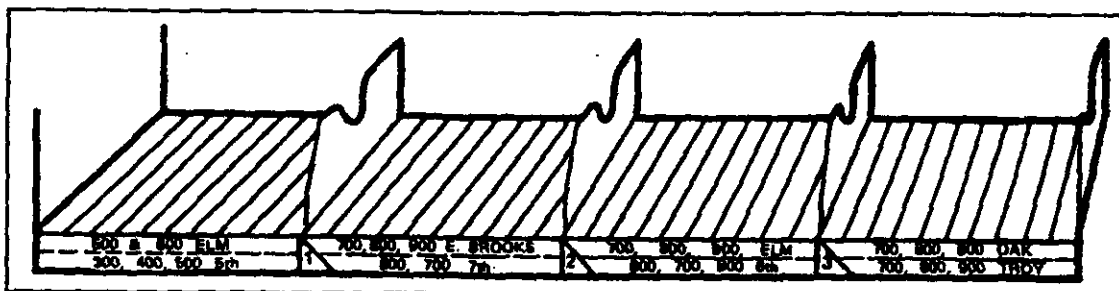
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RELAY MARK							
704	706-08	710-14	716-18	722-26	730-34	1810-12	1814-16 1
<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 10px; margin-right: 5px;"></div> <div style="flex-grow: 1; text-align: center;">E BROOKS ST.</div> </div>							

## 221.6 Number Arrangement for Flat Separations

Each wide or flat separation contains a series of street numbers which generally embraces the carry-out and relays. The first separation is the carry-out, and subsequent separations are for relays that cover the same territory as the letter separations and in the same order from lower left to upper right. To the extent possible, these flat separations should embrace the same territory as for each *relay* on the letter case and, therefore, should bear the relay number of the related letter separation and the streets and block numbers included in each relay.



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## 222 Systems for Casing and Preparing Mail

As a general rule, three basic systems are commonly used for casing and preparing mail for delivery. Management may prescribe any one of these methods, but for efficiency and economy, some degree of uniformity should be maintained. However, more than one casing system at an installation may be used for the particular type of route served. The three basic systems are:

# EXHIBIT USPS-RT-13B

## PAGE 5 OF 10

Office Time — Preparation

222

- a. **One-Bundle System.** Arrange all separations on case for letter mail. Case magazines, newspapers, and flats with letter-size mail. Withdraw and strap out letter and flat mail together. Note: When a one-bundle system is used, a single sequenced mailing shall not be cased but shall be taken out for delivery as a second bundle. When directed by management to deliver letter-size and flat-size sequenced mailings on the same day, handle mailings as follows: (1) Foot carriers — case letter-size mailings and carry flats as a second bundle. (2) Motorized carriers serving curb delivery routes — treat letter-size mailings as a second bundle and the flat-size mailing as a third bundle. Additional sequence mailings shall be collated or cased as directed by your manager.
- b. **Two-Bundle System.** Arrange top or bottom row of case to provide separations for magazines, newspapers, and flats and remaining rows for letter separations. Case letter-size and other mail separately. Withdraw and strap out in separate bundles. Number of paper separations may vary when approved by a manager. Some offices provide additional sections or use surplus cases for more paper separations. Note: (1) Foot Carriers. (a) Case letter-size sequenced mailing. (b) Collate sequenced flat-size mailing with other size flat mail. (c) Case or collate additional sequenced mailings as directed by your manager. (2) Motorized Carriers Serving Curb Delivery Routes. (a) Carry as a third bundle a sequenced mailing. (b) If two sets of sequenced mailings (letter-size and flat-size) are for same day delivery as directed by your manager, case letter-size pieces and carry flats as a third bundle. (c) Case or collate additional sequenced mailings as directed by your manager.
- c. **Modified Two-Bundle System.** Arrange all separations on case for letter mail. Case newspapers, magazines, and flats first in letter separations and withdraw and strap out before casing and tying out letter-size mail. Do this only when first-class mail, including markups, will not be delayed.

In addition to the systems described in a, b, and c above, there are options concerning how residual mail in a Delivery Point Sequence environment is to be cased and handled. Listed below are the two (2) approved methods; however, see the Memorandum of Understanding dated September 17, 1992, for other options:

**Composite Bundle.** Residual mail is cased and strapped out separately. For each relay, street, block, etc., the residual bundle of letter mail is carried along with the DPS letter mail bundle. Flats are carried separate from these letter bundles.

**Casing Letters in the Vertical Flat Case.** Residual mail is cased in the same case with the vertically cased flats. Letters and flats are withdrawn and strapped out together in a single bundle. The DPS letter mail is carried separately.

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PAGE 6 OF 10

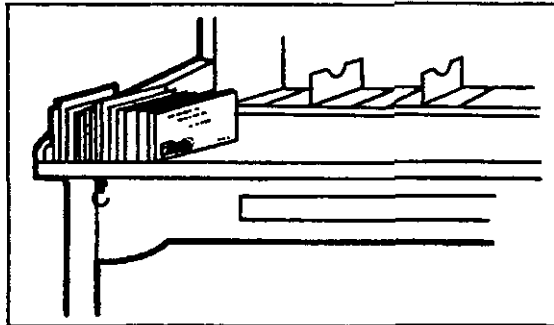
223

Office Time — Preparation

## 223 Pre-Casing Procedures

### 223.1 Letter-Size Mail

- 223.11 Withdraw letter mail from city distribution cases unless mail has already been placed on carrier's case ledge by a mail handler or clerk.
- 223.12 Place letter mail on carrier case ledge with stamps down, facing to the right side of ledge.



- 223.13 Obtain mail from tray cart or hamper when mail is so provided.
- 223.14 If mail is received in bundles, open the bundles and place mail on ledge. Deposit facing slips and twine in waste receptacles.
- 223.15 Keep First-Class separate from Periodicals, *but make no attempt to separate them if they are mixed.*
- 223.16 In offices under *expedited preferential* mail system, a city carrier normally sorts only preferential and time-value mail before leaving to serve his route. Casing of non-preferential mail is done in the afternoon when he returns to the delivery unit.

### 223.2 Magazines, Papers, and Other Flat Mail

- 223.21 Withdraw magazines, papers, and other flat mail from flat cases and place neatly in basket or on floor at case when they are not at carrier case upon reporting. Don't obstruct aisle space or create a tripping hazard.
- 223.22 If the flats for your route are received in sacks, remove the flats promptly, and stack neatly on the floor or in hampers when provided. Examine sacks after dumping to insure that sacks are empty. Place empty sacks in the designated receptacle after removing sack labels.

## 224 Casing Letter-Size Mail

### 224.1 Learning Carrier Line of Travel

- 224.11 Study for a few minutes the streets and numbers in the order the route is served, from left side of lowest shelf of letter separations to right side of top shelf.

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PAGE 7 OF 10**

Office Time — Preparation

224.21

- 224.12 Memorize the line of travel for the first two rows (three rows, if case is a simple one). Memorize the line of travel by using blocks instead of numbers:
- For example, the carrier serves Main Street from 1 to 399 on the odd side of the street, then the even side from 398 to 2, next the odd side of State Street, 1 to 299, and the even, 298 to 2.
  - This can best be remembered as follows: Up the odd side and down the even side of Main Street 1 through the 300 block — up the odd side and down the even side of State Street 1 through 200 block.
- 224.13 Determine if the street is *looped* or *criss-crossed* (see Glossary and exhibit 122.11).
- 224.14 After 5 or 10 minutes study, with the delivery pattern fixed in mind, sort the mail for the rows learned and separate the balance on the case ledge by streets or blocks — each street or block of street in a separate pile.
- 224.15 After all the letter mail has either been distributed in the rows, and/or sorted on the ledge, sort the mail for the next street which appears on the separations of the next row. Repeat this procedure, street by street and row upon row, until all the mail has been distributed.
- 224.16 Continue the memorizing and learning process until the entire case is learned.
- 224.17 Hold to one side — letters for streets and block numbers of streets which do not appear on the case. These are probably intended for other routes but have been missorted:
- Return missorts to the distribution case before leaving on any trip and as far in advance of leaving time as possible.
  - However, misthrows that can be handed to a nearby carrier should not be returned for distribution.
- 224.18 Endorse mail not deliverable at your unit (if known) with your route number and initials. *Exception:* To avoid defacement of philatelic mail, place your initials and route number on a facing slip and attach to letter.
- 224.2 **Coordinating Eyes and Hands**
- 224.21 Pick up a solid handful of mail with the left hand. Since the stamps are down and facing to the right, the mail will be in the proper reading position when picked up.

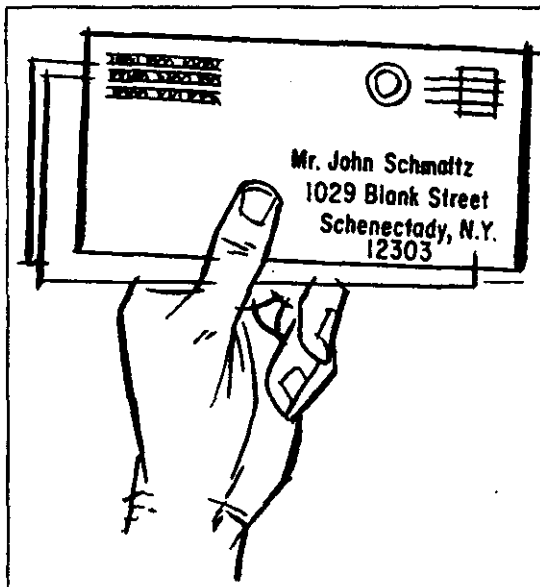


**EXHIBIT USPS-RT-13B**  
**PAGE 8 OF 10**

224.22

Office Time — Preparation

- 224.22 Push the top letter slightly forward with the left thumb so that the right thumb and index finger can grasp the outer edge of letter. The left thumb serves as a feeder.



- 224.23 Read the address only. Develop sight recognition of addresses as whole units.

THIS: 11958 State Street or 482 West Main

NOT THIS: 1-1-9-5-8 State Street; 4-8-2 West Main

- 224.24 Recall the correct separation and place the letter on shelf at right or left side of separation to correspond with number.
- 224.25 As letter is pushed fully into separation, position eyes on next letter and push next letter forward with left thumb. The right hand then returns to pick up this letter for placing into the proper separation.
- 224.26 Follow the same procedure in the distribution of each letter, and coordination of eyes, hands, fingers, and memory will improve until the process becomes automatic.

## 225 Casing Magazines, Papers, Flats, etc.

### 225.1 Two-Bundle System

- 225.11 Review line of travel for as many flat separations as correspond with two or three rows of letter separations.
- 225.12 Sort the flats into the proper separations — the memorized streets and numbers — and sort the balance by streets, on the ledge.

**EXHIBIT USPS-RT-13B  
PAGE 9 OF 10****Office Time — Preparation****225.18**

- 225.13 Next sort the mail separated by streets, starting with the street not yet learned. Repeat this procedure street by street, until all mail has been distributed.
- 225.14 Continue the memorizing and learning process until all separations are learned.
- 225.15 Starting with the first separation, withdraw mail from case and place it in sequence of delivery — the same order of delivery as the letter mail. Route mail for remaining separations in order of delivery.
- 225.16 Sort stiff cardboard articles (X-ray pictures, etc.) and large newspapers and magazines on ledge, usually by relays; then route them in sequence of delivery. A letter may be reversed in the letter separation for a customer receiving a parcel or odd-sized article that cannot be routed in the flat separations. This will serve as a reminder when on the route that there is a large or odd-sized piece for the customer.
- 225.17 Route and strap separately quantity mailings of addressed merchandise samples and similar items, if these cannot fit in the case separations. Motorized carriers may place this type of mail in trays or cartons instead of using straps.
- 225.18 Observe following procedures in handling address cards received for delivery of merchandise samples:
  - a. Foot Carriers
    - (1) Separate address cards to normal number of relay points, removing undeliverable cards, and notify unit manager of the total number of deliverable address cards.
    - (2) After unit manager determines the total number of cards to be delivered on individual routes each day, remove from relay stacks the quantity of cards for delivery so that each relay will have approximately the same number of samples.
    - (3) Route the selected address cards in the proper letter case separations.
    - (4) Withdraw the cards with other cased letter-size mail, making no attempt to keep address cards separate.
    - (5) Repeat steps (2), (3), and (4) until all cards and samples are delivered.
  - b. Motorized Carriers
    - (1) After unit manager determines the number of cards to be delivered on individual routes each day, route the same number of cards in the letter case separations, removing undeliverable cards. Notify manager of the number of deliverable cards.
    - (2) Withdraw cards with other cased letter-size mail, making no attempt to keep address cards separate.
    - (3) Continue this procedure until all cards and samples are delivered.

**EXHIBIT USPS-RT-13B**  
**PAGE 10 OF 10****225.2****Office Time — Preparation****225.2 Modified One-Bundle System**

- 225.21 Fold all mail (except stiff cardboard articles, X-ray pictures, large greeting cards, and large newspapers and magazines) and sort it in letter separations.
- 225.22 Sort stiff cardboard articles, X-ray pictures, etc., and large newspapers and magazines on ledge, usually by relays on foot routes, and then route them in sequence of delivery. A letter may be reversed in the letter separation for a customer receiving a parcel or odd-sized article which cannot be routed in the letter separations. This will serve as a reminder when on the route that there is a large or odd-sized piece for customer.
- 225.23 Route and strap separately quantity mailings of addressed merchandise samples and similar items, if these cannot fit in the case separations. Motorized carriers may place this type of mail in trays or cartons instead of using straps.
- 225.24 Observe the same procedures in handling address cards received for delivery of merchandise samples as outlined in two bundle system (see section 225.1).

**ATTRIBUTION OF COST FOR LOADING PARCELS ONTO VEHICLES  
BASE YEAR 1998, COMMISSION COSTING METHOD**

	<b>Mail Class</b>	<b>Total Cost to Load Parcels</b>	<b>Volume Variable Cost to Load (Sequence) Parcels Using In- Office Casing Variability</b>	<b>Volume Variable Cost to Load Parcels Using Average Parcel Load Time Variability</b>
		<b>[A]</b>	<b>[B]</b>	<b>[C]</b>
[1]	<b>Priority Mail</b>	8,962	7,975	676
[2]	<b>Standard B</b>			
[3]	Parcels Zone Rate	4,676	4,161	353
[4]	Bound Printed Matter	4,022	3,579	303
[5]	Special Standard	1,831	1,629	138
[6]	Library Mail	283	252	21
[7]	<b>Total Standard B</b>	10,812	9,622	815
[8]	<b>Total</b>	19,774	17,597	1,491

**Notes:**

[A] Exhibit UPS-T-5C, page 1, column 4

[B] Exhibit UPS-T-5C, page 1, column 5 ([A] \* in-office casing variability of .8899

[C] [A] \* weighted parcel load time variability of .0754, calculated on Page 2 of Exhibit USPS-RT-13

## EXHIBIT USPS-RT-13C

Page 2 of 2

## CALCULATION OF WEIGHTED PARCEL LOAD TIME VARIABILITY

		SDR	MDR	BAM	Total
		[A]	[B]	[C]	[D]
[1]	Distributed Load Cost	1,571,780	948,109	336,286	2,856,175
[2]	Percent Distributed Load Cost	55.0%	33.2%	11.8%	
[3]	Parcel Load Time Variability	8.79%	6.10%	5.79%	
[4]	Weighted Parcel Load Time Variability				7.54%

## NOTES:

- [1] USPS-LR-I-130, WS 7.0.4.2, L9  
 [2]  $[A]=[A1]/[D1]$ ;  $[B]=[B1]/[D1]$ ;  $[C]=[C1]/[D1]$   
 [3] USPS-LR-I-130, WS 7.0.4.1, L16  
 [4]  $[A2]*[A3] + [B2]*[B3] + [C2]*[C3]$

EXHIBIT USPS-RT-13D.1  
PAGE 1 OF 6

## 6 Parcel Post

### 61 Time Recording

#### 611 Timecards (Non-PSDS/ETC Offices)

##### 611.1 Reporting at Delivery Unit

CT	CH	NO	OT	WOP	DL	SL	AL	SCHED.	INITIALS	TIME
										550 M
										700 M

Record on Forms 1230 and 1234, Trip Card, the starting and ending time of tour.

If lunch period is scheduled at office, record in middle spaces.

##### 611.2 Reporting at Garage Other than Delivery Unit

CT	CH	NO	OT	WOP	DL	SL	AL	SCHED.	INITIALS	TIME
										552 Tu
										700 Tu

Record on Form 1232 when starting and/or ending at other than delivery unit.

Record time on Form 1234 for each trip same as explained in 612.1 below.

**612 Form 1234, Utility Card****612.1 Recording Time for Each Trip**

The diagram illustrates the layout of Form 1234, Utility Card. It features a central grid with columns for 'DATE' and 'TIME'. The grid is divided into sections for recording time for each trip. On the left side, there are labels for 'Time starting in office each trip.', 'Time leaving the office.', and 'Time ending each trip.'. On the right side, there are labels for 'Time returning to office.' and 'Time ending each trip.'. The grid contains several rows, each representing a trip, with time slots filled in for recording.

**612.2 Recording Type of Service**

Enter the type of service performed, such as C for collection, R for relays, RC for relay and collection, and PP for parcel post. (When more than one collection run is made or the tour consists of a series of collection runs and there is little or no office time before or after each run, only two recordings — leaving and returning — are necessary for each run.)

**613 Form 4570, Vehicle Time Record**

(See part 833.)

**62 Office Procedures Before Leaving****621 Obtaining and Inspecting Truck**

- 621.1 The manager in charge or the dispatcher will indicate the vehicle to be used when he/she assigns the route to be served (see part 831).
- 621.2 Check trucks for defects. See part 832 for inspection procedures and part 842 for reporting defects.

**622 Systems Used****622.1 Hamper System**

Parcels are distributed into hampers. Each hamper covers a prescribed area. The delivery employee sets up the parcels in order of delivery as he/she loads the truck.

**622.2 Sack System**

- 622.21 Sacks are numbered consecutively in order of delivery, and each sack contains all sackable parcels for a prescribed area.

# EXHIBIT USPS-RT-13D.1

## PAGE 3 OF 6

Parcel Post

623.2

- 622.22 Parcels too large or too heavy to be placed in sacks are termed *outsides* and are numbered to correspond with sacks containing parcels for the same area.

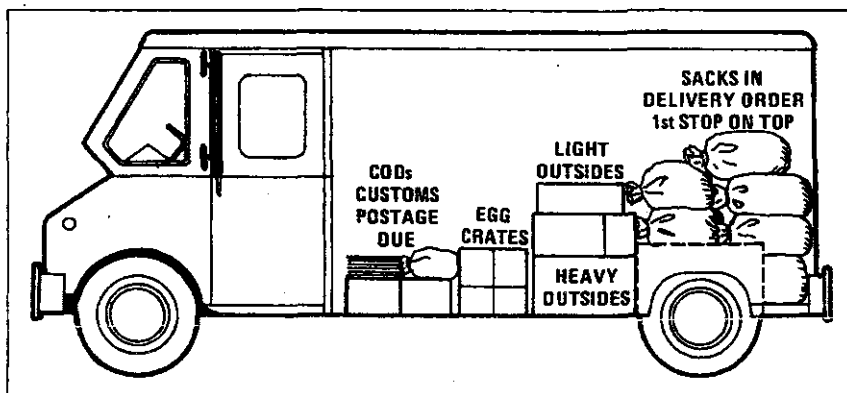
### 623 Loading Truck

#### 623.1 Parcel Post

Sacks of parcel post, outside pieces, and special services items should be loaded in the vehicle so as to facilitate delivery in the following way:

- a. Place outsides, CODs, Customs and postage due, registers on inside floor of truck, directly behind driver's partition (see exhibit 623.1).

Exhibit 623.1



- b. Place egg crates flat and heavy *outsides* on the floor.
- c. Put fragile and lighter *outsides* on top of pile.
- d. Load sacks flat, behind *outsides*.
- e. Keep butt ends of sacks toward the tail gate.
- f. Place sacks on top of each other in delivery order, first sacks to be delivered on top.
- g. Keep a free work space directly behind the sliding door.
- h. Check and remove sack label, empty first sack to be delivered, and combine contents with its corresponding *outside* pieces.
- i. Check to be certain that sack is empty. Fold it with cord and fastener in the fold and stack it neatly.
- j. When sack routing system is not used, place parcels on floor and stack them in order of delivery with first parcels to be delivered on top.

#### 623.2 Parcel Post and Relay Combined

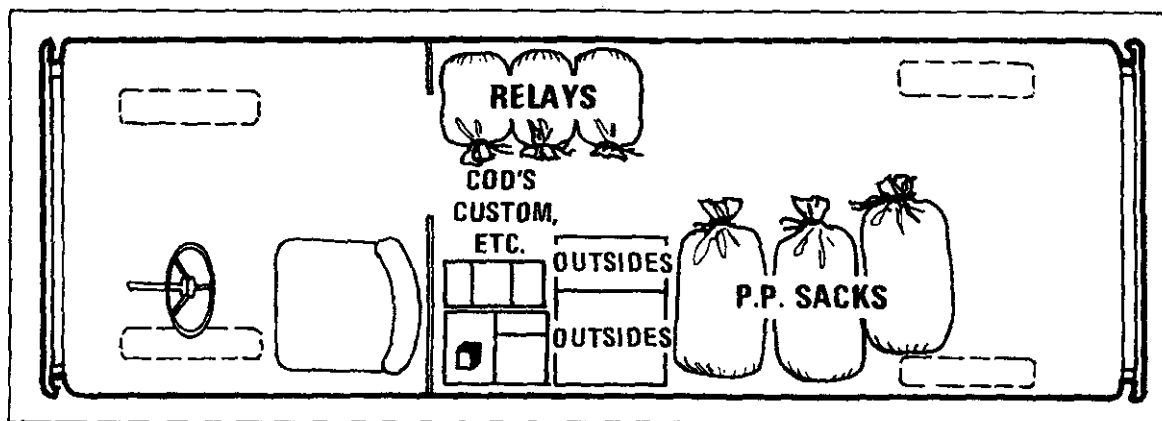
Load sacks of parcel post, outside pieces, and special services items as follows:

- a. Load *outsides*, CODs, etc., as in 623.1.
- b. Load parcel sacks, or loose parcels when sack routing system is not used on left half of truck with butt end against side.



- c. Load relay sacks on right-hand side of the truck, in delivery order. When relays are delivered there will be room for dumping parcel post (see exhibit 623.2).

Exhibit 623.2



## 624 Preparing Parcels for Delivery

- 624.1 Dump Sack No. 1 *only* at the dock and arrange the parcels in order of delivery, including outside parcels and special services articles for the same area.
- 624.2 Route parcels to insure shortest distance between stops and to prevent deadheading or excessive travel distance.
- 624.3 Dump Sack No. 2, when last parcel has been delivered from Sack No. 1, and align as for Sack No. 1.
- 624.4 Remove sack label before dumping sack. Fold sacks placing cord and fastener in the fold, and pile sacks neatly.
- 624.5 When the sack routing system is not used, arrange parcels in order of delivery as they are removed from the hampers and placed in the vehicle.

## 625 Damage Control of Parcels

- 625.1 All employees engaged in the handling of parcel post are responsible for insuring that parcels are distributed and delivered in good condition. Take care to avoid throwing, stepping on, or otherwise mistreating parcel post. Give particular attention to fragile and perishable items.
- 625.2 If you discover a damaged parcel in the office, bring it to the attention of your manager. If you discover one on the street, make a notation on the damaged parcel; indicate — received in bad condition and cause of damage (if known). If contents are obviously damaged, return the parcel to your delivery unit for appropriate disposition.

**EXHIBIT USPS-RT-13D.1  
PAGE 5 OF 6**

Parcel Post

635

## **63 Route Procedures**

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### **631 Delivery of Parcel Post**

- 631.1 Determine if someone is available at the address by ringing the doorbell or knocking on the door.
- 631.2 While waiting for customer to respond, scan the parcel to verify whether:
  - a. A receipt is required.
  - b. Postage due or other charges are to be collected.
  - c. A return receipt is requested.
  - d. Delivery is restricted.
  - e. The carrier release endorsement is used.
- 631.3 Prepare receipts as explained in chapters 2 and 3.
- 631.4 Obtain receipts and collect funds as explained in chapter 3 for special services mail.
- 631.5 If the parcel cannot be delivered for any reason, follow the procedures in chapter 3.
- 631.6 Endorse the article appropriately and return it to the office.

### **632 Relay and Collection Schedule**

The relay and collection schedule lists the order in which relays are delivered to relay boxes and mail is collected from street boxes, mail chutes, and other collection points. Observe schedule and report any deviations and/or curtailments on Form 1571.

### **633 Delivering Relays and Collecting Mail**

- 633.1 Proceed to first relay point on schedule for which there is a relay.
- 633.2 Remove empty sacks from relay boxes and deposit relay. Make certain that each box is securely locked. Fold sack with cord and fastener in the fold and stack neatly in truck.
- 633.3 Proceed with your assignment according to your instructions or schedule.
- 633.4 When a plastic collection test card has been deposited at any collection point, withdraw the plastic card from the mail during collection and hand to your designated manager on arrival at the office.

### **634 Delivery of First-Class to Firms**

Deliver First-Class firm mail as prescribed by local instructions.

### **635 Undeliverable Parcels**

Endorse all undeliverable parcels as explained in 335.2.

## 64 Office Procedures on Return

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### 641 Clearance for Accountable Items

Obtain clearance of parcel post special services items — special request parcels, CODs, postage due, registers, customs duty, and keys — as explained in subchapter 43.

### 642 Use of Curtailment Form — Form 1571

When delivery of parcel post is curtailed for any reason, prepare Form 1571 as explained in part 422.

### 643 Servicing of Truck

See part 841.

**EXHIBIT USPS-RT-13D.2**  
**PAGE 1 OF 2**

116.82

Administration of City Delivery Service

preparation of mail into clusters or groupings for the purpose of achieving greater processing and/or carrier sortation efficiency. Using the ZIP+4 segment concept, segmentations may be prepared by customers or contract personnel prior to entry, or in postal operations prior to dispatch or receipt by the carrier. Examples of segmentations include but are not limited to mail grouped by: unique ZIP+4 code, ZIP+4 blockface, multi-tenant buildings, box sections (including Neighborhood Delivery and Collection Box Units), or individual addresses.

**116.82 Identifying Potential Segmentations for Distribution**

Efficiency should be the determining factor when selecting segmentations which should be prepared for distribution, with consideration for factors such as mail volume, workhours, possible deliveries, address hygiene, and other operational or service needs. The delivery unit manager must periodically review existing segmentations for carrier routes. This may result in the establishment of more segmentations or the replacement of current ones.

**116.83 Segmentations Requested but Not Made by Mail Processing**

Where the delivery unit manager determines a need for segmentations by Mail Processing but there are operational or time constraints which prevent implementation, Customer Services or Delivery Services should perform the sortation using the most efficient methods and equipment available or obtainable.

**116.84 Segmentations Made by Carriers**

116.841 When a carrier is required to segment mail for a high volume delivery point, consider locating a separation large enough to accommodate the mail volume. This separation may be located in the lower, easy to reach, portion of the case, not necessarily in the sequence of delivery. The label under the separation must clearly indicate the address and/or ZIP+4 code of the separation.

116.842 *Restrictions.* Carriers must not distribute individual letters or flats directly to sacks or other containers.

**116.9 Parcel Post****116.91 Receipt of Parcel Post**

The receipt of parcel post at the delivery unit can have a substantial impact on the overall efficiency of carrier operations. There are two ways parcels may be made up: (1) parcels may be received in sacks for individual routes, or (2) they may come undistributed to routes. Either way, parcels are needed early in the morning, since otherwise the carriers' leaving times could be delayed. Early availability of parcel post also permits the delivery unit manager to direct carriers to load vehicles with parcels earlier on light days if undertime occurs.

**116.92 Parcel Post — Received in Sacks Made Up to Route**

When parcels are received at the unit in sacks made up to carrier route, sacks for each route should be placed in a designated location on the line of

**EXHIBIT USPS-RT-13D.2**  
**PAGE 2 OF 2**

Administration of City Delivery Service

117.1

travel from the carrier case to the vehicle. Sacks and outsides must be clearly identified and carriers must not be required to sort through sacks or parcels looking for mail for the route.

**116.93 Parcel Post — Distributed to Routes at the Unit**

If parcels are to be distributed at the delivery unit, they may be sorted directly into hampers identified by route numbers. The use of large enough hampers will permit the carrier to put other mail on top of the parcels and make one trip to the vehicle.

**116.94 Undistributed Parcel Post at the Unit**

Whether or not parcels from early dispatches are received, distributed to routes, or are distributed in the unit, some undistributed parcels may be included in the close-out dispatch. These parcels are to be worked and placed with the other parcels for each route. If the late arrival of parcels causes operating difficulties, the delivery unit managers must use appropriate channels to inform mail processing managers of the need for advancing the arrival of parcels at the delivery unit.

**117 Utilizing Work Area and Equipment**

**117.1 Workroom Floor Layout**

The workroom floor must be arranged to minimize walking and to facilitate an orderly flow of mail and equipment. Attention must also be given to selection and layout of authorized equipment that will be used by carriers at a detached unit (e.g., a carrier-staffed mailroom in a large office building) as follows:

- a. *Time Recording Equipment.* Locate along the normal line of travel to and from the carriers' cases and the doors to the loading area or exit from the office.
- b. *Vehicle Timecards and Keys.* Locate adjacent to the time-recording equipment.
- c. *Throwback Cases.* Place to minimize walking. For example, put one throwback case at the end of every other aisle.
- d. *Central Markup Case.* Where practical, locate the central markup case or deposit point on the carriers' line of travel to the distribution case or exit.
- e. *Collection Mail Deposit Point.* Locate on the carriers' line of travel from the time recording area to the accountable cage.
- f. *Aisle Width.* Aisles should be wide enough for passage by the carrier and any necessary equipment.
- g. *Relay Deposit Point.* Designate an area for carriers to deposit filled relay sacks. For example, designate an area at one end of each aisle.
- h. *Accountable Mail Cage.* Locate where it will be near the carriers while permitting the clerk to do other work when not serving carriers. Do not require the carriers to make *more than one stop* for available

**COSTING OF DDU PARCEL POST USING USPS  
METHODOLOGY, MODIFIED FROM EXHIBIT UPS-T-5I  
USING USPS COSTING METHODOLOGY**

LINE NO.	FACTOR	CITY CARRIER	RURAL CARRIER	WTD AVERAGE
		[A]	[B]	[C]
	<b>1. Carrier Costs</b>			
1	TY Wage Rate	29.56	23.87	
2	Routes	150,507	66,059	
3	Weighting by Route	0.69	0.31	
4	Total Delivery (\$/pc)	\$ 0.361	\$ 0.199	
5	TY Piggyback Factor	1.429	1.242	
6	Total w/Piggyback (\$/pc)	0.516	0.247	0.434
	<b>2. Mailhandler Costs</b>			
7	Manual Sort at DDU			0.0945
8	Total Cost			0.528
9	<b>3. Contingency</b>		2.50%	0.541

- 1 USPS-T-26, Attachment S, p. 1
- 2 Exhibit UPS-T-5I, Number of Routes, rows 7 and 9. City Carrier Routes excludes foot routes.
- 3  $[A2] / [A3] + [B3]; [B2] / [A3] + [B3]$
- 4 City Carrier CPP' C3L6; 'Rural Carrier CPP' L3
- 5 USPS-T-21, Attachment 11, for Parcel Post
- 6  $L4 * L5; [C]=[A5]*[A3] + [B5]*[B3]$
- 7 Exhibit UPS-T-5I, Bottom-Up Costing of DDU-Entry Parcel Post, Note 8
- 8  $[C6]+[C7]$
- 9  $[C]=(1+[B9])*[C8]$

Revised 8/18/00

**RURAL CARRIER PARCEL DELIVERY COST PER  
PIECE USING  
USPS COSTING METHODOLOGY**

1	Rural Evaluation Factor for Parcels - Minutes per Piece	0.500
2	Rural Carrier Wage Rate, TY01	\$ 23.87
3	Cost Per Piece	\$ 0.199

**NOTES**

- 1 LR-I-450, WS 10.1.1, C2
- 2 USPS-T-26, Attachment S, P. 1
- 3 L1 / 60 \* L2

CITY CARRIER PARCEL DELIVERY COST PER PIECE USING  
USPS COSTING METHODOLOGY

LINE NO.	CRA COMPONENT	LETTER ROUTE DELIVERY PARCEL POST VVC, BY98	LETTER ROUTE DELIVERY PARCEL POST COST PER CCS PIECE, BY98	LETTER ROUTE DELIVERY PARCEL POST COST PER CCS PIECE, TY01
	COLUMN NUMBER	(1)	(2)	(3)
	UNITS	\$(000)	\$	\$
	COLUMN SOURCE/NOTES	Exhibit USPS-RT-XE, p. 5, L31	C1 / FY98 Parcel Post CCS Volume	C2 * TY01 Wage Rate / FY98 Wage Rate
	CALCULATIONS			
1	In-Office	7,405	\$ 0.043	\$ 0.049
2	Total Street Support	9,356	\$ 0.054	\$ 0.062
3	Motorized Accessing of Loop/Dismount and Deviation Delivery Stops (Volume Variable)	10,841	\$ 0.063	\$ 0.072
4	Total Access	113	\$ 0.001	\$ 0.001
5	Total Load	26,946	\$ 0.156	\$ 0.178
6	Total Letter Route Delivery	54,661	\$ 0.316	\$ 0.361
7	FY 98 Parcel Post Volume (CCS)	172,764		
8	FY 98 Carrier Wage Rate	\$ 25.92		
9	TY 01 Carrier Wage Rate	\$ 29.56		

## NOTES:

- 7 USPS-LR-I-450, [CS06&7.xls]Input DK' L31
- 8 USPS-T-26, Attachment S, p. 1
- 9 USPS-T-26, Attachment S, p. 1



Base Year 1998 - USPS Version  
DISTRIBUTED COST FOR ALL CITY CARRIER COSTS FOR ALL COMPONENTS  
FROM USPS-LR-I-450, CS06&7.XLS

Exhibit USPS-RT-13E  
Page 4 of 5  
Revised 8/18/00

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	IN-OFFICE DIRECT LABOR	LOAD	ACCESS	ROUTE	STREET SUPPORT IN-OFFICE	STREET SUPPORT LOAD	STREET SUPPORT ACCESS	STREET SUPPORT ROUTE
		(1) \$(000)	(2) \$(000)	(3) \$(000)	(4) \$(000)	(5) \$(000)	(6) \$(000)	(7) \$(000)	(8) \$(000)
	COLUMN NUMBER	WS 6.0.2.1 C2	WS 7.0.3.1 C2	WS 7.0.3.1 C8	WS 7.0.3.1 C12	L54=WS 6.0.4 C3L17	L54=WS 6.0.4 C3L18	L54=WS 6.0.4 C3L21	L54=WS 6.0.4 C3L23
	COLUMN SOURCE/NOTES					L54 dist C1	L54 dist C2	L54 dist C3	L54 dist C4
<b>CALCULATIONS</b>									
1	<b>FIRST-CLASS MAIL:</b>								
2	SINGLE-PIECE LETTERS	1,062,489	263,807	63,721	983	201,619	46,200	12,011	180
3	PRESORT LETTERS	468,730	208,304	23,119	736	89,137	36,480	4,358	135
4	TOTAL LETTERS	1,532,219	472,111	86,840	1,719	290,756	82,681	16,368	315
5	SINGLE-PIECE CARDS	54,429	16,448	4,239	54	10,329	2,881	799	10
6	PRESORT CARDS	18,876	11,578	1,561	46	3,582	2,028	294	8
7	TOTAL CARDS	73,305	28,026	5,800	100	13,910	4,908	1,093	18
8	<b>TOTAL FIRST-CLASS</b>	1,605,524	500,137	92,640	1,819	304,667	87,589	17,461	333
9	<b>PRIORITY MAIL</b>	37,585	52,249	27,297	18,341	7,134	9,150	5,145	3,356
10	<b>EXPRESS MAIL</b>	2,601	36,597	7,749	1,986	494	6,408	1,461	363
11	<b>MAILGRAMS</b>	-	83	83	84	-	15	16	15
12	<b>PERIODICALS:</b>								
13	IN-COUNTY	8,024	5,778	633	76	1,523	1,012	119	14
14	OUTSIDE COUNTY:								
15	REGULAR	135,536	44,998	4,933	591	25,720	7,880	930	108
16	NON-PROFIT	30,707	13,364	1,465	176	5,827	2,340	276	32
17	CLASSROOM	381	380	42	5	72	67	8	1
18	<b>TOTAL PERIODICALS</b>	174,648	64,520	7,073	848	33,141	11,299	1,333	155
19	<b>STANDARD A:</b>								
20	SINGLE PIECE RATE	13,309	1,505	2,781	1,509	2,526	264	524	276
21	COMMERCIAL STANDARD:								
22	ENHANCED CARR RTE	283,785	217,129	29,346	1,419	53,851	38,026	5,531	280
23	REGULAR	524,067	222,327	15,853	1,462	99,448	38,936	2,988	288
24	TOTAL COMMERCIAL	807,852	439,456	45,199	2,881	153,299	76,962	8,519	527
25	AGGREGATE NONPROFIT:								
26	NONPROF ENH CARR RTE	19,933	10,733	1,969	110	3,783	1,880	371	20
27	NONPROFIT	106,227	50,067	1,527	440	20,158	8,768	288	81
28	TOTAL AGGREG NONPROFIT	126,160	60,800	3,496	550	23,940	10,648	659	101
29	<b>TOTAL STANDARD A</b>	947,321	501,761	51,476	4,940	179,765	87,873	9,703	904
30	<b>STANDARD MAIL (B):</b>								
31	PARCELS ZONE RATE	6,927	27,312	10,011	10,841	1,314	4,783	1,887	1,984
32	BOUND PRINTED MATTER	6,895	23,454	15,007	6,132	1,308	4,107	2,829	1,122
33	SPECIAL STANDARD	1,868	11,141	5,871	4,299	354	1,951	1,107	787
34	LIBRARY MAIL	634	1,567	877	1,158	120	274	165	212
35	<b>TOTAL STANDARD (B)</b>	16,324	63,474	31,766	22,430	3,098	11,116	5,987	4,104
36	<b>US POSTAL SERVICE</b>	10,549	1,194	392	-	2,002	209	74	-
37	FREE MAIL	983	1,909	65	-	187	334	12	-
38	INTERNATIONAL MAIL	10,955	4,692	4,041	808	2,079	822	762	148
39	<b>TOTAL MAIL</b>	2,806,500	1,226,616	222,582	51,256	532,566	214,817	41,954	9,379
40	<b>SPECIAL SERVICES:</b>								
41	REGISTRY	1,683	5,437	-	-	319	952	-	-
42	CERTIFIED	27,400	138,958	-	-	5,199	24,335	-	-
43	INSURANCE	1,075	7,588	-	-	204	1,329	-	-
44	COD	728	3,715	-	-	138	651	-	-
45	SPECIAL DELIVERY	-	-	-	-	-	-	-	-
46	MONEY ORDERS	-	-	-	-	-	-	-	-
47	STAMPED ENVELOPES	-	-	-	-	-	-	-	-
48	SPECIAL HANDLING	-	-	-	-	-	-	-	-
49	POST OFFICE BOX	425	-	-	-	81	-	-	-
50	OTHER	4,308	522	-	-	817	91	-	-
51	<b>TOTAL SPECIAL SERVICES</b>	35,619	156,218	-	-	6,759	27,358	-	-
52	<b>TOTAL VOLUME</b>	2,842,119	1,382,834	222,582	51,256	539,325	242,175	41,954	9,379
53	<b>FIXED</b>	351,696	1,342,630	1,254,036	2,228,235	66,738	235,135	236,368	407,711
54	<b>GRAND TOTAL</b>	3,193,815	2,725,464	1,476,618	2,279,491	606,063	477,310	278,323	417,090

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	IN-OFFICE (1) \$ (000)	LOAD (2) \$ (000)	ACCESS (3) \$ (000)	ROUTE (4) \$ (000)	STREET SUPPORT/IN- OFFICE (5) \$ (000)	STREET SUPPORT LOAD (6) \$ (000)	STREET SUPPORT ACCESS (7) \$ (000)	STREET SUPPORT ROUTE (8) \$ (000)
1	COLUMN NUMBER								
2	COLUMN SOURCE/NOTES								
3	CALCULATIONS								
4	1 FIRST-CLASS MAIL:								
5	2 SINGLE-PIECE LETTERS	1,135,818	258,892	18,920	983	197,029	45,580	10,029	161
6	3 PRESORT LETTERS	502,149	208,276	21,571	736	87,373	35,974	3,639	120
7	4 TOTAL LETTERS	1,637,967	467,167	40,491	1,719	285,002	81,554	13,668	281
8	5 SINGLE-PIECE CARDS	58,165	16,179	1,786	54	10,124	2,841	667	9
9	6 PRESORT CARDS	20,179	11,576	1,464	46	3,511	2,000	246	8
10	7 TOTAL CARDS	78,364	27,755	3,249	100	13,635	4,840	913	16
11	8 TOTAL FIRST-CLASS	1,716,331	494,922	43,740	1,819	298,637	86,374	14,581	298
12	9 PRIORITY MAIL	40,190	51,298	568	19,341	6,993	9,023	4,296	3,003
13	10 EXPRESS MAIL	2,781	34,825	24	1,986	484	6,320	1,220	325
14	11 MAILGRAMS		81	13	84		14	13	14
15	12 PERIODICALS:								
16	13 IN-COUNTY	8,578	5,768	360	76	1,493	998	100	12
17	14 OUTSIDE COUNTY:								
18	15 REGULAR	144,890	44,925	2,805	591	25,211	7,771	776	97
19	16 NON-PROFIT	32,826	13,343	833	176	5,712	2,308	231	29
20	17 CLASSROOM	407	380	24	5	71	66	7	1
21	18 TOTAL PERIODICALS	188,702	58,416	4,022	848	32,006	11,143	1,113	139
22	19 STANDARD A:								
23	20 SINGLE PIECE RATE	14,228	1,311	28	1,509	2,476	260	438	247
24	21 COMMERCIAL STANDARD:								
25	22 ENHANCED CARR RTE	303,371	217,062	27,394	1,419	52,786	37,498	4,519	232
26	23 REGULAR	580,236	222,258	13,843	1,462	97,480	38,396	2,495	239
27	24 TOTAL COMMERCIAL	883,607	439,320	41,237	2,881	150,265	75,894	7,114	472
28	25 AGGREGATE NON-PROFIT:								
29	26 NON-PROFIT ENH CARR RTE	21,309	10,727	1,817	110	3,708	1,854	310	18
30	27 NON-PROFIT	113,558	50,046	921	440	19,758	8,647	240	72
31	28 TOTAL AGGREG NON-PROFIT	134,867	60,774	2,739	550	23,467	10,500	550	90
32	29 STANDARD A	1,012,701	501,405	44,003	4,940	176,207	86,654	8,102	809
33	30 STANDARD MAIL (B):								
34	31 PARCELS ZONE RATE	7,405	26,946	113	10,841	1,288	4,717	1,576	1,775
35	32 BOUND PRINTED MATTER	7,371	22,935	127	6,132	1,283	4,051	2,362	1,004
36	33 SPECIAL STANDARD	1,997	10,938	48	4,289	347	1,924	924	704
37	34 LIBRARY MAIL	678	1,535	9	1,168	118	271	138	180
38	35 TOTAL STANDARD (B)	17,451	62,354	268	22,430	3,036	10,962	5,000	3,672
39	36 US POSTAL SERVICE	11,277	1,163	117	-	1,062	206	62	-
40	37 FREE MAIL	1,051	1,905	27	-	183	330	10	-
41	38 INTERNATIONAL MAIL	11,711	4,322	260	808	2,038	638	810	132
42	39 TOTAL MAIL	3,000,194	1,216,680	93,072	51,256	522,026	211,837	35,033	8,381
43	40 SPECIAL SERVICES:								
44	41 REGISTRY	1,789	5,133	-	-	313	939	-	-
45	42 CERTIFIED	28,281	138,958	-	-	5,097	23,898	-	-
46	43 INSURANCE	1,149	7,586	-	-	200	1,310	-	-
47	44 COO	778	3,657	-	-	135	642	-	-
48	45 SPECIAL DELIVERY	-	-	-	-	-	-	-	-
49	46 MONEY ORDERS	-	-	-	-	-	-	-	-
50	47 STAMPED ENVELOPES	-	-	-	-	-	-	-	-
51	48 SPECIAL HANDLING	-	-	-	-	-	-	-	-
52	49 POST OFFICE BOX	454	-	-	-	79	90	-	-
53	50 OTHER	4,605	-	-	-	801	26,979	-	-
54	51 TOTAL SPECIAL SERVICES	38,077	155,333	-	-	6,825	238,816	35,033	8,381
55	52 TOTAL VOLUME	3,038,271	1,372,013	93,072	51,256	528,651	238,816	197,378	364,785
56	53 FIXED	351,866	1,322,358	1,214,068	2,228,235	61,194	231,872	232,411	373,176
57	54 GRAND TOTAL	3,414,240	2,694,371	1,307,170	2,144,721	594,069	470,688	232,411	373,176

**COSTING OF DDU PARCEL POST USING USPS METHODOLOGY,  
USING PRC COSTING METHODOLOGY**

LINE NO.	FACTOR	CITY CARRIER	RURAL CARRIER	WTD AVERAGE
		[A]	[B]	[C]
	<b>1. Carrier Costs</b>			
1	TY Wage Rate	29.56	23.87	
2	Routes	150,507	66,059	
3	Weighting by Route	0.69	0.31	
4	Total Delivery (\$/pc)	\$ 0.384	\$ 0.199	
5	TY Piggyback Factor	1.429	1.242	
6	Total w/Piggyback (\$/pc)	0.549	0.247	0.457
	<b>2. Mailhandler Costs</b>			
7	Manual Sort at DDU			0.0945
8	Total Cost			0.551
9	<b>3. Contingency</b>		2.50%	0.565

- 1 USPS-T-26, Attachment S.
- 2 Exhibit UPS-T-51, Number of Routes, rows 7 and 9. City Carrier Routes excludes foot routes.
- 3  $[A2] / [A3] + [B3]; [B2] / [A3] + [B3]$
- 4 City Carrier CPP' C3L6; 'Rural Carrier CPP' L3
- 5 USPS-T-21, Attachment 11, for Parcel Post
- 6  $L4 * L5; [C] = [A5] * [A3] + [B5] * [B3]$
- 7 Exhibit UPS-T-51, Bottom-Up Costing of DDU-Entry Parcel Post, Note 8
- 8  $[C6] + [C7]$
- 9  $[C] = (1 + [B9]) * [C8]$

**RURAL CARRIER PARCEL DELIVERY COST PER  
PRC COSTING METHODOLOGY**

1	Rural Evaluation Factor for Parcels - Minutes per Piece	0.500
2	Rural Carrier Wage Rate, TY01	23.87
3	Cost Per Piece	\$ 0.199

**NOTES**

1 LR-I-450, WS 10.1.1, C2. Note, this is the same for PRC and USPS costing methodologies

2 USPS-T-26, Attachment S.

3  $L1 / 60 * L2$

**CITY CARRIER PARCEL DELIVERY COST PER PIECE USING  
PRC COSTING METHODOLOGY**

LINE NO.	CRA COMPONENT	LETTER ROUTE DELIVERY VOLUME VARIABLE COST FOR PARCEL POST, BY98	LETTER ROUTE DELIVERY PARCEL POST COST PER CCS PIECE, BY98	LETTER ROUTE DELIVERY PARCEL POST COST PER CCS PIECE, TY01
	COLUMN NUMBER UNITS COLUMN SOURCE/NOTES CALCULATIONS	(1) Exhibit USPS-RT-13F, p. 4 L31	(2) C1 / CCCS Parcel Post Volume	(3) C2 * Test year adjustment factor
1	In-Office	7,405	\$ 0.043	\$ 0.049
2	Street Support	9,713	\$ 0.056	\$ 0.064
3	Motorized Access of Loop/Dismount and Deviation Delivery Stops	14,214	\$ 0.082	\$ 0.094
4	Access	458	\$ 0.003	\$ 0.003
5	Load	26,393	\$ 0.153	\$ 0.174
6	Total Letter Route Delivery	58,183	\$ 0.337	\$ 0.384
7	FY 98 Parcel Post Volume (CCS)	172,764		
8	FY 98 Carrier Wage Rate	\$ 25.92		
9	TY 01 Carrier Wage Rate	\$ 29.56		
10	Test year adjustment factor	1.140		

## NOTES:

- C1 Letter route delivery costs only, to match CCCS volumes.  
 L7 LR-I-130, [CS06&7.xls]Input DK L31  
 L8 USPS-T-26, Attachment S.  
 L9 USPS-T-26, Attachment S.  
 L10 L9 / L8

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	IN-OFFICE DIRECT LABOR	LOAD	ACCESS	ROUTE	COVERAGE LOAD SSS	ACCESS SSS	STREET SUPPORT IN-OFFICE	STREET SUPPORT LOAD	STREET SUPPORT ACCESS	STREET SUPPORT ROUTE	STREET SUPPORT COVERAGE SSS	STREET SUPPORT ACCESS SSS	TOTAL STREET SUPPORT
	COLUMN NUMBER UNITS COLUMN SOURCE/NOTES CALCULATIONS	(1) \$(000) WS 6.0.2.1 C2	(2) \$(000) WS 7.0.3.1 C2	(3) \$(000) WS 7.0.3.1 C8	(4) \$(000) WS 7.0.3.1 C12	(5) \$(000) WS 7.0.3.1 C4	(6) \$(000) WS 7.0.3.1 C10	(7) \$(000) L54: C3L57 L54 dist C1	(8) \$(000) L54: C3L58 L54 dist C3	(9) \$(000) L54: C3L81 L54 dist C4	(10) \$(000) L54: C3L63 L54 dist C5	(11) \$(000) L54: C3L60 L54 dist C6	(12) \$(000) L54: C3L62 L54 dist C7	(13) \$(000) L54: C3L62 L54 dist C7
1	FIRST-CLASS MAIL:													
2	SINGLE-PIECE LETTERS	1,062,489	329,603	45,008	12,637	59,865	90,286	199,568	57,333	8,511	2,304	10,308	15,547	293,571
3	PRESORT LETTERS	468,730	305,143	1,549	11,681	44,821	67,597	86,230	53,077	293	2,130	7,718	11,840	163,087
4	TOTAL LETTERS	1,532,219	634,746	46,557	24,318	104,686	157,883	287,798	110,410	8,804	4,434	18,026	27,186	456,658
5	SINGLE-PIECE CARDS	54,429	21,118	2,464	175	2,035	3,069	10,223	3,673	466	32	350	528	15,273
6	PRESORT CARDS	16,876	15,607	97	61	1,749	2,638	3,545	2,715	18	11	301	454	7,045
7	TOTAL CARDS	73,305	36,725	2,562	235	3,784	5,707	13,768	6,388	484	43	652	983	22,319
8	TOTAL FIRST-CLASS	1,605,524	671,477	49,119	24,553	108,469	163,590	301,566	116,798	9,288	4,477	18,677	28,169	478,977
9	PRIORITY MAIL	37,595	50,073	26,733	25,451	826	1,246	7,061	8,710	5,055	4,641	142	214	25,824
10	EXPRESS MAIL	2,901	24,448	7,725	2,100	55	82	489	4,253	1,461	383	9	14	6,808
11	MAILGRAMS	-	104	70	84	24	36	-	18	13	15	4	6	57
12	PERIODICALS:													
13	IN-COUNTY	5,024	8,462	273	2,573	521	785	1,507	1,472	52	489	90	135	3,725
14	OUTSIDE COUNTY:													
15	REGULAR	135,536	85,904	2,127	20,042	4,056	6,117	25,456	11,464	402	3,655	698	1,053	42,730
16	NON-PROFIT	30,707	19,573	632	5,953	1,205	1,817	5,768	3,405	119	1,085	207	313	10,898
17	CLASSROOM	361	557	18	169	34	52	72	97	3	31	6	9	218
18	TOTAL PERIODICALS	174,848	94,497	3,050	28,738	5,816	8,771	32,804	16,437	577	5,240	1,001	1,510	57,570
19	STANDARD A:													
20	SINGLE PIECE RATE	13,309	1,553	2,759	1,559	49	74	2,500	270	522	284	8	13	3,597
21	COMMERCIAL STANDARD:													
22	ENHANCED CARR RTE	283,785	338,048	1,952	33,239	34,725	52,371	53,303	58,801	369	6,061	5,979	9,018	133,531
23	REGULAR	524,067	302,372	2,011	27,123	35,773	53,952	96,436	62,586	380	4,846	6,160	9,290	171,807
24	TOTAL COMMERCIAL	807,852	640,418	3,962	60,361	70,498	106,323	151,739	111,386	749	11,007	12,139	18,308	305,338
25	AGGREGATE NONPROFIT:													
26	NONPROF ENH CARR RTE	19,933	15,921	152	1,099	1,193	1,799	3,744	2,769	29	200	205	310	7,258
27	NONPROFIT	106,227	73,162	605	4,582	4,760	7,179	19,953	12,726	114	836	620	1,236	35,685
28	TOTAL AGGREG NONPROFIT	126,160	89,084	757	5,681	5,953	8,978	23,897	15,495	143	1,036	1,025	1,546	42,942
29	TOTAL STANDARD A	947,321	731,054	7,478	67,802	76,500	115,375	177,936	127,161	1,414	12,327	13,173	19,867	351,878
30	STANDARD MAIL (B):													
31	PARCELS ZONE RATE	8,927	26,458	9,899	14,214	304	458	1,301	4,802	1,872	2,592	52	79	10,498
32	BOUND PRINTED MATTER	6,895	22,721	14,880	10,609	296	446	1,295	3,952	2,814	1,935	51	77	10,124
33	SPECIAL STANDARD	1,868	10,649	5,822	5,971	102	154	351	1,852	1,101	1,089	18	27	4,437
34	LIBRARY MAIL	634	1,495	868	1,691	24	35	119	260	164	308	4	6	862
35	TOTAL STANDARD (B)	16,324	61,321	31,469	32,485	726	1,095	3,066	10,668	5,951	5,924	125	189	25,921
36	US POSTAL SERVICE	10,549	1,494	276	491	161	243	1,981	260	52	90	28	42	2,453
37	FREE MAIL	983	1,865	39	194	24	36	185	328	7	35	4	6	585
38	INTERNATIONAL MAIL	10,955	5,580	3,784	1,273	207	312	2,058	971	716	232	38	54	4,065
39	TOTAL MAIL	2,806,500	1,841,832	129,743	182,970	192,807	290,786	527,146	285,602	24,536	33,365	33,200	50,071	953,919
40	SPECIAL SERVICES:													
41	REGISTRY	1,883	6,169	-	-	-	-	316	1,073	-	-	-	-	1,389
42	CERTIFIED	27,400	108,954	-	-	-	-	5,147	18,804	-	-	-	-	23,750
43	INSURANCE	1,075	5,037	-	-	-	-	202	876	-	-	-	-	1,078
44	COD	728	2,114	-	-	-	-	137	368	-	-	-	-	504
45	SPECIAL DELIVERY	-	-	-	-	-	-	-	-	-	-	-	-	-
46	MONEY ORDERS	-	-	-	-	-	-	-	-	-	-	-	-	-
47	STAMPED ENVELOPES	-	-	-	-	-	-	-	-	-	-	-	-	-
48	SPECIAL HANDLING	-	-	-	-	-	-	-	-	-	-	-	-	-
49	POST OFFICE BOX	425	-	-	-	-	-	-	-	-	-	-	-	-
50	OTHER	4,308	522	-	-	-	-	80	-	-	-	-	-	80
51	TOTAL SPECIAL SERVICES	35,619	120,797	-	-	-	-	809	91	-	-	-	-	900
52	TOTAL VOLUME	2,842,119	1,782,729	129,743	182,970	192,807	290,786	533,637	306,613	24,536	33,365	33,200	50,071	981,621
53	FIXED	351,886	20,747	1,149,804	1,855,080	-	-	66,059	3,609	217,468	338,277	-	-	782,373
54	GRAND TOTAL	3,193,815	1,783,476	1,279,647	2,038,049	192,807	290,786	599,696	310,222	241,984	371,642	33,200	50,071	1,763,984

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	IN-OFFICE	LOAD	ACCESS	ROUTE	COVERAGE LOAD SSS	ACCESS SSS	STREET SUPPORT IN-OFFICE	STREET SUPPORT LOAD	STREET SUPPORT ACCESS	STREET SUPPORT ROUTE	STREET SUPPORT COVERAGE SSS	STREET SUPPORT ACCESS SSS
	COLUMN NUMBER UNITS COLUMN SOURCE/NOTES CALCULATIONS	(1) \$(000) L54 WS 7.0.1 C2L12 L11..L53 dist on Exhibit USPS-RT- 13F C1	(2) \$(000) WS 7.0.3, C5- C7	(3) \$(000) WS 7.0.3, C13&C16	(4) \$(000) WS 7.0.3.1, C12; L54 WS 7.0.1 C2L31	(5) \$(000) WS 7.0.3, C9	(6) \$(000) WS 7.0.3, C20	(7) \$(000) L54 WS 7.0.1 C2L15 L11..L53 dist on C1	(8) \$(000) L54 WS 7.0.1 C2L17 L11..L53 dist on Exhibit USPS-RT- 13F, P4 C3	(9) \$(000) L54 WS 7.0.1 C2L23 L11..L53 dist on Exhibit USPS-RT- 13F, P4 C4	(10) \$(000) L54 WS 7.0.1 C2L27 L11..L53 dist on Exhibit USPS-RT- 13F, P4 C5	(11) \$(000) L54 WS 7.0.1 C2L21 L11..L53 dist on Exhibit USPS-RT- 13F, P4 C6	(12) \$(000) L54 WS 7.0.1 C2L25 L11..L53 dist on Exhibit USPS-RT- 13F, P4 C7
1	FIRST-CLASS MAIL:												
2	SINGLE-PIECE LETTERS	1,136,818	324,578	-	12,637	59,865	90,286	195,578	56,109	6,897	2,032	10,308	15,548
3	PRESORT LETTERS	502,149	305,113	-	11,681	44,821	67,597	86,496	51,944	237	1,878	7,718	11,640
4	TOTAL LETTERS	1,637,967	629,692	-	24,318	104,686	157,883	282,044	108,053	7,134	3,910	18,026	27,188
5	SINGLE-PIECE CARDS	58,185	20,843	-	175	2,035	3,069	10,019	3,595	378	28	350	528
6	PRESORT CARDS	20,179	15,605	-	61	1,749	2,638	3,475	2,657	15	10	301	454
7	TOTAL CARDS	78,364	36,448	-	236	3,784	5,707	13,494	6,252	393	38	652	983
8	TOTAL FIRST-CLASS	1,716,331	666,140	-	24,554	108,469	163,590	295,537	114,305	7,527	3,948	18,677	28,169
9	PRIORITY MAIL	40,180	48,110	-	25,451	826	1,246	8,320	8,524	4,096	4,093	142	214
10	EXPRESS MAIL	2,781	22,866	-	2,100	55	82	479	4,162	1,184	338	9	14
11	MAILGRAMS	-	102	-	84	24	36	-	18	11	13	4	6
12	PERIODICALS:												
13	IN-COUNTY	8,578	8,453	-	2,573	521	785	1,477	1,441	42	414	90	135
14	OUTSIDE COUNTY:												
15	REGULAR	144,890	65,831	-	20,042	4,056	6,117	24,949	11,219	326	3,223	698	1,053
16	NON-PROFIT	32,826	19,552	-	5,953	1,205	1,817	5,652	3,332	97	957	207	313
17	CLASSROOM	407	556	-	169	34	52	70	95	3	27	6	9
18	TOTAL PERIODICALS	186,702	94,392	-	28,737	5,816	8,771	32,148	16,086	467	4,621	1,001	1,510
19	STANDARD A:												
20	SINGLE PIECE RATE	14,228	1,355	-	1,559	49	74	2,450	264	423	251	8	13
21	COMMERCIAL STANDARD:												
22	ENHANCED CARR RTE	303,371	337,979	-	33,239	34,725	52,371	52,238	57,545	299	5,345	5,979	9,018
23	REGULAR	580,236	302,303	-	27,123	35,773	53,952	96,488	51,473	308	4,361	6,160	9,290
24	TOTAL COMMERCIAL	883,607	640,282	-	60,362	70,498	106,323	148,706	109,018	607	9,706	12,139	18,308
25	AGGREGATE NONPROFIT:												
26	NONPROF ENH CARR RTE	21,309	15,918	-	1,099	1,193	1,799	3,869	2,710	23	177	205	310
27	NONPROFIT	113,558	73,142	-	4,582	4,760	7,179	18,554	12,454	93	737	820	1,238
28	TOTAL AGGREG NONPROFIT	134,867	89,066	-	5,681	5,953	8,978	23,223	15,165	116	914	1,025	1,548
29	TOTAL STANDARD A	1,012,701	730,694	-	67,602	76,500	115,375	174,378	124,447	1,146	10,871	13,173	19,867
30	STANDARD MAIL (B):												
31	PARCELS ZONE RATE	7,405	26,089	-	14,214	304	458	1,275	4,504	1,517	2,286	52	79
32	BOUND PRINTED MATTER	7,371	22,202	-	10,609	296	446	1,289	3,868	2,280	1,708	51	77
33	SPECIAL STANDARD	1,997	10,446	-	5,971	102	154	344	1,813	882	980	18	27
34	LIBRARY MAIL	678	1,463	-	1,891	24	35	117	255	133	272	4	6
35	TOTAL STANDARD (B)	17,451	60,199	-	32,485	726	1,095	3,005	10,439	4,822	5,224	125	189
36	US POSTAL SERVICE	11,277	1,462	-	491	161	243	1,942	254	42	79	28	42
37	FREE MAIL	1,051	1,880	-	194	24	36	181	321	6	31	4	8
38	INTERNATIONAL MAIL	11,711	5,206	-	1,273	207	312	2,017	950	580	205	36	54
39	TOTAL MAIL	3,000,194	1,631,854	-	182,971	192,807	290,786	516,807	279,505	19,681	29,422	33,200	50,071
40	SPECIAL SERVICES:												
41	REGISTRY	1,799	5,866	-	-	-	-	310	1,050	-	-	-	-
42	CERTIFIED	29,291	108,954	-	-	-	-	5,044	18,207	-	-	-	-
43	INSURANCE	1,149	5,037	-	-	-	-	198	856	-	-	-	-
44	COD	778	2,058	-	-	-	-	134	380	-	-	-	-
45	SPECIAL DELIVERY	-	-	-	-	-	-	-	-	-	-	-	-
46	MONEY ORDERS	-	-	-	-	-	-	-	-	-	-	-	-
47	STAMPED ENVELOPES	-	-	-	-	-	-	-	-	-	-	-	-
48	SPECIAL HANDLING	-	-	-	-	-	-	-	-	-	-	-	-
49	POST OFFICE BOX	454	-	-	-	-	-	78	-	-	-	-	-
50	OTHER	4,805	-	-	-	-	-	793	89	-	-	-	-
51	TOTAL SPECIAL SERVICES	36,077	119,913	-	-	-	-	6,557	20,583	-	-	-	-
52	TOTAL VOLUME	3,036,271	1,751,767	-	182,970	192,807	290,786	523,164	300,088	19,681	29,422	33,200	50,071
53	FIXED	351,886	-	1,109,753	1,655,080	-	-	60,569	3,532	176,201	296,306	-	-
54	GRAND TOTAL	3,414,240	1,751,767	1,109,753	1,903,278	192,807	290,786	583,902	303,599	196,082	327,728	33,200	50,071

1 CHAIRMAN GLEIMAN: That brings us to oral cross  
2 examination; however, before we get to oral cross  
3 examination, lest I forget, I have a request of you.

4 Your library reference 450 shows -- uses base year  
5 FY 1998.

6 THE WITNESS: That's correct.

7 CHAIRMAN GLEIMAN: Could you please provide the  
8 Commission with a version of that library reference using FY  
9 '99 cost data and explain any changes in format that occur  
10 from the use of the rural carrier cost system data for FY  
11 '99? And if so, we would like to have that by the 30th.

12 THE WITNESS: Okay.

13 CHAIRMAN GLEIMAN: Thank you. And I promise not  
14 to ask any questions. It's a trade-off.

15 As I said, that brings us to oral cross  
16 examination. Two parties have requested oral cross  
17 examination: Newspaper Association of America and the  
18 United Parcel Service. Does anyone else wish to cross  
19 examine the witness?

20 [No response.]

21 CHAIRMAN GLEIMAN: If not, Mr. Baker, you're up.

22 MR. BAKER: Thank you, Mr. Chairman.

23 CROSS EXAMINATION

24 BY MR. BAKER:

25 Q Good afternoon, Ms. Kay.



1 A Good afternoon.

2 Q I have a few questions about part 2 of your  
3 testimony, and could you begin by turning to page 20 of your  
4 testimony, table 3. I want to ask about the version as  
5 filed and the errata on that page, too.

6 A Okay.

7 Q Do you have it?

8 A I have table 3, yes.

9 Q All right. And column 1 of that is the numbers  
10 from the Postal Service original case?

11 A Yes, that's correct.

12 Q Okay. And in table 2 -- column 2, you present the  
13 numbers with all the revisions in Mr. Baron's rebuttal  
14 testimony?

15 A That's correct.

16 Q Okay. And column 3 is simply the difference  
17 between the two?

18 A Yes, that's correct also.

19 Q And just turning to the revised version on the  
20 18th, so if we looked at row 52, am I reading this  
21 correctly, that the difference between the Postal Service's  
22 direct case as originally filed and as it stands now is a  
23 reduction of some 19.1 percent of volume variable costs in  
24 cost segment 7?

25 A That's correct.

1 Q That's correct. And that's a result of Mr.  
2 Baron's -- the revisions in Mr. Baron's rebuttal testimony?

3 A That's right.

4 Q Okay. Could you turn now to table 5 on page 24 of  
5 your testimony, and we can look at the errata version on the  
6 August 18th. And this differs from table 3 in that you're  
7 also including cost segment 10 costs?

8 A That's right.

9 Q Okay. And just to go quickly, column 1 was the  
10 original -- the case as originally filed, column 2 are the  
11 changes that you present in your testimony. Column 3 gives  
12 us the base year CRA with the changes, and 4 is the  
13 percentage change.

14 A That's right.

15 Q Right. And then you give us the test year as  
16 filed in column 5, and that was from Witness -- is it  
17 Meehan? Kashani.

18 A Kashani.

19 Q Kashani. And tell me, what did you do to produce  
20 column 6 of table 5?

21 A The formula is up there. Basically, I took the  
22 percentage change from the base year and applied that same  
23 percentage change to the test year.

24 Q Did you re-run the roll-forward model?

25 A No, I did not.

1 Q Did you take into account the actual 1999 CRA data  
2 when you did table 5 in any way?

3 A This is -- '98 is the base year, not '99.

4 Q So you did not look at the '99 at all in preparing  
5 table 5?

6 A No, I did not.

7 Q Could you turn now to your Exhibit 13(e), page 4  
8 of 5 as revised on the 18th.

9 A 13(b)?

10 Q 13(e).

11 A Oh, okay.

12 Q Do you have that there?

13 A I do.

14 Q And this was not further revised on the 22nd, or  
15 was it?

16 A The -- it says revised the 22nd on it, but those  
17 were minor changes, just the headings and --

18 Q All right. Well, okay, then you could help me.  
19 On the cover page to the August 22nd errata, there was a  
20 sentence that actually I greatly admire and give credit to  
21 its author. It says, "With respect to Exhibit 13(e), no new  
22 revisions are made but to remedy inadvertent inclusion of  
23 unintended changes to this exhibit included in earlier  
24 errata." I like that phrase, and if you can take credit for  
25 that, I commend you.

1 A My attorney can take credit for that.

2 Q Oh, okay.

3 But can you confirm to me that whatever those  
4 unintended changes were, they were not in the numbers?

5 A That's absolutely correct. They were in class  
6 names and descriptive areas.

7 Q Okay. Very well.

8 Now, yesterday I gave to counsel a document that I  
9 hope you've had a chance to look at, and I'd like to --

10 A Yes, I've --

11 Q -- give you a copy of that and distribute that  
12 now, if I may.

13 Is that the document that I distributed to counsel  
14 yesterday?

15 A It looks to be the same.

16 Q Okay. And I may have made the addition of putting  
17 numbers down the left side to mark the particular rows.  
18 That may not have been on the version you have.

19 A Yes, that is an addition.

20 Q Okay. And can you confirm for me that the numbers  
21 for load and access on route under what is now labelled 5B,  
22 total volume, correspond to those on Exhibit 13(e), page 4  
23 of your testimony as revised on August 18th?

24 A I confirmed those last night, but let me look  
25 again just to be sure.

1 Yes, they're the same.

2 Q Okay. Did you have an opportunity to confirm that  
3 the other numbers on those -- 1 through 5A were where we  
4 indicated they were?

5 A I was able to confirm row 1; however, I was not  
6 able to confirm the other rows. I attempted to but I  
7 honestly could not do it.

8 Q I appreciate under the short time you may not have  
9 been able to.

10 Well, all right, and can you confirm, though, that  
11 the change from row 1 which is labelled USPS-T11, Meehan, to  
12 5B, which is Mr. Baron's rebuttal testimony, is as reported  
13 on the bottom line of the page?

14 A Yes, that is the change.

15 Q Okay. And that shows a change in 1998 volume  
16 variable costs as resulting from the change from 1 to 5B in  
17 the load time elasticities in this case, in Mr. Baron's  
18 testimony; is that correct?

19 A Could you repeat that?

20 Q Does that show the change in 1998 volume-variable  
21 costs resulting from the difference in load time  
22 elasticities between the filing of the case and Mr. Baron's  
23 rebuttal testimony?

24 A Those are not the only changes, but those changes  
25 are in there.

1 Q Okay. And does it reflect the other changes and  
2 improvements in Mr. Baron's rebuttal testimony?

3 A It includes all of the changes in his testimony,  
4 yes.

5 MR. BAKER: With that, Mr. Chairman, I would like  
6 to mark this exhibit as NEA Cross Examination Exhibit 1 and  
7 have it placed in the transcript at this point. I would  
8 like it moved into evidence insofar as the witness has been  
9 able to substantiate the numbers in columns 1 -- rows 1 and  
10 5B.

11 I would state for the record, subject to check,  
12 that we could substantiate the other numbers although the  
13 witness has not been able to confirm them.

14 MR. COOPER: Mr. Chairman?

15 CHAIRMAN GLEIMAN: Yes, sir.

16 MR. COOPER: I was about to say that I have no  
17 objection to the admission insofar as it involves rows 1 and  
18 5B, and we may never know whether counsel could do what he  
19 said he could do. With respect to rows 2 through 5A,  
20 counsel made a claim that they could be substantiated as  
21 well, and I just want to make it clear that the Postal  
22 Service is not acceding to that statement, not agreeing to  
23 that.

24 CHAIRMAN GLEIMAN: Counsel seems not to be  
25 particularly concerned at your clarification of the status

1 of this document.

2 What I would like to do is mark it as  
3 NAA/USPS-RT-13-XE-1 just to keep the convention going for  
4 the day.

5 [Exhibit NAA/USPS-RT-13-XE-1 was  
6 marked for identification.]

7 MR. BAKER: Very well. With that, Mr. Chairman, I  
8 have no more questions of the witness.

9 CHAIRMAN GLEIMAN: And your motion is adopted and  
10 the material will be transcribed into the record and entered  
11 into evidence insofar as you requested that it be so entered  
12 with the caveats of the Postal Service's counsel.

13 [Exhibit NAA/USPS-RT-13-XE-1 was  
14 received in evidence and  
15 transcribed in the record.]

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NAA/USPS-RTB-  
-XEL

**Summary of 1998 VV CRAs From Different Load Time Elasticities Produced by Witness Baron**  
(USPS Version)

		Date	IN-OFFICE DIRECT LABOR	LOAD	ACCESS	ROUTE	Out of Office
<b>1</b>	<b>USPS-T11 Meehan</b>						
	Total Volume	1/15/00	2,842,119	1,747,386	234,818	182,971	2,165,175
<b>2</b>	<b>LR-I-310 Table 4 (Baron)</b>						
	Total Volume	5/12/00	2,842,119	1,559,004	217,526	51,218	1,827,748
<b>3</b>	<b>Response to UPS/USPS-T12-16</b>						
	<b>Table 4A (Baron)</b>						
	Total Volume	6/2/00	2,842,119	1,722,740	217,526	51,218	1,991,484
<b>4</b>	<b>Response to UPS/USPS-T12-16</b>						
	<b>Table 4B (Baron)</b>						
	Total Volume	6/2/00	2,842,119	1,709,532	217,526	51,218	1,978,276
<b>5A</b>	<b>Rebuttal Testimony Table 4D</b>						
	<b>(Baron) (WP CY06&amp;07.xls)</b>						
	Total Volume	8/14/00	2,842,119	1,465,369	217,526	51,218	1,734,113
<b>5B</b>	<b>Rebuttal Testimony Table 4D &amp; ST</b>						
	<b>% Improvement (Baron) (WP</b>						
	<b>CY06&amp;07.xls)</b>						
	Total Volume	8/14/00	2,842,119	1,382,834	222,582	51,256	1,656,672
	<b>Change Since Original</b>						
	(5B - 1)		0	-364,552	-12,236	-131,715	-508,503
	Percentage Change		0%	-21%	-5%	-72%	-23%



1 CHAIRMAN GLEIMAN: That brings us to UPS. Mr.  
2 McKeever.

3 MR. McKEEVER: Thank you, Mr. Chairman.

4 CROSS EXAMINATION

5 BY MR. McKEEVER:

6 Q Good evening, Ms. Kay.

7 A Hello, Mr. McKeever.

8 Q Could you turn to page 6 of your testimony,  
9 please? And in particular, I would like to refer you to  
10 lines 14 through 19.

11 A I have it.

12 Q There you mention Mr. Luciani's testimony on  
13 distributing elemental load costs based on weight, and in  
14 particular to Mr. Luciani's reliance on testimony by Postal  
15 Service Witness Plunkett given in response to questions by  
16 Postal Service counsel on redirect.

17 Do you have Mr. Plunkett's testimony with you by  
18 any chance?

19 A His transcript?

20 Q Yes.

21 A I believe I do. Let me check.

22 Q Okay. The reference is to Volume XIII, page 5082.

23 A Yes, I have that.

24 Q Now, here's what Mr. Plunkett testified to there  
25 on lines 12 through 20:

1           "For example, if you have a carrier on either a  
2 foot route or a route where they are required to dismount to  
3 make parcel delivery, if a carrier has two three-pound  
4 parcels, it is reasonable to assume they could effect  
5 delivery of both three-pound parcels with a single trip.  
6 However, if that same carrier has two 50- or 60-pound  
7 parcels, it is doubtful they could manage both on a single  
8 trip; therefore, they would have to make multiple trips to  
9 and from the delivery vehicle to the customer's door."

10           Do you see that?

11           A     I see that.

12           Q     Now, Mr. Plunkett used that as an example of a  
13 situation where weight has an impact on non-transportation  
14 costs; isn't that correct?

15           A     He did.

16           Q     Do you agree or disagree with Mr. Plunkett's  
17 testimony?

18           A     Part of it I agree with; other parts of it, it's  
19 my understanding -- I'm not an operational witness, but it's  
20 my understanding that foot carriers would never carry 50- or  
21 60-pound parcels. They are precluded from carrying more  
22 than 35 pounds at a time. It is also my understanding that  
23 a carrier would not oftentimes make multiple trips to the  
24 door; they would use a cart if they had large parcels. But  
25 again, I'm not an operational witness or expert.

1 Q Okay. To the extent that it relates to foot  
2 routes, then, you would disagree with it.

3 A That's correct.

4 Q Okay. And to the extent it deals with other than  
5 a foot route, do you disagree with it?

6 A I don't have enough information, really, as a --  
7 I'm not an operational expert.

8 Q Okay. Now, you say on that same page of your  
9 testimony, lines 15 to 16, that the motorized letter route  
10 deviation delivery analysis covers this type of situation.

11 Do you see that?

12 A Yes, I do.

13 Q Doesn't that analysis deal only with route time?

14 A That is correct.

15 Q It doesn't include load cost, then, does it?

16 A That's right, it doesn't.

17 Q Now, Mr. Plunkett's example of a situation where  
18 weight affects non-transportation costs was based on an  
19 instance where a carrier would have to make multiple trips  
20 to and from the delivery vehicle to the customer's door; is  
21 that right?

22 A That's what he says, yes.

23 Q Okay. The cost of that time is not part of route  
24 cost, is it, the time to and from --

25 A The walking time?

1 Q Yes.

2 A No, it's not part of route cost.

3 Q They're part of both access cost and load cost; is  
4 that right?

5 A It is my understanding that the walking time is  
6 walking time, which would be access time.

7 Q And the time at the door is load time once he  
8 reaches the delivery point?

9 A That is my understanding, yes.

10 Q Could you turn to pages 9 and 10 of your  
11 testimony, the bottom of 9, top of 10?

12 A I have that.

13 Q There, you state near the bottom that -- you  
14 characterize the sequencing of parcels as a subordinate  
15 activity. Do you see that?

16 A Actually, I'm quoting Mr. Raymond, who  
17 characterizes it as a subordinate activity.

18 Q And you agree with that, I take it?

19 A I would have to rely on Mr. Raymond because he is  
20 an operational expert and I am not.

21 Q Okay. You also rely on the testimony at the  
22 bottom of 9, top of 10, that the carrier does not make  
23 certain that the parcels are placed in exact delivery  
24 sequence; is that right?

25 A Yes, I rely on Mr. Raymond for that as well.

1 Q Okay. And you state on page 10 at line 6 to 7  
2 that there is no section on procedures for sequencing  
3 parcels; is that correct?

4 A That is correct, in the manual that I'm referring  
5 to.

6 Q That's Handbook M-41?

7 A That's right.

8 Q Could you turn to your Exhibit 13(d).1, please,  
9 and in particular to page 2.

10 A I have that.

11 Q That is from Handbook M-41; is that correct?

12 A Correct.

13 Q Now, could you look at the section under the title  
14 Office Procedures Before Leaving, and in particular at  
15 section 622.1?

16 A Uh-huh.

17 Q Do you see that?

18 A I see that.

19 Q Now, there's a statement in there that the  
20 delivery employee sets up the parcels in order of delivery  
21 as he/she loads the truck; is that right?

22 A That's correct, and this is in reference to  
23 special -- not to letter routes. This section, as I said,  
24 is in reference to parcel routes. This is loading a truck  
25 for a parcel route.

1 Q But it's part of Handbook M-41 --

2 A Yes, that's correct.

3 Q Okay. And that does indicate that the carrier  
4 loads the parcels in order of delivery as he loads the  
5 truck; is that correct?

6 A It does say that for a parcel route, yes.

7 Q Okay.

8 A But may I -- this is not an entire section, it's  
9 one sentence.

10 Q I understand. We'll look at a few more sections  
11 in a few minutes.

12 A Okay.

13 Q Could you go back to page 10 of your testimony,  
14 please, at line 10?

15 Okay. Now, on page 10, you refer to the street  
16 activity of loading parcels onto vehicles; is that correct?

17 A What line number on page 10?

18 Q Line 10 on page 10.

19 A Okay. That's right.

20 Q The section we just read in the manual is in a  
21 section that talks about office procedures before leaving;  
22 is that correct?

23 A That is what it says, yes.

24 Q Could you turn to the next page in Exhibit  
25 13(d).1, page 3 of 6 in your exhibit.

1 A I have it.

2 Q And again take a look at Section 623.1, paragraph  
3 J. That section states: When sack-reading system is not  
4 used, place parcels on floor and stack them in order of  
5 delivery with first parcels to be delivered on top. Is that  
6 correct?

7 A Yes, and may I remind you again this is for a  
8 special purpose route, not for a letter route. Mr.  
9 Luciani's analysis applied only to letter routes.

10 Q Okay. Well, let's take a look at page 4.

11 A Okay.

12 Q In a section entitled Preparing Parcels for  
13 Delivery, paragraph 624.1 again states that the carrier  
14 should arrange the parcels in order of delivery; is that  
15 correct? 624.5. I may have said 1, I apologize.

16 A That's what it says, yes.

17 Q Okay. Actually, 624.1 says it too: Arrange the  
18 parcels in order of delivery. Is that right?

19 A Yes, and on a parcel route, you have many more  
20 parcels to deliver than you would on a letter route.

21 Q And so you think it's more important to put it in  
22 the order of delivery in a special purpose route than on a  
23 city carrier route?

24 A The carrier is going out -- it is my understanding  
25 again that the carrier is going out specifically to deliver

1 parcels.

2 Q And so is the city carrier on a regular route if  
3 he has parcels; is that correct?

4 A Excuse me?

5 Q Well, on a non-special-purpose route, --

6 A Yes.

7 Q -- if the carrier has parcels, he's going to be  
8 delivering letters and parcels; is that right?

9 A Yes, letters, parcels, flats, accountables, all of  
10 those.

11 Q Okay. And it's your belief that they would use a  
12 different procedure for loading parcels into their vehicles  
13 if it's a regular letter route than if it's a special  
14 purpose route?

15 A Again, I'm not an operational expert, I'm relying  
16 on the testimony of Mr. Raymond, and he testifies that this  
17 is a very casual process and a subordinate activity to  
18 loading the vehicle itself.

19 Q Okay. Well, we can let his -- we can look at his  
20 testimony in the transcript.

21 A You can, yes.

22 Q Can you turn to page 5 of your Exhibit 13(d).1,  
23 please?

24 A Uh-huh.

25 Q That describes the procedure for the delivery of



1 parcel post at the delivery point, doesn't it?

2 A Yes, it does.

3 Q And since it's what happens at the delivery point,  
4 that's load time; is that correct?

5 [Pause.]

6 A Excuse me. I'm just looking at it.

7 Q Sure. Take your time.

8 [Pause.]

9 A Again, I'm not an operational expert, but as far  
10 as I can tell, this does describe loading activities.

11 Q Well, you do present testimony on load time, don't  
12 you? Your testimony covers load time as part of the street  
13 activity, doesn't it?

14 A Yes, there are some -- I do testify according to  
15 cost of load time, yes.

16 Q Yes. And all I'm asking you is if this activity  
17 that is described in Section 631, specifically delivery of  
18 parcel post, is that classified as load time?

19 A Again, I am not an expert on what, you know, what  
20 the actual activities are that are load time. From the  
21 knowledge that I have, this looks like load time, yes.

22 Q Okay. Let's take a look at your Exhibit 13(d).2  
23 for a minute, page 1, and specifically Section 116.91. Do  
24 you see that?

25 A I see that.

1           Q     About halfway down in that paragraph, the section  
2     states:  Parcels are needed early in the morning since  
3     otherwise the carriers leaving times could be delayed.

4                     Do you see that?

5           A     I see that.

6           Q     Am I correct that the Postal Service makes an  
7     effort to get parcel post to the delivery unit as early as  
8     it can, do you know?

9           A     I'm sorry, I don't know that.

10          Q     You don't know that.  Okay.

11                    Let's go back to page 10 of your testimony again  
12     for a minute.  There you say on lines 11 to 12 that a more  
13     reasonable variability to apply -- and we're talking about  
14     the cost of loading parcels onto vehicles here, right?

15          A     Yes.

16          Q     You say a more reasonable variability to apply  
17     would be the parcel load time variability; is that correct?

18          A     I do say that, yes.

19          Q     And you say on line 12 that that is at least  
20     loading; is that correct?

21          A     Yes.

22          Q     Now, the parcel load time variability refers to  
23     the load time that involves the delivery of parcels at the  
24     delivery point, doesn't it?

25          A     Yes, it does.

1 Q That's not the same as loading the parcels onto a  
2 vehicle in the post office, is it? It's not the same  
3 activity?

4 A No. I say that right here. It's not a perfect  
5 match.

6 Q In fact, the only thing the two activities have in  
7 common is that the word "load" is used to describe them  
8 both, isn't it?

9 A No. They also refer to parcels as well.

10 Q Okay. They both involve parcels and the term used  
11 to describe both of them is loading. But one activity we  
12 looked at earlier involves ringing a doorbell, looking at  
13 the parcel, waiting for the customer to answer the door, et  
14 cetera, and then making the delivery; and then the other one  
15 is putting a parcel onto a truck; is that correct?

16 A That's correct.

17 Q Okay. Ms. Kay, do you have with you library  
18 reference I-1 by any chance? Not that I would expect you  
19 to.

20 A I don't have that with me, no.

21 Q Okay.

22 MR. McKEEVER: Mr. Chairman, may I approach the  
23 witness to furnish the witness with a copy of one page out  
24 of library reference I-1?

25 CHAIRMAN GLEIMAN: Certainly. And Postal Service

1 counsel, I suspect that Mr. McKeever may have a copy for you  
2 also, but if not, you're more than welcome to join the group  
3 over there.

4 BY MR. McKEEVER:

5 Q Now, I have given you the cover page of the  
6 library reference and page 6-2. That contains a description  
7 of in-office direct labor. Do you see that generally?

8 A I do.

9 Q And if you look at the second sentence in the  
10 first paragraph under description and rationale for  
11 classification, that indicates that office time on delivery  
12 routes is primarily devoted to sequencing mail for delivery;  
13 is that correct?

14 A It does say that.

15 MR. McKEEVER: Mr. Chairman, I would like to  
16 furnish the witness and Postal Service counsel with a copy  
17 of Appendix F to USPS-T13, if I may.

18 CHAIRMAN GLEIMAN: Most certainly.

19 BY MR. McKEEVER:

20 Q Again, what I have given you is a cover page as  
21 well as a number of other pages on load time, and I just  
22 want you to refer to the first page after the cover page,  
23 page 35.

24 That indicates that load time is delivering and  
25 collecting mail pieces at residential and business delivery

1 points; is that correct?

2 A That's what it says.

3 Q And it also states that it includes incidental  
4 time for customer contacts in the providing of special  
5 services?

6 A That's what it says.

7 Q But it is your view that picking up parcels from a  
8 hamper, looking at the address, putting them in delivery  
9 order, and then putting them in the vehicle is more like  
10 delivering and collecting mail pieces out on the route than  
11 it is to sequencing mail for delivery at the office; is that  
12 correct?

13 A I guess I don't understand your question. It's a  
14 street support activity.

15 Q What is a street support --

16 A Loading a vehicle. It supports the entire route.  
17 It supports all delivery of mail.

18 Q But is it your view that that activity is more  
19 like delivering and collecting mail pieces out on the route  
20 than it is to sequencing mail for delivery in the office?

21 A It's like neither of the activities.

22 Q It's like neither of them.

23 A Yes.

24 Q You don't think it's closer to one than to the  
25 other?

1           A     It's considered a street activity because the  
2 carriers have clocked out to the street when they perform  
3 the loading of the trucks.

4           Q     Well, forget about whether the carriers have  
5 clocked out or not; let's focus on the activity they  
6 perform.

7                     Do you believe that the activity of looking at the  
8 parcel and putting it into the truck in delivery point order  
9 is more like sequencing mail in the office or more like  
10 delivering it to the customer out on the -- at the delivery  
11 point?

12          A     I'm not sure it's like either one of those.  
13 Casing of letters and flats in the office is a very  
14 systematic regimented task. It's not anything like loading  
15 a truck, at least from my understanding.

16          Q     Okay. Could you turn to page 16 of your  
17 testimony, please. In footnote 9, you provided a new  
18 corrected rural carrier evaluation factor of 0.5 minutes.  
19 Is that a half a minute, by the way?

20          A     Yes, it is.

21          Q     Okay. 0.5 minutes per parcel instead of the 0.33  
22 minutes per parcel used in the CRA spreadsheets; is that  
23 correct?

24          A     That's correct.

25          Q     That change increases the attributable costs

1 associated with the delivery of parcels by rural carriers,  
2 doesn't it?

3 A Yes, it does.

4 Q Do you know, is that 0.5 minutes per parcel post  
5 parcel or is it 0.5 minutes for any type of parcel  
6 including, for example, a Standard A parcel?

7 A Any type of parcel.

8 Q So there's no distinction made between larger and  
9 smaller parcels with regard to the rural carrier evaluation  
10 factor?

11 A No, there is not. A parcel is defined by its  
12 dimensions in the rural carrier system.

13 Q Okay. Could you turn to page 5 of your testimony,  
14 please, and in particular, lines 10 to 12.

15 There you list marginal load times for letters,  
16 flats, parcels and accountables taken from Postal Service  
17 Witness Baron's study; is that correct?

18 A That's correct.

19 Q Those figures are about .8 seconds? I guess it's  
20 0.79 seconds for letters, a little more than 1 second for  
21 flats, and more than 11 seconds for parcels; correct?

22 A That's correct.

23 MR. McKEEVER: Mr. Chairman, I would like to  
24 furnish the witness with a copy of Mr. Baron's response to  
25 Interrogatory UPS/USPS-T12-20.

1 CHAIRMAN GLEIMAN: Be my guest.

2 BY MR. McKEEVER:

3 Q Could you take a look at table 4D in Mr. Baron's  
4 response that I just provided to you.

5 A I have that.

6 Q Am I correct that the estimated elasticities by  
7 shape contained in that table are the ones you applied in  
8 library reference I-450 as load variable factors?

9 A They look to be the same, yes.

10 Q Table 4D reflects Mr. Baron's latest load time  
11 regression estimates?

12 A That's right.

13 Q Are you aware that Mr. Baron in his response to  
14 interrogatory UPS/USPS-T12-18 defines small parcels and  
15 rolls, or otherwise known as SPRs, as mail pieces obtained  
16 from parcel hampers that are always less than two pounds and  
17 always smaller than a shoe box? Does that sound familiar to  
18 you?

19 A Well, I don't have his response right in front of  
20 me, but I --

21 Q Well, let me furnish it to you. This is the last  
22 one.

23 If you could take a look at page 2 of that  
24 response, you'll see in the first paragraph in the response,  
25 I guess it's the third sentence, the statement: Small



1 parcels and rolls were -- and this is in the ES study -- in  
2 fact regarded as mail pieces obtained from parcel hampers  
3 that are always less than two pounds and always smaller than  
4 a shoe box.

5 Do you see that?

6 A Yes, I do see that.

7 Q And if you would turn to the next page, in  
8 subparagraph B, Mr. Baron states: My definition of small  
9 parcels and rolls is the same as that applied in the ES  
10 study and that is presented in my response to part A."

11 Do you see that?

12 A Yes, I do.

13 Q And if you turn to the next page of the response,  
14 in part E, you will see that Mr. Baron defines a parcel as  
15 distinct from a small parcel or roll as a piece that weighs  
16 two pounds -- two or more pounds or is larger than a shoe  
17 box and therefore is too heavy or too cumbersome to be cased  
18 into a letter or a flat case.

19 Do you see that?

20 A I see that.

21 Q Now, if you go back to the response to number 20,  
22 table 4D, am I correct that the marginal load time listed in  
23 that table for parcels is 36.5 seconds while it's 22.48  
24 seconds for SPRs or small parcels and rolls?

25 A That's what it says.

1 Q Does that indicate that a large parcel takes  
2 longer to load than a small parcel?

3 A It seems to say that, yes.

4 Q In library reference I-450, you allocate the load  
5 volume variable cost for SPRs and large parcels using a  
6 parcel count by subclass from the city carrier cost system;  
7 is that correct?

8 A That's correct.

9 Q And that includes both SPRs and large parcels,  
10 correct?

11 A Yes. It is -- in the CCS, they're mixed.

12 Q Why didn't you allocate the load volume variable  
13 cost for SPRs to the CCs count by subclass containing only  
14 SPRs?

15 A Because there isn't a CCS count containing just  
16 SPRs. The CCS -- it is my understanding it counts all  
17 parcels together.

18 Q Okay. So it doesn't reflect any difference in  
19 parcel load time between SPRs and larger parcels; is that  
20 correct, the allocation?

21 A There's one distribution key for both, yes.

22 Q Okay.

23 MR. McKEEVER: That's all I have, Mr. Chairman.

24 CHAIRMAN GLEIMAN: Is there any follow-up?

25 Questions from the bench?

1                   Would you like some time? Five minutes? You've  
2 got it.

3                   [Recess.]

4                   CHAIRMAN GLEIMAN: Yes, sir, Mr. Cooper.

5                   MR. COOPER: Mr. Chairman, it occurred to me  
6 during the break that there were two library references that  
7 form a foundation of material for this witness' testimony  
8 that we need her to sponsor, so I'll do that now.

9                   REDIRECT EXAMINATION

10                  BY MR. COOPER:

11                  Q    Ms. Kay, are you familiar with library references  
12 450 and 451?

13                  A    Yes, I am.

14                  Q    Were they prepared by you or under your direct  
15 supervision?

16                  A    Yes, they were.

17                  Q    Are you willing to sponsor these library  
18 references as part of your testimony in this case?

19                  A    Yes, I am.

20                  CHAIRMAN GLEIMAN: The library references will be  
21 entered into evidence but not transcribed into the record.  
22 That has just been our practice.

23                               [LR-I-450 and LR-I-451 was received  
24 in evidence.]

25                  CHAIRMAN GLEIMAN: And it's time for redirect if

1 you have some.

2 BY MR. COOPER:

3 Q Ms. Kay, counsel for UPS asked you some questions  
4 relating to the rural carrier cost system. Can you tell us  
5 how rural carriers are paid.

6 A Yes. Rural carriers once a year receive a mail  
7 count where their route is evaluated and the pieces of the  
8 various items are counted, and they are paid a certain  
9 amount, they are allotted a certain amount of time for each  
10 of those pieces of various shapes and that determines their  
11 salary.

12 Q So does the amount they're paid for a parcel  
13 depend upon the size of the parcel?

14 A No, it doesn't.

15 Q Does it depend on the weight of the parcel?

16 A No, it doesn't.

17 MR. COOPER: That's all I have, Mr. Chairman.

18 CHAIRMAN GLEIMAN: Recross?

19 MR. McKEEVER: One or two questions, Mr. Chairman.

20 RECROSS EXAMINATION

21 BY MR. McKEEVER:

22 Q Ms. Kay, city carriers aren't paid that way, are  
23 they?

24 A No, they're not.

25 MR. McKEEVER: Thank you. That's all I have, Mr.

1 Chairman.

2 CHAIRMAN GLEIMAN: Mr. Cooper?

3 It doesn't appear that there is any more redirect  
4 or recross, and that being the case, Ms. Kay, your testimony  
5 here today has been completed. We appreciate your  
6 appearance, your contribution to the record, and you're  
7 excused. Thank you.

8 [Witness excused.]

9 MR. McKEEVER: Mr. Chairman, there is one item I  
10 can report, and that is that the Postal Service did file  
11 today somewhere between 4 and 4:15 the additional rebuttal  
12 testimony of Mr. Prescott in response to Mr. Sellick's  
13 supplemental testimony. I have reviewed that and we would  
14 be prepared to do cross examination on that on Monday when  
15 Mr. Prescott is presently scheduled to appear. I didn't  
16 want to let that stay hanging.

17 CHAIRMAN GLEIMAN: Thank you, Mr. McKeever, I  
18 appreciate that.

19 Mr. Cooper, I believe you have the next witness.

20 MR. COOPER: The Postal Service calls Dennis  
21 Stevens to the stand.

22 CHAIRMAN GLEIMAN: Mr. Stevens, to the best of my  
23 recollection, you have not then here in this proceeding.

24 COMMISSIONER OMAS: Oh, yes, he has.

25 CHAIRMAN GLEIMAN: He has? I can't remember

1 whether -- okay. Yes, you're the gentleman who got asked  
2 the questions about the old vehicles.

3 MR. STEVENS: That's correct, sir.

4 CHAIRMAN GLEIMAN: And we appreciate the answers.  
5 You never did give us the name of the mechanic, though, that  
6 keeps those things running, which is what we really were  
7 interested in.

8 MR. STEVENS: Well, I made another trip to San  
9 Mateo to figure that out.

10 CHAIRMAN GLEIMAN: I'm not sure we can get the guy  
11 from San Mateo to come here. I know I can't get my old car  
12 to get out to San Mateo. It would need a couple of  
13 mechanics along the way, there's no doubt in my mind.

14 Mr. Cooper.

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1 EVENING SESSION

2 [6:00 p.m.]

3 Whereupon,

4 DENNIS STEVENS,

5 a witness, was called for examination by counsel on behalf  
6 of the United States Postal Service and, having been first  
7 duly sworn, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. COOPER:

10 Q Mr. Stevens, I'm handing you two copies of  
11 testimony entitled Rebuttal Testimony of Dennis P. Stevens  
12 on behalf of the United States Postal Service marked for  
13 identification as USPS-RT-14.

14 Are you familiar with that testimony?

15 A Yes, I am.

16 Q Was it prepared by you or under your direct  
17 supervision?

18 A That's correct.

19 Q I understand you found a typographical change this  
20 morning that you would like to make.

21 A Yes, I did. On page 15, there is table 3 as  
22 revised on 8/23. The fourth column says "IOCS street  
23 costs." I need to strike the three zeros.

24 Q So that's to indicate that there aren't any  
25 special units in that column?

1           A     That's correct. The dollars are as they are in  
2 the table.

3           Q     Would you please make that correction on both  
4 copies?

5                     This testimony also reflects the errata that were  
6 filed on August 23rd, does it not?

7           A     That's correct.

8                     MR. COOPER: Once the witness makes that  
9 additional correction, Mr. Chairman, I move that these  
10 documents be admitted into the evidentiary record, and I  
11 will hand them to the court reporter.

12                    CHAIRMAN GLEIMAN: Is there an objection?

13                    Hearing none, when counsel provides those  
14 corrected copies of the rebuttal testimony of Witness  
15 Stevens to the court reporter, I'll direct that the material  
16 be transcribed into the record and received into evidence.

17                                     [USPS-RT-14, Rebuttal Testimony of  
18 Dennis P. Stevens, was received in  
19 evidence and transcribed into the  
20 record.]

21  
22  
23  
24  
25



USPS-RT-14

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

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

REBUTTAL TESTIMONY OF  
DENNIS P. STEVENS  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE

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## AUTOBIOGRAPHICAL SKETCH

Please refer to the autobiographical sketch contained in my direct testimony, USPS-T-20.

## PURPOSE AND SCOPE

My testimony has five parts. Part I reviews the relationship of the various parties, the USPS, A. T. Kearney, and Resource & Process Metrics, Inc. (R&PM), in the development of what has come to be called the Engineered Standards (ES) work sampling database and the decision to use the database in this case. In Part II, I refute the assertions of MPA witness Keith Hay (MPA-T-4), regarding both his importance in those discussions and his erroneous conclusions about the inappropriateness of the ES database for postal costing. Part III refutes the contention of MPA witness Antoinette Crowder (MPA-T-5) that her analysis of ES videotapes is valid for postal costing while the ES work sampling analysis is not. In Part IV, I compare the ES work sampling database to other postal studies and specifically to the 1986 STS study that it replaces. In Part IV, I show that the ES study compares favorably to similar studies upon which postal costs rely, despite the complaints of the MPA witnesses.

Finally, in Part V, I refute the notion that the ES work sampling database is not suitable for city costing by showing that the new data greatly enhances our understanding of city carrier costs and, in combination with the new LTV analysis put forth by witness Baron, produces more accurate costing results than the available alternatives.

1 I. The Decision to Use the ES Database

2 A. The Respective Roles of The Postal Service, A. T. Kearney, and  
3 R&PM.  
4

5 Much has been alleged in this case as to the role of A. T. Kearney in the review  
6 of what is now called the ES database, and whether A. T. Kearney did or did not  
7 recommend that the Postal Service use the ES data to develop costs for city carriers.  
8 This issue was brought forward in witness Keith Hay's, MPA-T-4, testimony: "In fact no-  
9 one could be better placed than A. T. Kearney to understand whether the work by Mr.  
10 Raymond - - already completed when reviewed by the Data quality Study - - could be  
11 used for rate-making, since A. T. Kearney was responsible for both the Data Quality  
12 Study and the Engineering Study managed by Mr. Raymond."<sup>1</sup> In fact, A.T. Kearney,  
13 through the Data Quality Study, was the catalyst of the process whereby the ES data  
14 were introduced in these proceedings. However, the ES study itself was managed,  
15 directed, and reviewed by postal delivery personnel. In discussing who best should  
16 evaluate Mr. Raymond's work, Mr. Hay's comment may be made more appropriate by  
17 prefacing it with the phrase "outside of the Postal Service."

18 A.T Kearney's role in the development of the study was primarily in managing the  
19 budget, not the day-to-day study operations. Mr. Raymond exercised operational  
20 control. A.T. Kearney oversaw his work, but there is no indication that they had the  
21 breath of control or knowledge to determine whether these data were appropriate for  
22 ratemaking or not. In discussions, A.T. Kearney's representatives suggested that the  
23 Postal Service should investigate whether any aspect of the ES database is suitable for  
24 use in a rate case and whether any of the procedures or study methods employed by  
25 Mr. Raymond may be applicable for ratemaking.

---

<sup>1</sup> Tr. 27/13092.

1       When the final Data Quality Study was issued, I was tasked with reviewing the  
2       ES data. My only contacts with Kearney's staff were brief: to acquaint me with the  
3       various studies that had been done as part of the overall project and to direct me to the  
4       postal people who were the customers for the work. A series of meetings followed with  
5       Delivery Redesign management and staff where they described the purpose of their  
6       work and the data sources that they had developed. What has come to be known as  
7       the ES database is a subset of the voluminous work developed by R&PM for Delivery  
8       Redesign. The meetings revealed one worksampling report that showed the breakdown  
9       of total carrier street time into activities. It was this report that led me to Mr. Raymond. *I*  
10      *felt then, and continue to believe, that the data contained in this report are valid for rate*  
11      *making because they provide, as did the 1986 STS, a precise mapping of carrier street*  
12      *activities into the functional areas that the Commission requires.*

13      **B.     Reasons to Use the Data**

14      Despite our initial concern that introduction of these data into the rate case would  
15      be controversial, after much review and internal discussions, we became very  
16      comfortable with our decision to go forward for the following reasons:

17      ***ES data are current and extensive - 1996 vs. 1986 data.*** Mr. Hay would have  
18      us return to the 1986 STS proportions and discard a more current and accurate  
19      description of carrier street activities when all parties recognize with the advent of DPS  
20      and a more motorized carrier force, carrier street activities have changed.<sup>2</sup> Moreover,  
21      the ES database dwarfs the original STS in size. The 1986 STS study had only 7,103

---

<sup>2</sup> See Part III.

1 tallies, about 3 tallies per carrier,<sup>3</sup> whereas the ES worksampling database has 38,557  
2 tallies spread over 844 carrier days, about 45 per carrier.<sup>4</sup>

3 ***ES data collectors Independently Recorded Activities (Tallies), Tracking the***  
4 ***Street Activities for Sampled Carriers for the Entire Day.*** This is the great strength  
5 of the new study. In the 1986 study, the carriers recorded the data. In Mr. Raymond's  
6 study, independent observers followed the carrier for the entire route. The tallies being  
7 taken at six-minute intervals provide a complete unbiased view of the carrier's work vs.  
8 the 3 tallies per route in 1986. By covering the entire day, Mr. Raymond's procedures  
9 (assuming the route was properly evaluated<sup>5</sup>) virtually eliminate the possibility that the  
10 carrier atypically could either speed up or slow down, thereby biasing the data, and  
11 finish the route in the allotted time. This is powerful support for the ES data.

12 ***The ES Data are Reflective of the Carrier Force.*** Mr. Raymond made it clear  
13 that one goal of the work sampling study was that he wanted the selected carriers to be  
14 representative of the national carrier force: the same ratio of regular to part time flexible  
15 carriers, gender, age, etc. In TABLE 1 below, I show that Mr. Raymond's claim is  
16 validated when compared to the postal carrier population at the beginning of his work.<sup>6</sup>  
17 More detail in this regard are shown in Mr. Raymond's USPS-LR-I-293.

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<sup>3</sup> Docket No. R87-1, USPS-7B, page 2.

<sup>4</sup> USPS-LR-I-453.

<sup>5</sup> The route evaluation ensures that on a typical workload day, the carrier should complete the street portion of the route within a few minutes of the allotted time.

<sup>6</sup> Mr. Raymond's numbers are provided in his USPS-LR-I-293. Postal workhours are from National Payroll Hours, A/P 13, September 1995.

**TABLE 1 Comparison of Carriers in ES Study with Postal Population**

	<b>ES Route Days by Carrier Type as Percent of Total Route Days</b>	<b>Percent of Postal Carrier Work Hours by Job Type as Percent of Total</b>
<b>Regular Carriers</b>	84.15%	82.41%
<b>Part Time Carriers</b>	13.85%	14.48%
<b>Transitional Carriers</b>	1.05%	1.53%
<b>Casual Carriers</b>	0.96%	1.58%
<b>TOTAL</b>	100.00%	100.00%

## **II. Rebuttal of Witness Hay**

In general, the role of A.T. Kearney was extremely constructive in bringing this study to light; however to import to them the degree of understanding of city carrier costing that Mr. Hay would allege only obfuscates these important issues. Moreover, it points more to the credibility of witness Hay and his role in this matter. Witness Hay states that the "most significant experience"<sup>7</sup> is his employment as a technical editor on the Data Quality Study (DQS). I was an integral part of the research into carrier costing as part of the DQS process, and I never met or heard of witness Hay. Mr. Hay's conversations with the "authors"<sup>8</sup> of the report are far removed from meeting with postal costing authorities or assembling and understanding the bases by which certain decisions or recommendations are made. Witness Hay has overstated his role with Kearney.

Mr. Hay provides a textbook road map of how in an ideal world a generic study *should* be conducted. The disconnect occurs when he applies his textbook foundation

<sup>7</sup> Tr. 27/13076.

<sup>8</sup> Tr. 27/13076.

1 to the ES database because of his noninvolvement with the principals, R&PM and the  
2 Postal Service. Despite his remarks, contacts with the "authors" and editing a report  
3 are not synonymous with the real world experience of conducting and managing an  
4 engineering study. Lines 1-9, of his testimony (Tr. 27/13086) exhibit his lack of  
5 understanding of what the ES worksampling database: "the enumerators *did not know*  
6 *these post survey questions* ... how could they exercise quality control". The  
7 enumerators only recorded activities, walking between deliveries, driving, etc. Those  
8 tallies were regrouped to fit costing definitions. No questions needed to be asked.

9 Mr. Raymond developed a novel approach to collecting data efficiently and  
10 accurately. The key element in his data collection process is that the "enumerators"  
11 needed only to record what they saw. An example of the difficulties that arise when the  
12 "enumerators" try to identify more complex concepts, such as load time, is evident in  
13 witness Crowder's testimony. One need only review the Official Transcript Volume 33 to  
14 understand. "I had already explained to them what I considered load time...I would  
15 never tell them when to start and when to stop...They made their decisions on their  
16 own, and different individuals would make slightly different decisions."<sup>9</sup> Later witness  
17 Crowder admits that she solves the problem of two vastly (by 50%) different load times  
18 for the same event by averaging.<sup>10</sup> From my experience, I can assure you that the  
19 simpler you make the study the more effective it usually is. The most egregious  
20 misstatement by witness Hay, in lines 1-9, is his characterization that Mr. Raymond had  
21 developed the study for a different purpose. In fact, Mr. Raymond's purpose in the work  
22 sampling analysis was appropriate for our analysis of the data. In both cases, the  
23 purpose was to disaggregate street time into activities.

---

<sup>9</sup> Tr. 33/16366.

<sup>10</sup> Tr. 33/16371-72.



1 Mr. Hay also argues that this is a situation where "any data" may be worse than  
2 "no data".<sup>11</sup> Mr. Hay apparently ignores that in this situation "no data" really means old  
3 data, the 1986 STS. The real issue that the Commission must resolve is which study's  
4 activity proportions more accurately reflect current carrier activities. The ES work-  
5 sampling database improves the quality of our costing by updating a critical part of the  
6 carrier analysis.

7

8 **III. Witness Crowder Is Wrong- The ES Work Sampling Database Is Valid For**  
9 **Postal Costing - Not The Videotape Analysis**

10

11 In her testimony, Tr. 32/16152, witness Crowder lists her rules for a cost study.  
12 Based on my 10 years experience conducting cost studies, rarely are standards 2  
13 ("precise cost-related demarcations) and 4 ("simple, focused data collection") met in a  
14 single study. Although it would be beneficial to have the observers understand the  
15 issues addressed in standard 2, in most large studies, it is impractical to achieve such  
16 understanding- both on a cost and personnel requirement basis. Consequently, the  
17 best data collection for large studies usually follows standard 4. The data collection is  
18 simple and most direct, i.e., record what you see when you see it, correctly. If this rule  
19 is in place (which is the case with Mr. Raymond's study), then less controversy occurs  
20 over the data (walking, loading, driving, etc. tallies). Expert personnel using these data  
21 can then determine where the "precise...demarcations" are (load, access, etc.). The  
22 size of the database usually mitigates concerns regarding tallies that seemingly occur at  
23 a junction between STS categories, i.e., putting these few tallies in either bucket has no  
24 effect on the outcome.

---

<sup>11</sup> Tr. 27/13078.

10

1 Another point she makes on lines 12-14, Tr. 32/16152, is that the purpose of the  
2 study is "different" than it was used in our costing. I know of no reference that could  
3 lead her to that conclusion. We used the study because the ES purpose and ours were  
4 the same: to breakdown carrier street time into activities.

5 Another notion witness Crowder advances is that the carriers' workload led to  
6 erroneous data *and* that the work sampling data, of all the data, are the most affected.<sup>12</sup>  
7 After years of observing our data collection force, I note there is always plenty of work  
8 for them to do; the collectors must be and are able to perform more than one task at a  
9 time. But if fatigue were a factor, and I believe it was not, witness Crowder has  
10 reversed the effects. Work sampling would be the least violated. If the observers had  
11 to videotape a time study or count steps or letters cased, a greater likelihood would  
12 exist that fatigue could lead to error. If all the observer had to do was to make the  
13 appropriate scans to indicate what the carrier was doing when the beeper went off, the  
14 chance of an error getting into the database is remote. Even if there were an error, a  
15 review of the daily scans, concentrating on the scan previous and the one after the  
16 error, makes correction rather simple. Carrying the argument to the extreme, even if  
17 some fatigue-related error remained in the database, the chance of those errors  
18 measurably effecting even proportions for the sampled route, let alone the proportions  
19 reflected in the entire database, is slim.

20 Also, witness Crowder's contends in her testimony that Mr. Raymond's database  
21 overstates load time. I have visited carrier units all over the country. From my  
22 observations and discussions with local officials, there is no debate that load time has  
23 increased. Witness Crowder argues that Mr. Raymond's distribution of route types and  
24 its diversion from the postal universe leads to some of the overstatement of load

1 costs.<sup>13</sup> Route types are not homogeneous; they are a composite of segments of  
2 different delivery modes. For example, a park & loop route may have business or curb  
3 line segments. This phenomenon has increased recently due to the number of carriers  
4 who have access to a vehicle. Pointing to route types really does not add to the  
5 discussion. Similarly, she talks of a large city bias on page 29. As shown later in Part  
6 IV, the 1986 study also had a distinct large city bias. Whatever the appropriate level of  
7 load time was in 1986, all indicators, that are available, show an upward trend.

8 In TABLE 2, I show the rate of growth, in what are assumed to be high load  
9 deliveries, to be 3.4% since FY 1991. Also, the addition of DPS has caused an  
10 increase in load time, as has the decline in foot routes. Even in her testimony, witness  
11 Crowder supports the concept that load time is increasing. She states that pieces per  
12 stop have grown "roughly 3% since 1988".<sup>14</sup>

13

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<sup>12</sup> Tr. 32/16154.

<sup>13</sup> Tr. 32/16174.

<sup>14</sup> Tr. 32/16184.

TABLE 2 - Growth in Percent of High Load Deliveries

YEAR	Fy 91	Fy 92	FY93	FY94	FY95	FY96	FY97	FY98
<b>Total Routes</b>	157,386	161,419	163,959	176,229	168,812	167,813	166,010	166,091
<b>Total Possible Deliveries</b>	78,481,000	81,382,000	79,500,000	80,000,000	80,724,000	81,391,000	81,807,290	82,211,445
<b>Total Possible Deliveries Per Route</b>	499	504	485	454	478	485	493	495
<b>Possible Deliveries to Apts, Curb-line, and Central Deliveries</b>	39,101,000	39,593,000	n/a	40,561,000	41,147,000	41,837,000	n/a	42,366,009
<b>Possible Deliveries to Apts, Curb-line, and Central Deliveries Per Route</b>	248	245	n/a	230	244	249	n/a	255
<b>Percent Probable High Load Deliveries to Total Deliveries</b>	49.82%	48.65%	n/a	50.70%	50.97%	51.40%	n/a	51.53%

Another area of her testimony I find problematic is found on lines 20-24, Tr.

32/16158. She argues for "precise definitions of terms", claiming that "record what you

see" is too vague. There is nothing vague to an observer about "at a stop", "walking",

"at the vehicle", "making a delivery", etc. Possibly, one can teach a group of observers

some set of activities that constitute "access" and get all of them to reasonably

"demarcate" the exact point of time where "access" begins, but I assure you that is more

difficult than the former and more prone to error. Perhaps these wrong-headed notions

stem from a lack of real world experience in conducting studies. Surely, observers often

assign different meanings to instructions, written or not, that are clear in the trainer's

view. One can minimize this error by doing as Mr. Raymond did, having the observers

1 record simple actions. In that regard, the placement of the tallies into cost pools  
2 become self-defining. If the process is made too complex, as was evident in Ms.  
3 Crowder's own videotape analysis, large errors may result. Given the structure of Mr.  
4 Raymond's database, I believe the placement of tallies into cost pools and their  
5 subsequent use by witness Baron to determine volume variable costs is correct.

6

7 **IV. The ES Work Sampling Data Collection Compares Favorably With Other**  
8 **Postal Studies**

9

10 **A. Few Costing Studies Are Flawless**

11 Witness Hay and witness Crowder in their testimonies have tried to leave the  
12 impression that the ES study is somehow fatally flawed when compared to Commission  
13 standards and, by inference, when compared to other costing studies previously  
14 accepted by the Commission. Certainly, the Commission has in place guidelines for  
15 costing studies. Whether previous studies adopted by the Commission can pass the  
16 strict interpretation of Hay and Crowder is debatable. I do know from a practical  
17 perspective that *most costing studies, no matter how well designed and planned, rarely*  
18 *are completed without a few hiccups.* The ES study is exceptionally good, however.  
19 What makes it so is the vast amount of raw, easily recast data that were gathered. Mr.  
20 Raymond succeeded in creating a database that reflects the entirety of city carrier  
21 activities. The fact that the study was not uniquely designed for rate making is not  
22 damning, especially in light of the alternatives.

23 **B. A Look at the 1986 STS Analysis**

24 Both Hay and Crowder have testified that because of their perceived problems  
25 with the ES work sampling data that the Commission should reject the studies and by  
26 default base carrier costs in this case on the 1986 STS. Inherent in that argument is the

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1 assumption that the 1986 STS was significantly superior in those areas where they  
2 have concerns about the new data. In the next several paragraphs, I show where the  
3 1986 STS data are significantly weaker in the most critical points that Hay and/or  
4 Crowder have made regarding the ES data.

5       **1. Statistical Basis of Sample Design.** The ES Sample was made large  
6 enough and broad enough (across all regions) to ensure representativeness. The 1986  
7 STS sample of 100 sites was initially selected using conventional statistical sample  
8 design principles. The original design was modified, however, because, of the 100 sites  
9 originally selected, only 91 had beeper service. Although 2,400 routes were sampled in  
10 the 91 cities, 1,019 (42%) were from only 11 (12%) cities.<sup>15</sup> Also, beeps were limited to  
11 3 per carrier to minimize interference with the carrier's workday. Many of the statistical  
12 goals at the start of the project were compromised to ensure completion of the project.  
13 Supervisors replaced trained data collectors, and implemented route substitution rules  
14 when testing the selected route, for whatever reason, became impractical. Final  
15 statistical representation of routes was not close to the goal of replicating the IOCS  
16 eight route type proportions.<sup>16</sup> For example, mixed business and residential park & loop  
17 accounted for 26% of the 7,103 tallies, yet accounted for only 4.05% of the routes. See  
18 Table 3. Also, certain travel time tallies ("margin"<sup>17</sup>) were discarded.

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<sup>15</sup> Docket No. R87-1, USPS-7B, Figure B3.

<sup>16</sup> Tr. 32/16165. Contrary to witness Crowder's assumption, a statistically random sample does not always produce the desired results.

<sup>17</sup> Docket No. R87-1, USPS-7B, pages 2-3. Margin deals with times when the carrier is sampled but is not on the street.

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TABLE 3 - 1986 STS Tallies by Route Type\*

IOCS Route Types	STS Tallies	Percent of Total	IOCS Street Costs (\$000's)	Street Costs Percentage (Expected STS Tally Distribution)
Business foot	113	1.59%	\$72,383,205	1.89%
Business motorized	109	1.53%	\$33,628,386	0.88%
Residential foot	563	7.93%	\$644,310,564	16.81%
Residential P&L	3458	48.68%	\$2,284,911,599	59.62%
Residential curb	761	10.71%	\$552,864,804	14.42%
Mixed foot	122	1.72%	\$61,894,130	1.61%
Mixed P&L	1863	26.23%	\$155,366,436	4.05%
Mixed curb	114	1.60%	\$27,329,189	0.71%
<b>TOTAL</b>	<b>7103</b>	<b>100.00%</b>	<b>\$3,832,688,313</b>	<b>100.00%</b>

\*(Data developed from R87-1, USPS-T-13 Workpapers Volume VII, LIOCAT ALB718P7)

2. **Training of Observers.** The 1986 study used carriers to self-record the data on the Street Time Sample Carrier Card.<sup>18</sup> See ATTACHMENT 1. Supervisors at each of the sites were provided instructions on how to conduct the survey. The supervisors would determine when the carriers were to be paged; they were also responsible for making the calls. These supervisors, using oral instructions, trained the sampled carriers and the debriefing supervisors. The debriefing supervisors would debrief the carriers at the end of the day, transcribing the carrier's data to a FOSDIC (film optical scanning) form.

### 3. Familiarity of Observers With "Precise Cost-Related Demarcations".

Carriers in the 1986 STS used everyday terms (see ATTACHMENT 1) that were mapped into street costing components (load, etc.). "...items of the carrier card are designed to make it easy for carriers to record their activities in terms that they are

<sup>18</sup> Docket No. R87-1, USPS-7B

1 familiar with and **at the same time** provide the functional components used for  
2 developing street activity costs."<sup>19</sup> (**Emphasis added.**)

3       **4. Observers Fatigued, Too Busy, Resulting in Errors.** 1986 STS carriers  
4 had to perform all their regular duties in addition to responding to the beeps, recording  
5 their activities, and debriefing at the end of the day. Finally, the supervisors who  
6 coordinated and oversaw the data collection were equally tasked with fulfilling their  
7 regular jobs.

8  
9       It is not my intent in the above observations to denigrate the 1986 study or refute  
10 it. It is a commendable study. My point is that, in more cases than not, study costs,  
11 operational constraints, and other factors affect a study's outcome. In addition, the  
12 observations about the 1986 study show that Mr. Raymond's study is comparable to  
13 studies previously accepted by the Commission.

14

15 **V. Summary – The New ES Work Sampling Database Is Reasonable And**  
16 **Appropriate For City Carrier Costing**

17  
18       Witness Raymond has put forth an excellent study of city carrier costs. The  
19 database is reasonable, appropriate, and of high quality. Witness Baron has taken that  
20 database and applied it correctly in his development of volume variable costs.  
21 Furthermore, witness Baron has improved city carrier costing by using volumes from the  
22 ES database to update the load time variability (LTV) analysis. The 1986 STS study  
23 and the 1985 LTV obviously were performed at different times. Having both the STS  
24 and LTV derived from the same, contemporaneous and current database is a  
25 substantial improvement. Unfortunately, Witnesses Hay and Crowder have taken

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<sup>19</sup> Docket No. R87-1, USPS-7B, page 2.



1 peripheral issues and tried to discredit a well thought out and documented piece of  
2 work. This rebuttal to their testimony has answered many of their criticisms and has  
3 provided a commonsense rationale for the Commission to adopt these new valuable  
4 refinements.

5

## ATTACHMENT 1 to USPS-RT-14

## STREET TIME SAMPLE CARRIER CARD

CARRIER NAME \_\_\_\_\_ TEST SERIAL NO. \_\_\_\_\_

BEEP: Number \_\_\_\_\_ Time \_\_\_\_\_

6

7 Mark A, B, C, or D -- (MARK ONLY ONE)

8

9 ( ) A. CARRIER STOPPED (MARK ONLY ONE "AT")

10

11 ( ) B. CARRIER DRIVING MARK ONE  
12 ( ) C. CARRIER WALKING "FROM" AND  
13 ( ) D. CARRIER RIDING ONE "TO"

14

15 AT FROM TO

16

17 ( ) ( ) ( ) OWN STATION

18

19 ( ) ( ) ( ) DELIVERY STOP - CURBLINE

20

20 ( ) ( ) ( ) DELIVERY STOP - NOT CURBLINE

21

22 ( ) ( ) ( ) VIM ROOM OR DETACHED P.O. BOX UNIT

23

23 ( ) ( ) ( ) COLLECTION BOX

24

24 ( ) ( ) ( ) RELAY BOX

25

26 ( ) ( ) VEHICLE PARKED

27

27 ( ) VEHICLE - PREPARING MAIL for Delivery

28

28 ( ) VEHICLE - LOADING OR UNLOADING at Station

29

30 MISCELLANEOUS ACTIVITIES

31

32 ( ) (Specify:)

33

33 ( ) (Specify:)

34

34 ( ) (Specify:)

35

36 ADDITIONAL ACTIVITY CHARACTERISTICS

37

38 ( ) ( ) ( ) DELIVERY STOP THAT BEGINS or ENDS ROUTE

39

39 ( ) ( ) ( ) DELIVERY NOT ROUTINE

40

41 AT FROM TO

42

43

44

(ADDITIONAL REMARKS NEXT PAGE) (omitted from Attachment)

1 CHAIRMAN GLEIMAN: One party has requested oral  
2 cross examination of this witness, ADVO, Inc. Does anyone  
3 else care to cross examine this witness today?

4 [No response.]

5 CHAIRMAN GLEIMAN: If not, then Mr. McLaughlin,  
6 take it away.

7 MR. McLAUGHLIN: Mr. Chairman, I might indicate  
8 that as in the past on these particular carrier cost issues,  
9 I am cross examining not just on behalf of ADVO, but on  
10 behalf of NPA and the other parties that were identified in  
11 our previous cross examination on this issue.

12 CHAIRMAN GLEIMAN: Thank you, sir. Appreciate it.

13 MR. McLAUGHLIN: I will not read all those names  
14 into the record.

15 I might also add that had I known that I was going  
16 to starting so late, I could have played some golf today,  
17 but it didn't work out that way, so I'll try and speed  
18 things up here.

19 CHAIRMAN GLEIMAN: Well, you know, if they have  
20 lights out there, you can still get out to the driving  
21 range.

22 CROSS EXAMINATION

23 BY MR. McLAUGHLIN:

24 Q Mr. Stevens, I would first -- I'm going to try and  
25 be very brief here. I would first like to turn to page 9 of

1 your testimony, starting at about line 18. You say: Data  
2 collection is simple and most direct, i.e., record what you  
3 see when you see it correctly. And then you say that if  
4 that rule is followed, then there is less controversy in  
5 terms of the final result.

6           Would you agree that that depends on the data  
7 collectors having definitions and interpretations and  
8 applications of those definitions of terms that are  
9 comparable to the costing definitions that are used for  
10 those terms?

11           A     No, I don't. I disagree with that. I think that  
12 complexity may lead to other problems. I think that in  
13 general, unless you have the resources, as I stated in my  
14 testimony, to train the people properly in that area, it's  
15 best to ask them to identify things that they are -- that  
16 they see on a normal basis, which is simple activities like  
17 walking, driving --

18           Q     Okay. Let me perhaps phrase it a different way,  
19 then. I'm just asking you -- let me put this hypothetically  
20 to you. Let's say for example that, in the ES survey, the  
21 term point of delivery is one of the options that's given to  
22 the data collectors.

23                     If those data collectors interpret or apply that  
24 term differently than how "at a stop" might be interpreted  
25 for costing purposes, could that possibly create some

1 difficulties?

2 A Hypothetically, you are correct. However, the  
3 problem as I see it is "at a stop" is pretty direct and  
4 straightforward. That's a definition.

5 Q Okay. Turn now to page 11, the top of page 11.  
6 Here you're talking about the question about the  
7 distribution of routes in the ES survey and how those  
8 distributions may differ from the postal system as a whole.  
9 One of the points you make is that route types are not  
10 homogeneous, they're composite of segments of different  
11 route modes.

12 Do you see that statement?

13 A Yes, I see that statement.

14 Q Okay. You go on to say the park and loop route  
15 may have business or curb line segments.

16 A That's correct.

17 Q And it could also have centralized deliveries on  
18 portions of that route as well?

19 A That's correct.

20 Q Okay. Now, further on down, you talk about a  
21 table that you say indicates growth in what are assumed to  
22 be high load deliveries, that is on line 8. Do you see  
23 that?

24 A Yes.

25 Q An example of high load deliveries would like a

1 centralized delivery or NDCBU delivery type unit. Are those  
2 considered high load type units?

3 A I say they are assumed to be.

4 Q Okay.

5 A The only data we have to validate that is Mr.  
6 Lloyd's data.

7 Q Okay. But isn't that, aside from being assumed,  
8 isn't that also kind of the understood operational  
9 assumption as well, that cluster boxes and centralized  
10 deliveries are relatively high load time delivery modes?

11 A I agree with that statement, yes.

12 Q Okay. Now then, in that event, if the routes that  
13 were sampled in the ES survey, park and loop routes,  
14 happened to have a substantially higher proportion of  
15 centralized and NDCBU deliveries, then the systemwide  
16 average park and loop route, that could potentially  
17 introduce an upward bias in the load time estimate compared  
18 to the actual system average for park and loop routes, is  
19 that correct?

20 A Yes, but that is not the case. The definition of  
21 the park and loop that was used to define the routes in Mr.  
22 Raymond's testimony was based on the AMS, our normal frame.  
23 So we use the same definitions to define these routes as our  
24 frame. So, in essence, we have a park and loop route in  
25 Raymond's database, it meets the same definition and

1 criteria as our national frame.

2 Q I am not sure you followed my question. You would  
3 agree that different park and loop routes can have different  
4 proportions of centralized deliveries. You may have one  
5 park and loop that is a pure park and loop delivery mode  
6 route, another park and loop route that has a 30-40 percent  
7 centralized deliveries or NDCBUs on it, is that correct?

8 A I am not sure of the proportions, but I do know  
9 that once it has been defined as a park and loop route, it  
10 meets the criteria as our national frame says it is.

11 Q In other words, it is your testimony that if the  
12 routes that were surveyed, that even if the routes that were  
13 surveyed in the ES database had a substantially higher  
14 proportion of centralized and NDCBU deliveries in the  
15 systemwide actual average, and those types of deliveries are  
16 considered to be high load deliveries, that that would not  
17 bias the result upward compared to the true system average?

18 A That is not my testimony. My testimony is that a  
19 park and loop route, as defined by Mr. Raymond, and in his  
20 database it is the same as our system. In other words, --

21 Q Well, --

22 A And I am not sure of the proportions of how much  
23 of which types are in each one.

24 Q Okay. I think I understand the problem we are  
25 having here. When you say his definition of park and loop

1 route, are you referring to the fact that a park and loop  
2 route is defined as a route that has more than half park and  
3 loop type deliveries?

4 A Yes, I am using the AMS definition of what a park  
5 and loop is, not Mr. Raymond's. The route that was sampled  
6 has a route title park and loop curb.

7 Q Okay.

8 A Based on the AMS frame. And that is the same  
9 frame that we use in CCS and all the other costing.

10 Q I believe we are talking about different things,  
11 but rather than try to plow through some potential confusion  
12 here, I think I will just go on.

13 A Okay.

14 Q Would you now turn to page 12 of your testimony?  
15 And there you have a table that indicates growth in percent  
16 of high load deliveries. Do you see that?

17 A Yes.

18 Q And I take it you're defining high load deliveries  
19 as being deliveries to apartments, curb line, and central  
20 deliveries?

21 A Yes, I'm using the same assumption of what  
22 constitutes a high load.

23 Q Does that also include NDCBUs in terms of  
24 centralized?

25 A That's correct.



1 Q So, basically it includes almost everything except  
2 park-and-loop and foot routes?

3 A That's correct.

4 Q Okay.

5 Now, you talk about how there has been a 3.4  
6 percent growth in these percent of what you call probable  
7 high load deliveries over a seven-year period. That's not  
8 an annual growth; that's a growth over that seven-year  
9 period?

10 A Over the seven-year period; that's correct.

11 Q And that actually represents a growth of 1.71  
12 percentage points; is that correct?

13 A I'm not sure of that. I didn't do it at an annual  
14 rate.

15 Q If you look at that figure, let's turn to total  
16 possible deliveries up toward the top.

17 And the FY 1998 figure is something like 82  
18 million compared to 78 and some million back in 1991?

19 A Yes.

20 Q Now, I just subtracted those two numbers, and I  
21 came up with a growth of about 3.7 million deliveries. Does  
22 that sound about right?

23 A It sounds about right, yes.

24 Q Okay.

25 Then if I go down to your possible deliveries to

1 the high load deliveries, I did the same calculation, 42  
2 million in '98, minus the 39 million in '91, and I came up  
3 with a growth in high load deliveries of about 3.3 million,  
4 slightly -- it's actually 3.265 million; does that sound  
5 about right?

6 A Sounds about right.

7 Q Okay.

8 Now, first of all, the growth in total possible  
9 deliveries, a portion of that represents -- for example, we  
10 should call it suburban and exurban sprawl where you have  
11 new housing developments being built, land spreading out  
12 into the countryside, places like that; that's a source of  
13 your growth in delivery points; is it not?

14 A That's possible, but I'm not an expert on the  
15 growth numbers.

16 Q So you don't know where that growth comes from  
17 then?

18 A No.

19 Q Do you know whether in new growth areas such as  
20 new housing developments and sort of the sprawling suburbs,  
21 whether the Postal Service now tends to try to put in curb  
22 line and centralized and NDCBU deliveries whenever they can,  
23 that they have a priority on that, if possible?

24 A I don't know anything about the official policy on  
25 that.

1 Q Okay.

2 So you would have no clue as to how much of that  
3 growth in possible deliveries represents sort of this growth  
4 in new areas of new housing developments and things like  
5 that?

6 A That's correct.

7 Q Does it strike you at all that the growth in  
8 possible -- total possible deliveries is about 3.7 million,  
9 and the growth in the high load deliveries is about 3.3  
10 million?

11 Does that suggest to you the possibility that  
12 perhaps most of the growth in high load deliveries is  
13 occurring in the new possible delivery areas; in other  
14 words, that it is in these new growth areas that you're now  
15 seeing the higher load type deliveries?

16 A It's possible.

17 Q Those numbers might even suggest that; wouldn't  
18 they?

19 A I'm only presenting the numbers as I saw them in  
20 the database.

21 Q Okay, so you really don't know then?

22 A I'm not sure where the actual growth is; that's  
23 correct.

24 Q One other item that's also on page 12, about line  
25 6, and this gets a little bit back to the question that we

1 were talking about earlier about the terms that are used in  
2 the survey.

3 And you're there claiming that Crowder's concerns  
4 about the need for precise definitions are not really  
5 significant. You there state there is nothing vague to an  
6 observer about, quote, "at a stop," unquote; do you see  
7 that?

8 A That's correct.

9 Q Please turn to page 18 of your testimony.

10 Now, this is the STS sample form; is that correct?

11 A That's correct.

12 Q Okay. You see on the lines 15 through 20 on that  
13 form that there are columns for at delivery stop, from  
14 delivery stop, to delivery stop; do you see those choices?

15 A That's correct.

16 Q So, at delivery stop is actually the terminology  
17 that was used in the STS?

18 A The form says that, that's correct.

19 Q And so that's consistent with your use on page 12  
20 of the term, quote, "at a stop," unquote?

21 A Yes.

22 Q Now, was the term, at a stop, the term that was  
23 used in the ES survey?

24 A No, I was only quoting Witness Crowder.

25 Q You were quoting Witness Crowder?

1           A     Yes, at a stop and walking, the terms used in her  
2 testimony.

3           Q     Turn to page 16.  Actually, this is just sort of  
4 general question here.

5                     Here you state that Witness Baron has taken  
6 Witness Raymond's data and then applied to it, his  
7 development of volume variable costs that are based on that  
8 same data; is that correct?

9           A     That's correct.

10          Q     And that's different from what he did in his  
11 original testimony?

12          A     That's correct.

13          Q     Okay.  Is it your understanding that Witness  
14 Crowder agrees that if the Commission decides to use the ES  
15 data for time proportions, that it should or must also use  
16 analyses that are based on that same data?

17          A     That's generally my reading of her testimony.

18                     MR. McLAUGHLIN:  I have no further questions.

19                     CHAIRMAN GLEIMAN:  Is there any followup?

20                     [No response.]

21                     CHAIRMAN GLEIMAN:  Questions from the Bench?

22                     [No response.]

23                     CHAIRMAN GLEIMAN:  Would you like some time to  
24 prepare for redirect?

25                     MR. COOPER:  No, I have no redirect.

1 CHAIRMAN GLEIMAN: If that is the case, then, Mr.  
2 Stevens, that completes your testimony here today. We  
3 appreciate your appearance, your contributions to our  
4 record, and we thank you and you're excused.

5 [Witness Stevens excused.]

6 CHAIRMAN GLEIMAN: Mr. Baker, you have the next  
7 witness.

8 MR. BAKER: NAA calls Christopher Kent.

9 CHAIRMAN GLEIMAN: I'm almost afraid to guess  
10 whether I've seen you here before in this proceeding, Mr.  
11 Kent.

12 Counsel, you may proceed when you're ready.  
13 Whereupon,

14 CHRISTOPHER KENT,  
15 a witness, having been called for examination, and, having  
16 been first duly sworn, was examined and testified as  
17 follows:

18 DIRECT EXAMINATION

19 BY MR. BAKER:

20 Q Mr. Kent, I am handing you two copies of a  
21 document marked NAA-RT-2, and entitled the Rebuttal  
22 Testimony of Christopher D. Kent on Behalf of the Newspaper  
23 Association of America.

24 Was this testimony prepared by you or under your  
25 supervision?

1 A Yes.

2 Q And could you confirm that it includes the errata  
3 that were filed earlier today on certain pages, including, I  
4 think, pages 5 and 6 that would have markings?

5 CHAIRMAN GLEIMAN: Mr. Baker, it's late, and your  
6 voice is probably fading and our ability to hear is also.

7 MR. BAKER: Very well. It does include the errata  
8 that were filed earlier today, and with that, Mr. Chairman,  
9 I would move the admission into evidence of this testimony.

10 CHAIRMAN GLEIMAN: Is there any objection?

11 [No response.]

12 CHAIRMAN GLEIMAN: Hearing none, if counsel would  
13 provide two copies to the Court Reporter of the Rebuttal  
14 Testimony of Witness Kent, I'll direct that that testimony  
15 be transcribed into the record, and entered into evidence.

16 [Written Rebuttal Testimony of  
17 Christopher D. Kent, NAA-RT-2, was  
18 received into evidence and  
19 transcribed into the record.]

20

21

22

23

24

25

NAA-RT-2

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

\_\_\_\_\_  
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POSTAL RATE AND FEE CHANGES, 2000  
\_\_\_\_\_

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) DOCKET NO. R2000-1  
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REBUTTAL TESTIMONY OF  
CHRISTOPHER D. KENT  
ON BEHALF OF THE  
NEWSPAPER ASSOCIATION OF AMERICA

Please address questions  
concerning this testimony to:

William B. Baker  
Wiley, Rein & Fielding  
1776 K Street, N.W.  
Washington, DC 20006-2304  
(202) 719-7000

August 14, 2000



1     **I.     Overview of Testimony**

2             I am Christopher D. Kent, President of FTI/Klick, Kent & Allen, an  
3     economic and financial consulting firm with offices at 66 Canal Center Plaza,  
4     Suite 670, Alexandria, Virginia 22314. Since 1974, I have been regularly  
5     involved in calculating revenues, costs, lost profits and project valuations  
6     associated with a wide variety of industries and endeavors. During the last 15  
7     years my work has been heavily focused towards rate proceedings in the railroad  
8     and telecommunications industry. Virtually all of the studies I have  
9     directed/performed have involved the development and/or use of complex  
10    computerized cost models that make extensive use of detailed engineering and  
11    operating input data.

12            During the period between about 1990 and 1994 I directed numerous  
13    projects my firm performed for the Postal Service. These projects ranged from a  
14    feasibility analysis of a USPS National Control Center, to operating efficiency  
15    studies at distribution centers, to examining the viability of an integrated  
16    management system. My qualifications are appended to this testimony.

17            I am filing testimony in the year 2000 postal rate hearing, Docket No.  
18    R2000-1, on behalf of the Newspaper Association of America ("NAA"). The  
19    purpose of my testimony is to respond to testimony submitted by witnesses Keith  
20    Hay and Antoinette Crowder on behalf of MPA et al. Specifically, I compare and  
21    evaluate the methodological constructs of the Engineered Standards ("ES")  
22    database developed and presented by USPS witness Lloyd Raymond and the

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1 1986 Street Time Sampling ("STS") survey, which has been used to develop  
2 time proportions for city carriers in postal rate cases since Docket No. R87-1.

3 In considering whether to replace an older study such as the STS with the  
4 newer ES database, it seems to me that the most important question has yet to  
5 be fully addressed in this proceeding. Specifically, is the ES study an  
6 improvement from the current standard?

7 While the STS study lacks much of the underlying data that would enable  
8 an all-inclusive critique, numerous comparisons to the ES study can shed light  
9 on their inherent similarities. Where methodological differences exist between  
10 the two studies, the ES study generally appears to be superior to the STS study.  
11 Furthermore, criticisms that have been leveled against the ES study also appear  
12 to apply to the STS study. To that end, I will demonstrate that the ES database  
13 makes important improvements to the STS database with more current data that,  
14 in my opinion, offers a more preferable basis for developing carrier costs.  
15 Consequently, I believe that the ES data should be used by the Postal Rate  
16 Commission in developing its estimates of the costs associated with street  
17 carrier activities.

## 18 **II. Comparison of ES and STS Methodologies**

### 19 **A. Summary of the ES and STS studies**

20 USPS Witness Lloyd Raymond presented testimony regarding the  
21 development of the carrier street activities based on data collected during the  
22 Engineered Standards/Delivery Redesign project that extended from the fall of  
23 1996 to the spring of 1998. From this database, Mr. Raymond extracted

1 information related to carrier street activities and provided it to USPS witness  
2 Donald Baron. According to Mr. Raymond, "the objective of the Engineered  
3 Standards was to collect actual (emphasis added) activities of the city letter  
4 carrier and to develop engineered methods and time standards to establish a  
5 workload managing system."<sup>1</sup>

6 The Street Time Sampling ("STS") survey was introduced by USPS  
7 witness Peter Hume in Docket No. R87-1 in order to develop time proportions for  
8 city carriers in postal rate cases. It was adopted by the Postal Rate Commission  
9 and has since been relied upon to derive time proportions. To develop the STS  
10 database, the Postal Service had street carriers record their own activities. That  
11 data was later provided to analysts to be entered into a database and then used  
12 to develop time proportion calculations. Incidentally, witness Hume argued in  
13 R87-1 that the 1986 STS survey should replace its predecessor because it  
14 provides an updated, larger sample and successfully overcame many former  
15 data deficiencies.<sup>2</sup>

## 16 **B. Survey Designs**

17 While much criticism has been leveled at the fundamental design  
18 characteristics of the ES study, the underlying methodology is largely  
19 comparable to the STS study. First, each study sampled carrier activity at  
20 specific "snap-shots" in time. Second, each study relied upon a tally-based

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<sup>1</sup> Direct Testimony of Lloyd Raymond on behalf of the USPS, R-2000-1 at 5.

<sup>2</sup> Direct Testimony of Peter Hume, USPS-T-7, Docket R87-1 at 5, 8-9.

1 sampling system that required an after-the-fact assignment procedure to allocate  
2 the tallies to time categories.

3 Specifically, the STS study collected carrier activity data via a tally-based  
4 work-sampling system. The self-reported data from the carriers were later  
5 recorded by a trained data collector, and ultimately assigned to time proportions.<sup>3</sup>  
6 The ES study used an electronic tally-based system to record the carrier's  
7 activity, and took advantage of technological improvements to rely on an  
8 electronic scanner to record the various carrier activities. A post-processing  
9 methodology was employed to convert the tally to the proper time category to  
10 allocate carrier street-time costs.

11 While some intervenors have criticized the ES study<sup>4</sup> in this regard, the  
12 bottom line is the STS methodology also used an after-the-fact assignment of  
13 observed tallies to the cost categories.

14 **C. Characteristics Associated with the STS and ES Studies**

15 Table 1 presents a summary of the characteristics of the ES and STS  
16 studies. Particularly noteworthy are the facts that the ES database includes a  
17 larger sample size, a longer survey period, and a greater recording frequency.

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<sup>3</sup> Id. at 12.

<sup>4</sup> See Hay Direct Testimony at 12-13. Specifically, witness Hay postulates that since the enumerators did not know the post-survey questions, they couldn't recognize the weaknesses or exercise any quality control.

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**Table 1<sup>5</sup>**  
**Comparison of ES and STS Studies**

	ES	STS
Survey Start Date	Oct-96	Jul-86
Survey Completion Date	Apr-98	Oct-86
Surveyed Months	15	3
Recording Frequency	Every 6 Minutes	3 Per Route
Recording Frequency /day	46	3
Tallies	39,046	7,103
Routes	340	2,400
Locations	53	91
Activity Combinations	1,350	20

### 1. Survey Period

In this proceeding, the ES study has come under fire for its lack of route level distribution across the months of the year.<sup>6</sup> Yet the STS survey was conducted over a much more limited time frame, from July – October 1986, and contains significantly less diversity over the months and seasons. The three-month period in which the STS sample was completed provides little seasonal and monthly differentiation. The ES study extended over an eighteen-month period, from fall 1996 to spring 1998. Specifically, while 44% of the ES routes occur during a 3-month period, 100% of the STS routes were sampled during a 3-month time frame. Even witness Crowder stated in her cross examination that

<sup>5</sup> Raymond Direct Testimony at 3, 7 and 14; Hume Direct Testimony, USPS T-7, Docket R87-1 at 12, USPS-7B page 2 and 9, USPS-7B Figure B-5 and Figure B-6. The 53 ES locations, detailed in LR-I-159, may be reduced to 39 if one condenses multiple CY codes for commonality in the first 3 digits of zip codes.

<sup>6</sup> Specifically, the large percentage of routes sampled during the months of October – December See Crowder at 28.

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1 she would "want a survey that was representative of the year."<sup>7</sup> The ES study  
2 therefore has a much better time differentiation than the STS study.

3 As Table 1 indicates, the ES database contains many more tallies than  
4 the STS study, with approximately 39,000 and 7,100 tallies attributable to the ES  
5 and STS databases, respectively. Furthermore, this disparity is even larger  
6 when the 1,100 STS records that were dropped from the STS database because  
7 of "missed" or "no-call lunch" are eliminated from the total STS tallies. Ultimately,  
8 the STS study drops 15% of the tallies, while the ES database only dropped 4%  
9 that were personal, break or lunch observations.<sup>8</sup>

10 The STS database does contain more routes than the ES study. While in  
11 isolation this is in its favor, on balance it is not enough to make the STS  
12 preferable to the much more current and much larger ES database.  
13 Furthermore, the STS database lacks route diversity, an area where some  
14 intervenors have criticized the ES study.<sup>9</sup> Specifically, 5,321 out of the 7,100  
15 STS tallies, or nearly 75%, fall within two of the eight route types (residential curb  
16 and mixed curb) which today comprise only 33 percent of all city routes.<sup>10</sup> By  
17 comparison, 84% of the ES routes fall into two route types (residential loop and  
18 residential curb) that comprise 81% of the total USPS system routes today.

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<sup>7</sup> Cross Examination of Ms. Crowder at 16326.

<sup>8</sup> See Baron SAS log file in USPS LR-I-159 Line 157 and the note immediately following line 173.

<sup>9</sup> See Crowder at 29.

<sup>10</sup> Hume Direct Testimony, Docket No. R87-1, USPS-7B at 13. Witness Baron lists the current number of city routes by route types in his response to MPA/USPS-T12-6.

1           According to Witness Hay at page 8 of his testimony, "Too large of a  
2   sample may require the expenditure of too many resources while adding little  
3   extra information beyond what could be obtained from some smaller yet useful  
4   sample size." While this is an interesting theoretical concept, it contradicts the  
5   vast majority of my consulting experiences, which have been driven largely by  
6   the desire/need to obtain as much data as possible. That is certainly what the ES  
7   study did and I believe that it is more likely to produce accurate results.

## 8                           **2. Timing of Reporting/Recording**

9           As presented in Table 1, the ES study sampled street carrier activities far  
10   more frequently than the STS study. The ES study relied upon observations  
11   taken every 6 minutes, when a beep would signal the observer to record the  
12   carrier's activity (and time). The STS study relied upon three random signals  
13   over the course of a route-day, notifying the carrier to record his then current  
14   activity. There is no question that the ES methodology provides a more  
15   systematic and frequent review of the carrier activity than the STS methodology.  
16   The ES methodology therefore should provide a broader and therefore more  
17   representative depiction of the street carrier activities. A sampling of only three  
18   times over the course of a day results in greater uncertainty and variation  
19   surrounding the street carrier activities that are actually captured in the tally  
20   observations.

21           On its face, it is clear that certain activities could be lost or hidden among  
22   the large un-surveyed portion of the time period of the STS study. This can be  
23   clearly illustrated by considering the number of observations that would occur

1 over the course of a typical 8-hour route day. While the STS study captured  
2 three "snap-shot" street carrier activities, the ES study would accumulate  
3 approximately 46 observations from that same period.<sup>11</sup> The relative value of the  
4 significantly greater recording frequency is that the ES study collected a large set  
5 of observations, thus yielding a more detailed picture of a carrier's day. It  
6 therefore is preferable to the STS database.

### 7 **3. Reporting Choices**

8 The STS study relied upon multiple-choice cards for the carrier to observe  
9 his activity and assign the time to the appropriate category. Generally speaking,  
10 the carrier identified whether he was either moving between two or stopped-at  
11 one of nine locations. Under the ES study methodology, 1,350 combinations  
12 resulted from the location and activity choices that were available to record what  
13 the street carrier was performing at the observed time.

14 While the number of activity categories is large, it was organized with a  
15 tiered approach, similar to a web content provider such as Yahoo!, to simplify the  
16 reporting process. While Yahoo! is likely to have millions of ultimate  
17 options/categories for one to peruse, its home page provides only a fraction of  
18 those choices presented in a simple and clear manner. Once you select an initial  
19 category, you are again provided with more options to select from. The multiplier  
20 effect of having many choices at different category levels ultimately does provide  
21 a large number of combinations, but is guided in a manner that eases the task.

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<sup>11</sup> The 46 recordings per day is calculated by dividing 39,046 tallies by 844 route days. This approximates 5 hours a day that a carrier was out of the office.



1 Similarly, the step-by-step process associated with the ES study's recording  
2 choices provides clear direction to the recorders and a multitude of data for  
3 everyone to analyze.

4 Ironically, the ES study is criticized because it provides too much detail.<sup>12</sup>  
5 The notion that such detail leads to confusion, particularly regarding the location  
6 and activity definitions, simply does not make sense. Ultimately, more accurate  
7 choices are better than less. Any minimal problems stemming from confusion  
8 because there are "too many choices" is more than offset by the benefits from  
9 having a greater number of, and more specific, observations.

10 The fact that other intervenors have been able to analyze the ES data in  
11 so many different ways at a very microscopic level demonstrates the extensive  
12 detail provided by the ES database. While this has enabled some intervenors to  
13 inundate the proceeding with criticisms (such as allegedly misassigned tallies), it  
14 illustrates a level of detail that is largely missing from the STS study. Simply put,  
15 it is the absence of detailed STS data that insulates it from such attacks. I find it  
16 ironic because my conclusion is that the lack of detailed data in the STS study  
17 should be considered a weakness.

18 Furthermore, the purported errors from misassigning activities are small in  
19 scope and effect. Witness Crowder states that Mr. Raymond misassigned a  
20 number of tallies to the wrong cost categories, particularly load. She identified  
21 the codes indicating such misassignment in her response to interrogatory

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<sup>12</sup> See Crowder Testimony at, e.g., 14-16.

1 NAA/MPA et al.-T5-1. Upon cross-examination, however Ms. Crowder conceded  
2 that if the total misassigned tallies were approximately one-half of one percent, it  
3 would not have a material effect on the time proportions derived from the ES  
4 study.<sup>13</sup> And, in fact, she later indicated that only 233 tallies, which are 0.6  
5 percent, contained those suspect combinations of codes.<sup>14</sup>

6 **III. Data Compiled for the ES Study is More than Sufficient for**  
7 **Ratemaking Purposes**

8 As discussed above, the STS study itself is vulnerable to many of the  
9 criticisms thrown at the ES study. Furthermore, the ES study by definition is a  
10 look at current carrier activities, with data collected over a much longer period of  
11 time. Therefore it should be considered superior to the STS study.

12 In this proceeding some intervenors have attempted to suggest that Mr.  
13 Raymond's study, and therefore the results of his study, do not meet a  
14 heightened standard required for ratemaking.<sup>15</sup> While I do not fundamentally  
15 disagree with the components of these purported standards as a theoretical  
16 "wish list," I respectfully suggest that the STS study by that same measure also  
17 falls far short of meeting the criteria set forth by the intervenors and criticisms of  
18 the ES study. Most importantly, the ES study is a more current, more extensive

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<sup>13</sup> See Crowder's cross-examination at 16305.

<sup>14</sup> Response of Magazine Publishers of America, Inc. Witness Crowder to Questions Raised at the Hearing (July 27, 2000).

<sup>15</sup> See e.g. "Direct Testimony of Antoinette Crowder" at 6-7; "Direct Testimony of Keith Hay," virtually in its entirety.

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1 sample of carrier activities that was surveyed over a longer period of time (1996,  
2 1997 and 1998) than the 1986 STS study.

3 Professor Hay specifically comments on the use of ES data for  
4 ratemaking in his testimony. While he understands the importance of ES studies  
5 to determine time and motion aspects of route performance, he believes the data  
6 acquisition methods applied in the ES study are quite different from those used  
7 for, and often inappropriate for, ratemaking purposes.<sup>16</sup>

8 As mentioned earlier, my firm manages data very similar to the ES data in  
9 ratemaking and rate reasonableness proceedings. In fact, it is reasonable to say  
10 that we routinely receive this type of data collected by Mr. Raymond's group and  
11 submit it to regulatory agencies such as the Federal Communications  
12 Commission and the Surface Transportation Board, which ultimately rely upon  
13 such cost data for ratemaking. In my opinion, the work sampling data compiled  
14 by the ES study is more than sufficient for ratemaking purposes.

15 **IV. Conclusion**

16 Based upon my experience and the evidence in hand, the ES data is a  
17 reasonable and much more current source to use for ratemaking purposes than  
18 the STS data. As discussed before, the STS study itself was largely accepted  
19 because it was a more current and larger sample of carrier activities, and  
20 overcame various shortcomings of the previous "old" street carrier cost data.  
21 The methodological design, the number of tally observations, recording

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<sup>16</sup> Hay Direct Testimony at 4-5.

1 frequency, and current sampling lead me to conclude that the ES data is  
2 superior to STS data and should therefore replace it.

3 For all of these reasons, it is hard for me to imagine a reason the  
4 Commission would forego an opportunity to improve the data it relies upon for its  
5 ratemaking. In summary, the ES database provides an abundance of current  
6 estimates of street carrier activities and, in my opinion, is therefore a substantial  
7 improvement over the 1986 Street Time Survey currently relied upon by the PRC  
8 to develop street carrier time proportions.

## **STATEMENT OF QUALIFICATIONS**

**OF**

**CHRISTOPHER D. KENT**

My name is Christopher D. Kent. I am President of Klick, Kent & Allen, a wholly-owned subsidiary of FTI Consulting, Inc. My office is located at 66 Canal Center Plaza, Alexandria, Virginia 22314.

I hold a Bachelor of Arts degree from the University of Virginia. In 1970 I joined Western Electric, Inc. as a Management Trainee in its "High Risk-High Reward" program. During the next six years I was promoted through various levels in the production, production scheduling and costs and forecasting departments.

Since 1977, I have been involved in various aspects of transportation including traffic analyses, economic studies including costs and revenue analyses, railroad valuations, and the development of railroad operating plans, railroad facility plans and rolling stock requirements.

In 1977, I joined Conrail as Project Manager and worked primarily in assisting the Operating Department in optimizing fleet availability.

In 1978, I was employed by the United States Railway Association as the Manager of Equipment and Facilities. I was subsequently appointed Chief, Equipment and Facilities, Rail Asset Valuation, in the Office of General Counsel. In this capacity, I supervised a staff of in-house professionals and outside consultants in developing the equipment, maintenance of way and operating evidence submitted by the U.S. government in the valuation proceedings before

the Special Court created under Section 303(c) and 306 of the Regional Rail Reorganization Act.

In 1980, I formed Kent Associates, a consulting firm dealing with operating, transportation and marketing issues for various clients. Kent Associates was affiliated with the Washington Management Group and I served as Vice President of that firm.

In 1984, I joined the economic consulting firm of Snavelly, King & Associates, Inc. as a Senior Consultant. While with that firm I participated in numerous studies related to Section 229 proceedings and anti-trust litigation.

In 1987, I founded Klick, Kent & Allen, Inc., an economic and financial consulting firm. I served as a Principal of KK&A until its acquisition by FTI Consulting, Inc. in June 1998.

I have presented testimony in the valuation proceedings before the Special Court, the House of Courts of Justice Committee of the Virginia General Assembly, various state courts and federal courts and the Interstate Commerce Commission and Surface Transportation Board. Specific transportation-related testimony I have filed is listed below.

#### **TESTIMONY**

January, 1980	In the Matter of the Valuation Proceedings Under Sections 303(c) and 306 of the Regional Rail Reorganization Act. Special Court Misc. No. 76-1
October, 1981	In the Matter of the Valuation Proceedings Under Sections 303(c) and 306 of the Regional Rail Reorganization Act. Special Court Misc. No. 76-1

January, 1986	Oral testimony before the House of Delegates, Commonwealth of Virginia, Courts of Justice Committee
May 15, 1987	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The Baltimore and Ohio Railroad Company et al.
December, 1987	I.C.C. Docket No. 38301S (Sub-No. 1) - Westmoreland Coal Sales Company v. The Denver & Rio Grande Western Railroad Company, et al.
December, 1987	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
January 14, 1988	I.C.C. Docket No. 38301S - Coal Trading Corporation et al. v. The Baltimore and Ohio Railroad Company et al.
June 20, 1988	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
July, 1989	Oral testimony before the Superior Court of Rhode Island in the matter: National Railroad Passenger Corporation v. DOT, Providence & Worcester Railroad Co. v. RI
July 30, 1990	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
October 10, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
December 14, 1990	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
January 25, 1991	I.C.C. Docket No. 37063, 38025S - The Dayton Power and Light Company v. Louisville and Nashville Railroad Company
July 15, 1991	I.C.C. Docket No. 37038 Bituminous Coal -- Hiawatha, Utah to Moapa, Nevada and consolidated proceedings
April 24, 1992	I.C.C. Finance Docket No. 31951 Southern California Regional Rail Authority For an Order Requiring Joint Use of Terminal Facilities of The Atchison, Topeka and Santa Fe Railway Company

May 7, 1993	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line Railroad Company -- Merger -- Atlantic Coast Line Railroad Company -- Petition to Remove Traffic Protective Conditions
June 10, 1994	I.C.C. Finance Docket No. 21215 (Sub-No. 5) Seaboard Air Line Railroad Company -- Merger -- Atlantic Coast Line Railroad Company -- Petition to Remove Traffic Protective Conditions
October 11, 1994	I.C.C. Finance Docket No. 32549 Burlington Northern, Inc. And Burlington Northern Railroad Company -- Control and Merger -- Santa Fe Pacific Corporation and the Atchison, Topeka and Santa Fe Railway Company
March 29, 1995	I.C.C. Docket No. 37809, 37809 (Sub-No. 1) McCarty Farms, Inc., et al., and consolidated proceedings
May 30, 1995	I.C.C. Docket No. 41191 West Texas Utilities Company v. Burlington Northern Railroad Company
October 30, 1995	I.C.C. Docket No. 41185 Arizona Public Service Company and Pacificorp v. The Atchison, Topeka and Santa Fe Railway Company
April 29, 1996	Finance Docket No. 32760. Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company -- Control and Merger -- Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and The Denver & Rio Grande Western Railroad Company.
May 23, 1996	Docket No. 41191. West Texas Utilities Company v. Burlington Northern Railroad Company -- Petition of Burlington Northern Railroad Company to Reopen Proceeding.
October 15, 1996	Docket No. 41242. Central Power & Light Company v. Southern Pacific Transportation Company; Docket No. 41295 Pennsylvania Power & Light Company v. Consolidated Rail Corporation; Docket No. 41626 MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago & North Western Railway Company.
October 25, 1996	Docket No. 41242. Central Power & Light Company v. Southern Pacific Transportation Company; Docket No.



41295 Pennsylvania Power & Light Company v. Consolidated Rail Corporation; Docket No. 41626  
MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago & North Western Railway Company.

July 11, 1997 Docket No. 41989. Potomac Electric Power Company v. CSX Transportation, Inc. Reply Statement and Evidence of Defendant CSX Transportation, Inc.

May 1998 Docket No. 42012, Sierra Pacific Power Company and Iowa Power Company v. Union Pacific Railroad Company

July 1998 Finance Docket No. 33556, Canadian National Railway Company, Grand Trunk Corporation, and Grand Trunk Western Railroad Incorporated -- Control -- Illinois Central Corporation, Illinois Central Railroad Company, and Cedar River Railroad Company.

September 1998 Docket No. 42022, FMC Corporation and FMC Wyoming Corporation v. Union Pacific Railroad Company.

December 1998 Finance Docket No. 33556, Canadian National Railway Company, Grand Trunk Corporation, and Grand Trunk Western Railroad Incorporated -- Control -- Illinois Central Corporation, Illinois Central Railroad Company, and Cedar River Railroad Company.

January 15, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming Corporation, v. Union Pacific Railroad Company. Opening Verified Statement of Christopher D. Kent and Benton V. Fisher.

March 31, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming Corporation, v. Union Pacific Railroad Company. Reply Verified Statement of Christopher D. Kent and Benton V. Fisher. Reply Verified Statement of Christopher D. Kent and John C. Klick.

April 30, 1999 Docket No. 42022. FMC Corporation and FMC Wyoming Corporation, v. Union Pacific Railroad Company. Rebuttal Verified Statement of Christopher D. Kent and Benton V. Fisher.

July 15, 1999 Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and Iron Range Railway Company. Opening

Verified Statement of Christopher D. Kent and Benton V. Fisher.

August 30, 1999      Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and Iron Range Railway Company. Reply Verified Statement of Christopher D. Kent and Benton V. Fisher.

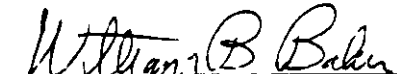
September 28, 1999      Docket No. 42038. Minnesota Power, Inc. v. Duluth, Missabe and Iron Range Railway Company. Rebuttal Verified Statement of Christopher D. Kent and Benton V. Fisher.

April 15, 2000      Expert Report. IFL Group, Inc., and Contract Air Cargo, Inc. v. Lincoln General Insurance Company.

**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.

August 14, 2000

  
\_\_\_\_\_  
William B. Baker

1 CHAIRMAN GLEIMAN: I'm not sure whether one party  
2 or many parties have requested oral cross examination on  
3 this witness. Which hat are you wearing at this point?

4 MR. McLAUGHLIN: For all of these witnesses for  
5 the remainder of the day, it is the multiparty hat.

6 CHAIRMAN GLEIMAN: All right, well, is there  
7 anyone else left outside of the multiparty group, is there  
8 anyone left after the multiparty group is formed, actually?

9 [Laughter.]

10 CHAIRMAN GLEIMAN: Who may want to cross examine?

11 [No response.]

12 CHAIRMAN GLEIMAN: It doesn't appear that anyone  
13 else wants to take us up on our gracious offer to allow them  
14 to cross examine you, Mr. Kent.

15 THE WITNESS: I appreciate that.

16 CHAIRMAN GLEIMAN: I'm sure you do. And, Mr.  
17 McLaughlin, that means that when you're ready, you can fire  
18 away.

19 MR. McLAUGHLIN: Given the hour, I have pared  
20 back, and I will be done with this witness by 6:30, I'm  
21 sure.

22 CROSS EXAMINATION

23 BY MR. McLAUGHLIN:

24 Q Mr. Kent, let me first turn to page 9, line 18 and  
25 the following portion of your testimony. There you are

1 talking about problems with some specific tallies in terms  
2 of apparent inconsistencies on their face with load  
3 definitions that Witness Crowder discussed.

4 And you mention that those represent a relatively  
5 small portion of total load tallies that you're talking  
6 about. Is it your understanding that that was her only  
7 concern with the accuracy of the tallies, or did she also  
8 have concerns of some of the tallies that appeared to be  
9 consistent on their face might also not represent true load  
10 time activities?

11 A What's the question?

12 Q I am simply asking you whether her testimony  
13 didn't go beyond those tallies that had apparent ambiguities  
14 on their face, and that she had concerns as well about  
15 tallies that, on their face, appeared to be consistent with  
16 a load definition?

17 A She did.

18 Q And you did not address that in your testimony; is  
19 that correct?

20 A That's correct.

21 Q Okay.

22 Now, in several places here -- I take it first of  
23 all that the basic thrust of your testimony -- and I think  
24 this is probably even summarized in your conclusion, and it  
25 seems pretty apparent throughout -- is that you have

1 compared the ES study and the STS study in terms of how they  
2 were structured, how they were set up, how they were  
3 conducted, how the sample design was created or whatever.

4 And basically you conclude that, overall, you  
5 believe that the ES study is adequate for ratemaking  
6 purposes, and in your view, better than the STS; is that the  
7 thrust of your testimony?

8 A I think that is a reasonable characterization.

9 Q Okay. And at several points here you note that  
10 there may be questions about both the ES study and the STS  
11 study in certain regards, such as representation of  
12 seasonality, and that, in fact, if there are shortcomings of  
13 the seasonality of the data being representative, it is a  
14 shortcoming that applies to both, and, in your view, in some  
15 cases, perhaps even more so to the STS, is that correct?

16 A Not perhaps.

17 Q Okay.

18 A It definitely applies to the STS study.

19 Q Okay. And so, likewise, there may be some other  
20 aspects here where you acknowledge that both the STS and the  
21 ES may have shortcomings, but you find the ES to be the  
22 superior of the two? In other words, there might be some  
23 biases here or there, but you would have, in your view, no  
24 reason to believe that the ES was worse, in fact, might be  
25 better in terms of those compared to the STS?

1 A Not perhaps. I believe the ES is better.

2 Q Okay. Okay. But you are not suggesting that  
3 there are not possible biases in the ES data, per se, viewed  
4 alone, in terms of being truly representative of load time?  
5 There might be biases that are in there and you simply have  
6 no addressed those, you have addressed the comparison with  
7 the STS, is that correct?

8 MR. BAKER: Is the question he is he not  
9 suggesting there are not possibly biases?

10 MR. McLAUGHLIN: That's right.

11 THE WITNESS: Okay. There were double negatives  
12 several times in there. I think all real world data has  
13 problems with it, and I think the ES is real world data.

14 BY MR. McLAUGHLIN:

15 Q Okay. And you did not address those, your real  
16 purpose is to address the comparison, in your view, of the  
17 ES versus the STS?

18 A That's correct. I was solely asked to look at it  
19 as an input.

20 MR. McLAUGHLIN: Okay. I have no further  
21 questions.

22 CHAIRMAN GLEIMAN: Is there any follow-up?  
23 Questions from the bench?

24 [No response.]

25 CHAIRMAN GLEIMAN: Do you need some time to

1 prepare for redirect?

2 MR. BAKER: I don't believe so, there will be no  
3 redirect.

4 CHAIRMAN GLEIMAN: That being the case, Mr. Kent,  
5 that completes your testimony here today. We appreciate  
6 your appearance and contributions to the record. We thank  
7 you and you are excused.

8 THE WITNESS: Thank you.

9 [Witness excused.]

10 CHAIRMAN GLEIMAN: Our next witness is Postal  
11 Service Witness Raymond, however, we are going to take a 10  
12 minute break right now because we need to reconfigure the  
13 room a little bit since there apparently will be some  
14 cross-examination that relates to videotapes.

15 Also, I want to remind folks that some of the  
16 material associated with Mr. Raymond's testimony is under  
17 protective conditions, and if you have not signed the  
18 necessary papers permitting you to be present to share this  
19 data, then you may not participate in the hearing when we  
20 get to that point. And I am sure Postal Service counsel and  
21 Mr. McLaughlin also will alert me to when we have to draw  
22 the line here.

23 MR. McLAUGHLIN: Yes, Mr. Chairman, I might state  
24 that I think that there are areas that can be covered in the  
25 public session, and I guess what I would suggest is that if



1 the witness or counsel for the Postal Service feel that a  
2 particular question is getting warm or something, obviously,  
3 I would urge them to alert them. I certainly don't want to  
4 inadvertently disclose anything.

5 CHAIRMAN GLEIMAN: What we will do is we will deal  
6 as best we can what we all agree is appropriate for an open  
7 session. And having been alerted, or if you know you have  
8 specific questions that fall into the category associated  
9 with it being associated with the protected information,  
10 then we will take a short break, clear the room of people  
11 who shouldn't be in here at that point, and then proceed  
12 with the protected material, which would also be included in  
13 a separate volume of transcript.

14 So with that, let's take 10 till 20 of the hour.  
15 Again, I want to remind people that if you have your car in  
16 the garage and you left your keys with your car, it would be  
17 a good idea right now to head down there and pick up your  
18 keys, let the garage attendant know that you are going to  
19 leave the car until we are finished, but retrieve your keys.  
20 Thank you.

21 [Recess.]

22 CHAIRMAN GLEIMAN: Well, Mr. Cooper, when last we  
23 met, you were getting ready to call your last and our final  
24 witness of the day, Mr. Raymond, who is already under oath  
25 in these proceedings, so fire away.

1 MR. COOPER: The Postal Service does indeed call  
2 Mr. Raymond to the stand, and there he is.  
3 Whereupon,

4 LLOYD RAYMOND,  
5 a witness, was called for examination by counsel on behalf  
6 of the Postal Service, and, having been previously duly  
7 sworn, was further examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. COOPER:

10 Q Mr. Raymond, I'm handing you two copies of a  
11 document entitled Rebuttal Testimony of Lloyd Raymond on  
12 Behalf of the United States Postal Service marked for  
13 identification as USPS-RT-11.

14 Was this testimony prepared by you or under your  
15 direct supervision?

16 A Yes, it was.

17 Q I understand there was a typographical error that  
18 you discovered this morning that you would like to correct.

19 A Yes. On page 14, line 13, the very last word, I  
20 would like to strike the "w" that precedes the word that  
21 should be "however." And the corrections have been made in  
22 these two copies, Mr. Cooper.

23 Q And with that correction, is this the testimony  
24 that you would give orally if you were to give oral  
25 testimony today?

1 A Yes, it is.

2 MR. COOPER: Mr. Chairman, I ask that this  
3 testimony be admitted into the evidentiary record, and I  
4 will hand two copies to the court reporter.

5 CHAIRMAN GLEIMAN: Is there an objection?

6 [No response.]

7 CHAIRMAN GLEIMAN: Hearing none, the testimony of  
8 Witness Raymond, rebuttal testimony of Witness Raymond will  
9 be transcribed into the record and recorded into evidence.

10 [USPS-RT-11, Rebuttal Testimony of  
11 Lloyd Raymond, was received in  
12 evidence and transcribed in the  
13 record.]

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USPS-RT-11

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REBUTTAL TESTIMONY OF  
LLOYD RAYMOND  
ON BEHALF OF THE  
UNITES STATES POSTAL SERVICE

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## **AUTOBIOGRAPHICAL SKETCH**

Please refer to the autobiographical sketch contained in my direct testimony, USPS-T-13.

## **PURPOSE AND SCOPE OF TESTIMONY**

The purpose of this testimony is to rebut certain assertions made by MPA witnesses Crowder and Hay regarding the reliability and utility of Engineered Standards (ES) work sampling data produced and used by Postal Service witnesses in this proceeding. In particular, I show that witness Crowder's concerns regarding the reliability of the work sampling data are not well-founded, and that her attempt to discredit the work sampling data by using other videotaped information collected along with the work sampling data is misguided and produces incorrect results. I also explain why Ms. Crowder's specific criticisms of my classifications of certain work sampling tallies are wrong. In response to witness Hay's testimony, I show that this witness overstates his familiarity with the development of the ES data, as is demonstrated by statements he makes regarding the ES study.

My testimony also briefly addresses UPS witness Luciani's mischaracterizations of certain parcel handling operations, as well as his misuse of information contained in a document produced during my study.

1   **I.     MPA WITNESS CROWDER'S CRITICISMS OF THE ENGINEERED**  
2   **STANDARDS WORK SAMPLING DATA ARE FLAWED**

3  
4       Witness Crowder advances several criticisms of the Engineered Standards work  
5 sampling data that I provided to witness Baron for use in this case. I would like to  
6 respond to these criticisms, which are, in the main, unjustified.

7       **A.     Work Sampling Data Reliability Concerns Raised By MPA Witness**  
8       **Crowder Reflect Misunderstandings Or Are Otherwise Without**  
9       **Foundation**

10  
11       Ms. Crowder has raised a number of concerns regarding the reliability of the ES  
12 worksampling data supplied to Mr. Baron and the suitability of these data for  
13 ratemaking purposes. Tr. 32/16152-64. I would like to respond to these concerns.

14       First, Ms. Crowder contends that the work sampling study was not a central  
15 focus of the overall ES study, implying that this supposedly lower priority led to  
16 circumstances in which the quality of the work sampling data was sacrificed in favor of  
17 other objectives. Tr. 32/16152-54. Ms. Crowder is in error in this regard. The accurate  
18 collection of work sampling data was among the highest of priorities in the overall effort,  
19 and the quality of the work sampling data was in no way compromised by a focus on  
20 other priorities.<sup>1</sup> In fact, the work sampling activity was the controlling activity for the  
21 data collectors, with all other activities subordinated to the objective of taking a work  
22 sampling tally every six minutes. As time and safety permitted, the collectors were also  
23 to conduct time studies throughout the day, using the bar code approach which we  
24 developed to permit overlapping of activities. The taking of video snippets was the

---

<sup>1</sup> The importance of the work sampling data is evidenced by the large number of reports that were produced to permit analysis of the data. See, e.g., LR-I-328. Hundreds and hundreds of hours have gone into evaluating the work sampling data.

1 lowest priority, to be accomplished as a fill-in assignment when safely possible. There  
2 were no minimum number of time studies or other demands placed on the data  
3 collection teams other than to get the work sampling observations every six minutes as  
4 long as they did not jeopardize their safety.

5 Ms. Crowder is also mistaken when she implies that the data collectors had so  
6 many different imperatives to follow, and so much work to perform, that the quality of  
7 the work sampling data collection must have suffered. See Tr. 32/16154-56. The data  
8 collectors were not over-worked. Typically, each collector worked a three and half day  
9 stretch followed by three and one-half days off. Based on my extensive experience  
10 designing and fielding work sampling, time studies and other engineering studies, this  
11 routine has worked quite well in the past, and worked well in this instance, allowing  
12 sufficient rest while still enabling accurate data collection during extended workdays.

13 The fact that multiple, overlapping activities were performed was not a handicap  
14 or hardship on the data collectors. The activities they performed during the day  
15 complemented each other to assist in collecting accurate data. As I have already  
16 stated, work sampling was the controlling activity, with a tally to be taken every six  
17 minutes. The remaining time between work sampling observations was free to be used  
18 for other activities such as the time study activities. The design of the bar code and  
19 scanner methods we employed permitted overlapping activities in a convenient, non-  
20 conflicting basis. It can be seen by reviewing the bar codes that time study and work  
21 sampling were very similar in nature, requiring no abrupt changes in data collection  
22 methods. The taking of quantitative data such as temperature, humidity, etc. was not a  
23 difficult task, and usually could be accomplished on an hourly basis. As mentioned



1 previously, the taking of video snippets was a low priority, to be accomplished when  
2 possible.

3       The data collectors were not under unusual pressure to perform their duties,  
4 since there were no minimum number of time studies or other demands on them  
5 beyond the regular taking of work sampling observations. Moreover, that fact that data  
6 collections teams consisted of two, and, in very many cases, three individuals (counting  
7 Postal Experts out in the field in Phase 1, and Quality Assurance personnel and Postal  
8 Experts in Phase 2), ensured that there was more than adequate staffing for the  
9 workload. Furthermore, other than the goal of work sampling every six minutes, the  
10 work of the teams was self-paced.

11       Ms. Crowder's concerns regarding the training of data collectors are likewise  
12 overblown. Ms. Crowder's chief concern seems to be that, in her view, insufficient  
13 training documentation was provided to the data collectors. Tr. 32/16156. What Ms.  
14 Crowder fails to appreciate is that the data collectors, especially in Phase I, were  
15 intimately familiar with the goals and design of the work sampling and other studies,  
16 because they had been members of the team that, over the course of hundreds of  
17 hours, designed the collection methodology in the first place. There was no need to  
18 provide elaborate and extensive training materials to these team members, because  
19 they were already familiar with the terminology and methods they were to employ.

20       All Phase 2 data collectors spent time training both with myself and with the  
21 Postal Expert who continued throughout the project. The Phase 2 collectors also  
22 received training from three roving Quality personnel who had been developers of the  
23 approach and collectors in Phase 1. Replacement collectors/observers that came  
24 onboard later also received intensive on the job training and training interaction with the

1 Postal Expert and myself. They would start out reviewing the documentation, have  
2 guided discussion through the training videos, and spend two to three weeks as the  
3 third member of a team receiving on-the-job instruction before moving on to be part of a  
4 two person team. Then they would be paired with an experience observer. Typically  
5 they would start out doing the less skilled part of the team's activities, such as driving  
6 the chase car or doing videotaping, and, later, after gaining additional experience  
7 regarding the appropriate methods, would participate in collecting the data. In this way,  
8 discontinuities and inconsistencies among data collection teams were avoided.

9 It is true that the emphasis during the development of the study and afterward  
10 was not on the creation of training materials, but on the training itself, and on exposure  
11 to the actual conditions under which the data would be collected. I deliberately chose  
12 this emphasis based upon my prior experience with work sampling in other contexts. I  
13 have found that on-the-job training is superior to sitting in a room explaining what might  
14 happen, or spending hours reviewing and/or creating training materials.

15 It is also very important to place the training issue in the context of the data  
16 collection method we chose to employ. One of the main reasons we used a  
17 hierarchical, progressive, automated technique involving bar code schemes and  
18 programmable scanning equipment is that this method has been shown to be extremely  
19 user friendly, and does not require a lot of knowledge or training on the part of the data  
20 collector. The technique is similar to the menu screens used pervasively by consumers  
21 at automated teller machines and many other devices. The user is presented with a  
22 series of limited, clear choices, and, depending on the selection, is then presented with  
23 another, different series of choices. We designed the barcoded activities to be distinct,  
24 and easily distinguishable. In the work sampling study, the first level to be scanned is

1 the Location of the carrier when the scanner beeps. The choices include "Collection  
2 Box", "Relay Box" "Gas Station" "Delivery Point", etc. Because of the simplicity of the  
3 process, and based on my observations of the data collection, I do not believe that the  
4 collectors had any significant problems accurately identifying the carrier's location, or  
5 making accurate entries in the other levels.

6 **B. Witness Crowder's attempt to use time study from selected**  
7 **videotapes to discredit the ES Work Sampling data is misguided and**  
8 **filled with errors**  
9

10 In her direct testimony, witness Crowder also attacks the use of work sampling  
11 data in this proceeding on the basis of information derived from a limited set of  
12 videotaped snippets of carrier activities. Tr. 32/16186-91. As I will explain, her attempt  
13 to estimate load time percentages from these snippets is misguided and error-ridden  
14 and otherwise fails to provide reliable estimates.

15 To see why Ms. Crowder's attempt is misguided, one first must understand the  
16 nature of the videotapes she used. The main reason that I tried to collect video of  
17 carriers' activities on the street was to be able to demonstrate to others who might later  
18 evaluate the work sampling and time study data being collected (whether in the context  
19 of a future labor arbitration or otherwise) that carrier activities were studied under a  
20 wide variety of conditions, including weather conditions, times of day, route types, types  
21 of deliveries, as well as age, gender, height, weight of the carriers being observed. I  
22 also intended the tapes to demonstrate the rate at which particular activities had been  
23 performed under particular conditions.

24 It is important to recognize, however, that the taped segments were *not* designed  
25 to serve as the basis for estimating percentages of total carrier time spent on particular  
26 activities. In fact, due to the nature of the video taping that was performed, these video

1 tapes are wholly unsuited to the task of calculating such percentages. The data  
2 collectors were told to collect, if possible, and in a manner that would not interfere with  
3 work sampling, time studies or carrier operations, approximately one half hour of video  
4 taped carrier activities in the office, and another half hour on the street. The collectors  
5 were instructed to tape short segments distributed at convenient times throughout the  
6 in-office and street time they observed. The carriers were told to avoid taping of mail  
7 recipients, or other postal customers, and to stay focused on the carrier.

8 The data collectors were not told to focus on particular activities, were not told to  
9 tape uninterrupted examples of particular activities, and (other than being told to avoid  
10 taping which would interfere with carrier functions or would create unsafe conditions)  
11 were not told when to begin taping a segment or when to stop taping. The collectors  
12 were not instructed to follow any systematic or random pattern in choosing segments to  
13 tape. Under these guidelines, the typical result was a series of short segments of non-  
14 continuous, truncated carrier activities, taken whenever the data collector decided to  
15 take them.

16 Because the taped carrier activities are truncated, and, in some cases,  
17 characterized by missing segments in the middle of the activity, it is impossible to  
18 discern in any scientific and reliable way when many of the activities on the tapes  
19 began and/or ended. It is clear that such incomplete activity cycles cannot be used to  
20 estimate the proportion of time spent during the day on particular activities.<sup>2</sup>  
21 Furthermore, even if all such truncated and incomplete segments were discarded, there  
22 is very little chance that the remaining segments from the taped snippets would provide

---

<sup>2</sup> In fact, the longer the time a particular activity took, the more likely that it would be truncated by the cameraman.

1 sufficient information to estimate such percentages. The video tapes were simply not  
2 intended or designed to be used in this way.

3 Even if the tapes, in general, had been suitable to conducting time studies such  
4 as those attempted by Ms. Crowder, she did not employ a set of tapes which accurately  
5 represented carrier street activities nationwide. First, as Ms. Crowder acknowledges,  
6 she used data relating to only 11 routes, or 19 route days, only a very small percentage  
7 of the information contained on the 933 available videotapes, and only a small  
8 percentage of the 844 route days contained in the data that I provided to witness  
9 Baron. The routes she focused on were park and loop routes. Due to the types of  
10 receptacles involved in such routes, park and loop routes generally are characterized  
11 by lower than average load times. Ms. Crowder's selection of such routes thus biased  
12 her already unreliable analysis in the direction of low load times.

13 The routes selected by witness Crowder are atypical in other ways as well, in  
14 ways that one would expect to lessen average load times on her selected routes. Most  
15 of the route days she studied (14 of 19) fell in good weather months, between May and  
16 September.<sup>3</sup> The volumes on the routes she selected were considerably lower than the  
17 ES average.<sup>4</sup> Total volumes on Ms. Crowder's selected routes were only 73.4% of the  
18 ES average. Letter volumes on Ms. Crowder's routes were only 75.3% of the ES  
19 average, flats were 78.8% of the ES average, parcels were 87.9% of the ES average,  
20 accountables were 58.1% of the ES average, and DPS volumes on her routes were  
21 only 69.7% of the ES average. Of the receptacles on the routes Ms. Crowder selected,  
22 over half (50.2%) were the easiest types to load (so-called "1 Hand Slam" receptacles),

---

<sup>3</sup> See MPA-LR-7.

<sup>4</sup> See Tr. 18/7503-24.

1    whereas in the data provided to witness Baron, only 7.4% were of this type. Similarly,  
2    14.9% of witness Crowder's routes had "Drop to Customer" loading activities, one of the  
3    quickest types of loading, compared to 9.9% for witness Baron.

4           Ms. Crowder's results not only are biased, but her analysis is contaminated by a  
5    large number of obvious errors. First, she generally included at the start and end of  
6    each taped sequence of carrier activity some amount of "interstop" time (also referred  
7    as "FAT run time"). Thus, for a sequence with one loading activity, she included twice  
8    as many run time observations as load observations. All other things equal, this  
9    tendency to over-include run time would bias her results towards lower load time  
10   proportions.<sup>5</sup>

11          Second, Ms. Crowder included in her study tape sequences in which the carrier's  
12   actions at the delivery point are blocked from view (for example, by a bush, or a  
13   building, or because the carrier's back is turned to the camera). In some cases the  
14   carrier is not videotaped at all; the observer is recording a dog or other obstruction to  
15   the carrier. In such instances, Ms. Crowder assumed, without any basis, that a  
16   particular activity had occurred.

17          Third, Ms. Crowder included obviously truncated activities in her analysis. For  
18   example, she included instances where the videotape starts or stops while the carrier is  
19   in the process of making a delivery. Witness Crowder includes this incomplete and  
20   unfinished "load" as a complete "load" sequence, thereby understating the proportion of  
21   load time.

---

<sup>5</sup> By including this additional "FAT" time, Witness Crowder considers each time sequence on the videotape to be a complete "Loop" of a "Park and Loop" delivery sequence and/or a Dismount. This time study method is in direct conflict with Ms. Crowder's methodological guidelines stated on the top of pages 14 and 15 of Library Reference MPA-LR-7.

1 Fourth, Ms. Crowder included sequences in which the taping was discontinued in  
2 the middle of the sequence, and then restarted prior to the end of the sequence,  
3 creating gaps in which significant amounts of time passed but no activity was recorded.  
4 In all such instances, the unrecorded time was inexplicably included in run time,  
5 introducing bias in the direction of lower load time proportions.

6 Fifth, Ms. Crowder misidentified obvious loading activities as run time activities.  
7 For example, there are instances in which the carrier has inadvertently dropped a piece  
8 of mail on the ground at a delivery point, a loading activity which Ms. Crowder included  
9 in FAT run time.<sup>6</sup>

10 Yet another indication of the unreliability of Ms. Crowder's videotape analysis is  
11 the wide, unexplained variances in the two stopwatch measurements of load time taken  
12 by her team. Examination of Ms. Crowder's spreadsheets MPA\_Merrifield1.xls,  
13 MPA\_Merrifield2.xls, and MPA\_Merrifield3.xls,<sup>7</sup> reveals many such inexplicable  
14 variances in the load time measurements recorded in columns G and H. Consider, for  
15 example, Route 6410, CY51, 5/28/97 from spreadsheet MPA\_Merrifield2.xls, tab MPA  
16 Data2. The load times recorded for one observation, in cells G244 and H244, are  
17 12.28 and 18.94 seconds, respectively. In this case, the second measurement is

---

<sup>6</sup> Ms. Crowder also improperly excluded a number of sequences from her analysis for no apparent reason. In her analysis of LR-I-342, for example, she did not include a delivery at 2:38:20 PM, in which as carrier spends approximately 35 seconds filling out a notice at a delivery point. In her analysis of LR-I-348, she excluded a significant instance of customer contact at 11:23:42 am. Similarly, in her analysis of LR-I-364, she did not time study the carrier stopping to check for a collection at 12:04:33 AM. In her review of LR-I-375, she excluded several business deliveries at the beginning of the outside portion of the videotape, although the carrier is clearly delivering to the businesses as part of a park and loop type delivery.

<sup>7</sup> These spreadsheets are found in MPA-LR-7 - Workpapers Supporting MPA-T-5, Direct Testimony of Antoinette Crowder.

1 almost 7 seconds larger than the initial measurement. Or consider Route CY55, Route  
 2 611, 6/5/97 from spreadsheet MPA\_Merrifield3.xls. The load times recorded for one  
 3 observation, in cells G160 and H160, are 1.85 and 9.85 seconds, respectively. In this  
 4 case, the second measurement is 8 seconds, or 432 percent, larger than the initial  
 5 measurement.<sup>8</sup>

6 As an expert in the proper conduct of time studies, I am alarmed in the extreme  
 7 by these wide measurement variances. In my experience, two competent time study  
 8 data collectors, measuring the same activity, should be expected to record time values  
 9 that vary by no more than plus or minus five percent. Most unions and management  
 10 negotiating teams with whom I have dealt would not accept variances even as large as  
 11 five percent. In a circumstance in which repeated trials could be performed, as in this  
 12 case, where the tape could be rewound and the activity measured again, I would expect  
 13 the variance to be even narrower. I can only conclude that those persons with whom  
 14 Ms. Crowder conducted her time measurements were so inexperienced that they could  
 15 not time study events accurately, or they could not reach fundamental agreement  
 16 regarding the definition of the activities being studied, or both. In any event, such wide

---

<sup>8</sup> Other examples of widely-varying measured stop times abound. Examples from spreadsheet MPA\_Merrifield1.xls (tab MPA Data) include cell G24 (with and entry of 3.12 seconds) vs. cell H24 (entry of 5.25 seconds); G145 (3.25) vs. H145 (.34); and G179 (3.5) vs. H179 (1.41). Examples from MPA\_Merrifield2.xls, (tab MPA Data) include cells G37 (4.56) vs. H37 (2.34); G47 (9.02) vs. H47 (6.03); G50 (9.22) vs. H50 (15.16), G51 (18.91) vs. H51 (15.72), G53 (17.16) vs. H53 (19.78), G54 (12.87) vs. H54 (16.75), G111 (9.75) vs. H111 (4.69), G116 (6.43) vs. H116 (4.19), G131 (6.34) vs. H131 (4.03), G228 (4.81) vs. H228 (2.72). Examples from spreadsheet MPA\_Merrifield2.xls (tab MPA Data2) include cells G12 (6.00) vs. H12 (10.25), G16 (5.09) vs. H16 (7.1), G112 (1.53) vs. H112 (3.97), G126 (10.41) vs. H126 (15.62), G167 (13.09) vs. H167 (9.56), G168 (13.35) vs. H168 (15.47), G182 (6.53) vs. H182 (2.38), G207 (3.97) vs. H207 (7.19), G229 (4.25) vs. H229 (6.94), G240 (5.18) vs. H240 (7.41), G243 (2.19) vs. H243 (4.47). Examples from MPA\_Merrifield3.xls (tab MPA Data) include cells G30 (3.10) vs. H30 (.78), G54 (15.50) vs. H54 (17.56), G129 (8.21) vs. H129 (10.4), G158 (5.87) vs. H158 (7.96), G161 (5.91) vs. H161 (2.97).



1 variances would invalidate Ms. Crowder's time studies under the standards of my  
2 profession.

3 **C. Many of the supposedly anomolous load time tallies questioned by**  
4 **witness Crowder can be accounted for.**

5  
6 In her testimony and responses to questions, witness Crowder has identified  
7 what she considers to be a number of instances in which particular work sampling  
8 tallies had been placed in incorrect STS categories. See, e.g., Tr. 32/16162-64, and  
9 Response of Magazine Publishers of America, Inc. Witness Crowder to Questions  
10 Raised at the Hearing, filed July 27, 2000. Even though the number of specific  
11 instances Ms. Crowder identified are relatively few in number when compared to the  
12 over 38 thousand tallies in the work sampling data set, I would like to point out that  
13 even in these few instances, many of the tallies were, in fact, properly categorized.

14 It should be noted at the outset that witness Crowder focused her criticism on  
15 Library Reference USPS-LR-I-163, the data set initially provided to witness Baron. In  
16 confining her attention to this library reference, she overlooked the fact that several  
17 tallies had already been corrected before she filed her testimony, in library reference  
18 LR-I-337 (filed May 16, 2000). In this library reference, 52 tallies were reassigned from  
19 load time to street support. These are the same tallies identified by witness Crowder in  
20 her July 27, 2000 response to questions raised at hearing, which she identifies as "On  
21 Route Location Load Tallies with Confused Codes : Parcel (walk flat detail)".

22 The next set of supposedly misclassified tallies identified by witness Crowder are  
23 30 tallies she identified in her July 27 response as "Vehicle and Park Point Location  
24 Load Tallies With Confused Codes: Finger @ Delivery (LLV detail for Dismount delivery  
25 type)". Ms. Crowder questions the validity of the load time classification on the basis  
26 that, in her view, load time cannot be occurring at the vehicle if other detail codes (such

1 as an LLV detail code) indicate that the carrier is, in her view, not at the delivery point.  
2 Her supposition, however, is incorrect. There clearly are occasions in which the carrier  
3 will be recorded as at the vehicle, which may be an LLV, and may still be engaged in  
4 loading activity. Picture, for example, a carrier in the vehicle (LLV) fingering the mail as  
5 it is done for a Curb delivery, but, because he has accountables to deliver, or otherwise  
6 must dismount, he departs the vehicle and walks to the recipient's door, where he stops  
7 and recommences loading activities. I contend that the fingering at the stopped vehicle  
8 is most appropriately considered load time. This fingering would have been considered  
9 load time if the carrier did not need to dismount, but merely needed to reach to the  
10 curbside receptacle and deposit the mail. I see no reason to change the classification  
11 merely because of the presence of accountables, or any other cause of a dismount.

12 Ms. Crowder also questions the validity of 27 load tallies identified as "Point of  
13 Delivery Location Load Tallies with Confused Codes: Finger @ Delivery (LLV detail and  
14 Dismount delivery type)". Again, there is no reason to believe that these tallies are not  
15 properly classified as load time. Consider the periodically occurring situation where the  
16 delivery type ordinarily is a dismount (and hence was recorded as a dismount type), but  
17 on this occasion, the customer chooses to meet the carrier at the LLV. The carrier  
18 remains in the LLV, fingers the mail, and hands it to the customer. This is clearly a load  
19 activity, and there is nothing questionable or "confused" about either the classification  
20 or the set of scans upon which it was based.

21 Ms. Crowder is also incorrect when she disputes the assignment to load of the  
22 26 tallies she calls "Vehicle and Park Point Location Load Tallies With Confused  
23 Codes: Delivery /Collection (various detail codes for Dismount delivery Type)." Picture  
24 a delivery point that has a grass berm between the road and the box location that

1 ordinarily is served as a Dismount, but the carrier elects to treat it as if it was a Curb  
2 stop (because he unadvisedly drives over the curb, grass and/or sidewalk, and loads  
3 the box without leaving the vehicle after fingering the mail). There were a small number  
4 of different locations where we observed this improper conversion of one type of  
5 delivery to another type to suit the carrier's personal inclinations. Nevertheless, the tally  
6 properly records it as a dismount type, and the tally properly is classified as load time.

7 Finally, Ms. Crowder incorrectly criticizes the assignment to load of 16 tallies she  
8 identifies as "Point of Delivery Location Load Tallies with Confused Codes: Travel b/t  
9 Delivery (LLV detail)". We sometimes observed customers receiving their mail while the  
10 carrier was driving his LLV slowly along the route, sometimes stopping, sometimes not.  
11 While it may not be advisable for carriers to hand mail to customers while moving, I can  
12 attest that it does happen. In these instances, the best practice was to record the  
13 location as at the delivery point, the activity as travel between delivery points, ~~y~~however  
14 confused that might appear.

15 I could discuss the remaining small numbers of so-called "confused codes"  
16 identified by witness Crowder,<sup>9</sup> but I believe I have made my point. The Commission  
17 should regard critically witness Crowder's allegations regarding the interpretation of  
18 particular tallies.

19 **II. WITNESS HAY'S LACK OF FAMILIARITY WITH THE ENGINEERED**  
20 **STANDARDS STUDY UNDERLIES HIS MISESTIMATION OF THE UTILITY OF**  
21 **ES WORK SAMPLING DATA IN THIS PROCEEDING.**  
22

23 Over the course of this proceeding I have tried to keep informed of all testimony  
24 relating to my direct testimony, and to the Engineered Standards Study that I

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<sup>9</sup> For example, I have yet to locate 8 tallies matching Ms. Crowder's identification of "Setup (LLV or Jeep detail for Park & Loop or Dismount delivery type)".

1 conducted. I thus read the direct testimony of MPA witness Hay with great interest. At  
2 various points in his testimony, Mr. Hay implies that the ES work sampling data that I  
3 collected should not be relied upon in this rate proceeding because the study was not  
4 specifically designed for use in a rate proceeding and because the data supposedly  
5 possess a number of characteristics that make them unsuitable for postal ratemaking.  
6 Tr. 27/13077-78, 13086-92. Witness Hay claims that he is qualified to make such an  
7 assessment of the ES study and work sampling data in large part because of his  
8 involvement in A.T. Kearney's Data Quality Study. Tr. 27/13076.

9 I have a number of concerns regarding witness Hay's testimony. Chief among  
10 these concerns is witness Hay's lack of familiarity with the study and data that he  
11 criticizes. As I was in charge of the Engineered Standards Study from start to finish, I  
12 am best qualified to know all persons involved in the study, and the extent of their  
13 involvement. Based on my experience with the study, I can state with certainty that  
14 neither witness Hay, nor any other member of A.T. Kearney's Data Quality Study team,  
15 had any significant involvement in, or exposure to, the ES study. Prior to the  
16 completion of A.T. Kearney's Data Quality Study, moreover, witness Hay and other  
17 members of the Data Quality Study team had such extremely limited access to the ES  
18 study data, design, implementation, methods, and reports, that it would have been  
19 impossible for them to conduct a valid assessment of the suitability of the work  
20 sampling data for particular purposes, such as use in a postal rate case.  
21 A. T. Kearney was not involved in the technical aspects of the project, and had only  
22 very limited management exposure. Furthermore, A.T. Kearney did not have access to  
23 any ES data until February of 1999 (with access to additional data again in October

1 1999), long after witness Hay's involvement in the Data Quality Study had concluded.<sup>10</sup>  
2 Due to its sensitive nature, and anticipated use in labor negotiations, the ES data were  
3 very tightly controlled and even the Postal Service received only preliminary reports in  
4 February of 1999. To the best of my knowledge, neither I, nor anyone else on my team  
5 ever released or even discussed ES data with the Data Quality Study team, including  
6 witness Hay.<sup>11</sup>

7 Mr. Hay's lack of familiarity with the ES study leads him to make a number of  
8 misstatements in his testimony. For example, at page 14 of this testimony, Mr. Hay  
9 states:

10 However, Mr. Raymond had his enumerators also doing a  
11 variety of other activities, such as taking video pictures, recording  
12 paces walked, at the same time as tallying the observations. Tallies  
13 were given a lower priority than these other activities, with the  
14 enumerator entering the information from memory some minutes later.

15  
16 Tr. 27 at 13087.

17 As I have discussed previously in connection with Ms. Crowder's testimony, work  
18 sampling tally taking was not a low priority, but a first priority. In those rare occasions in  
19 which a data collector was delayed in recording a tally, the source of the delay, whether  
20 it be safety related, weather related, equipment related, or whatever, the tally taking  
21 would remain the highest priority once the cause of the delay had been resolved. It  
22 should also be noted, that in the above-quoted sentences, Mr. Hay is assuming that  
23 one data collector was performing all of the data collection functions. This was not

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<sup>10</sup>In his response to Interrogatory NAA/MPA-T4-1, witness Hay reported that he was involved with the Data Quality Study from "June 20 through September 30, 1998" and billed for hours from "w/e 7/10/98" through "w/e 10/3/98".

<sup>11</sup>I recently reviewed portions of the A.T. Kearney Data Quality Survey final report, issued April 16, 1999. After reviewing "Appendix A: Key Study Team Members," I can attest that no one on A. T. Kearney's Key Study Team had anything to do with the substance of the ES work.

1 always the case, as the data collectors worked in teams, and often one handled certain  
2 tasks such as video taping, while the other handled scanning of observations.

3 Mr. Hay also mischaracterizes the training of our data collectors, when he states  
4 that "the majority of the training for Mr. Raymond's study focused on factors of  
5 importance to the Engineering Study, i.e., video training, how to enter the information  
6 with the bar code reader, how to identify the various activities and types of mail  
7 receptacle (sic) rather than maintaining the consistency and accuracy of cost-related  
8 data collection." Tr. 27/13088. Mr. Hay provides no basis for this statement, perhaps  
9 because it is unsupportable. Although we did not know, at the time, that our data would  
10 be used in a proceeding such as this, we were very aware of the importance of  
11 collecting accurate and consistent data that would show how carriers go about  
12 delivering the mail, and how a carrier's day can be broken into distinct activities. In  
13 training sessions Mr. Hay certainly did not attend, as well as on-the-job training he did  
14 not witness, we covered all aspects of the data collection methods that would lead to  
15 accurate and consistent results usable in a future labor arbitration, or in any other  
16 proceeding in which accurate, consistent and reliable data on carrier activities would be  
17 needed.

18 Mr. Hay also implies that my data collectors did not keep adequate logbooks. Tr.  
19 27/13088. On the contrary, as Mr. Hay would have known if he were familiar with our  
20 methods, each data collector maintained a Daily Comments log containing any  
21 suggested modification to the data, questions regarding how to handle particular  
22 situations, general comments regarding conditions affecting the data collection, and the

1 like. To disparage these daily logs as "notes ... that are buried in volumes of other raw  
2 data," as does Mr. Hay (Tr. 27/13088), does not do justice to these comment logs.<sup>12</sup>

3 **III. WITNESS LUCIANI MISCHARACTERIZES PARCEL OPERATIONS**

4  
5 In his testimony, UPS witness Luciani (UPS-T-5) likens the action of loading  
6 parcels into delivery vehicles to the in-office activity of sorting, casing, pulling down  
7 mail, and placing trays and tubs of mail into a hamper. Tr. 25/11783-85. The  
8 implication made is that these two operations are the same, just carried out in different  
9 locations. Based on this assumption of similarity, witness Luciani recommends that the  
10 cost of "sequencing parcels" at the vehicle be attributed to parcels, using particular time  
11 standards which I developed for possible future use by the Postal Service. *Id.*

12 I have two basic concerns regarding Mr. Luciani's proposal. First, as I indicated  
13 at an earlier stage of this proceeding, the loading of parcels into a delivery vehicle is not  
14 the same activity as sorting, casing, pulling down and placing of parcels into hampers in  
15 the office. See, e.g., Tr. 19/8082-84. The in-office activities are precise and complex.  
16 The process of placing the parcels in the vehicles, on the other hand, typically is not  
17 placing the parcels in the proper delivery order, but is a very casual process. Carriers  
18 are only attempting to get parcels to the point where they know which one to deliver first  
19 and in a very general route delivery sequence. At the vehicle, carriers do not make  
20 certain that the parcels are placed in an exact delivery sequence, and thus they do not  
21 spend the same amounts of time "sequencing" parcels as they would in the office.  
22 Their main objective is to load the vehicle; the sequencing of parcels is a collateral,

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<sup>12</sup> In making such these and other such remarks, Mr. Hay, who did not personally review the volumes of data he describes, appears to be relying on descriptions provided to him by others.

1 subordinate activity to be accomplished with varying degrees of precision depending on  
2 the number of parcels to be delivered and the carrier's urgency to reach the street.

3 I also question Mr. Luciani's application of engineered methods and standards  
4 as the basis for his calculations of time spent sequencing parcels at the vehicle. In his  
5 calculations, Mr. Luciani relies in part on time standards found in one of several  
6 Standard Operating Procedures documents that I prepared as part of my work for the  
7 Postal Service. It must be recognized at the outset that the time standards used by Mr.  
8 Luciani have not been implemented by the Postal Service at this time and may not be  
9 implemented in the foreseeable future. Second, it would be incorrect to assume, as Mr.  
10 Luciani does, that carriers currently are not meeting or beating particular time standards  
11 included in the Standard Operating Procedures documents. The carriers' actual  
12 performance may be significantly different than the standards imply, especially given  
13 the short cycle time associated with loading of parcels into vehicles. I would expect that  
14 under my recommended work methods, carriers would sequence parcels in a more  
15 precise, deliberate manner than they do now, spending more time at the vehicle than  
16 they do now. I therefore cannot agree with Mr. Luciani's assumption that "city carriers  
17 are likely not yet meeting those time standards" or with his assertion that "the cost per  
18 piece for sequencing parcels obtained using the results of the time standards is a  
19 conservatively low estimate." See Tr. 25/11784.



1 CHAIRMAN GLEIMAN: Two parties have requested oral  
2 cross examination. I believe, Mr. McLaughlin, you're now  
3 wearing your ADVO hat?

4 MR. McLAUGHLIN: No, this is the multiparty hat.

5 CHAIRMAN GLEIMAN: The multiparty hat also. I  
6 can't tell the difference, they all look the same.

7 [Laughter.]

8 CHAIRMAN GLEIMAN: We're going to have to get  
9 bigger letters on the front of those hats.

10 The other party that requested oral cross  
11 examination is United Parcel Service. I understand,  
12 however, that they have decided to forego cross examination  
13 this evening. So is there anyone else who wishes to cross  
14 examine? There doesn't appear to be.

15 Mr. McLaughlin, wearing your multiparty hat, let's  
16 party on.

17 CROSS EXAMINATION

18 BY MR. McLAUGHLIN:

19 Q Good evening, Mr. Raymond. Again let me try to  
20 see if we can speed through this as much as possible.

21 Let me ask you first to turn to -- let's see --  
22 page 8 of your testimony, and this is where you're  
23 discussing Witness Crowder's use of the videotapes of the ES  
24 data collectors' activities.

25 One of your comments there, starting around line

1 15, is that Ms. Crowder used a relatively small number of  
2 routes that she looked at. Do you understand why that was,  
3 that she used a relatively small number of routes?

4 Let me back up. Do you recall how many days she  
5 was given to review ES videotapes at Merrifield?

6 A I believe that she was given -- once the process  
7 started for reviewing videotapes, I think there was a  
8 three-day cycle. But I think that there was also additional  
9 opportunities or offer to go beyond that point in time. But  
10 there were three days that were given.

11 Q What were those additional opportunities?

12 A I think that after we had the initial three days,  
13 even at this hearing, there was discussion that was if we  
14 needed an additional technical conference or an opportunity  
15 to review additional information, that that opportunity was  
16 presented, and that could have been used to review  
17 videotapes or any of the other data that was available.  
18 That's my recollection.

19 Q You're not aware of a conversation between counsel  
20 for the Postal Service and myself concerning whether Ms.  
21 Crowder could have spent a fourth or fifth or sixth day out  
22 at Merrifield?

23 A I believe there was some initial discussions about  
24 the fact that there was -- how many days or how much time  
25 was given to take and review the videotapes, but I believe

1 after that discussion took place, that there were -- at  
2 least one other additional opportunity was offered for  
3 people to review additional data if they so desired to do  
4 so.

5 Q Who made that offer to who?

6 A The one that I'm thinking of was made at this  
7 hearing, that the Chairman, I think, even made the  
8 opportunity available if there was anybody that has any  
9 discussions or needs to look at any additional information,  
10 then maybe we ought to make that opportunity available. I  
11 think at that time, he --

12 Q Well --

13 A So, I mean, that's my recollection.

14 Q That's your recollection. Okay.

15 And do you recall, after the tapes were requested  
16 through discovery, she had anywhere from seven to about  
17 twelve days between the receipt of those tapes and the  
18 filing of her testimony; is that correct?

19 A I'd say that's probably correct.

20 Q Okay. Would you agree that reviewing videotapes  
21 is a fairly tedious task, it's time-consuming?

22 A Yes, it is.

23 Q Yes. So it wouldn't surprise you that out of 933  
24 videotapes in total, that it wouldn't be possible in the  
25 amount of time that we've been talking about to do a large

1 sample of those videotapes absent some pretty extraordinary  
2 resources.

3 A I think you're correct in saying you'd need some  
4 extraordinary resources.

5 Q Yes. Now, you go on to say -- this is on page 8,  
6 lines 9 through 12 -- that she focused on park and loop  
7 routes. Do you recall why she focused on park and loop  
8 routes?

9 A Based on my recollection, that was one of her  
10 areas of concern with amount of load time, was on park and  
11 loop routes.

12 Q Yes. And was it not also the case that she felt  
13 that park and loop routes might be easier to analyze on  
14 videotapes than, for example, some other types of routes?  
15 Comparatively.

16 A Comparatively.

17 Q Okay.

18 A I'm not sure I agree with that, but --

19 Q Well, you go ahead then and say that park and loop  
20 routes generally are characterized by lower than average  
21 load times. Do you see that statement?

22 A Right.

23 Q And we certainly don't disagree with you on that.

24 In the next paragraph, you criticize Witness  
25 Crowder's analysis of the videotapes on the grounds that the

1 routes that she viewed on the videotapes have lower than  
2 average volume than the system average; is that correct?  
3 Than the ES average.

4 A An the ES average, right.

5 Q And likewise for that reason as well, you would  
6 expect, because they are lower than average volumes, that  
7 they would have lower than average load times.

8 A Correct. But I think it goes further than that,  
9 not just lower than average load times because of the low  
10 volume; there are other characteristics of the routes as  
11 well.

12 Q So the routes that she was focusing on -- and she  
13 did not look exclusively at park and loop routes; is that  
14 correct? It was primarily park and loop; is that correct?

15 A In her dataset, that's right.

16 Q Yes. Okay. But those routes that she was looking  
17 at, according to these points that you make here, would be  
18 expected to have relatively low load, a relatively low load  
19 proportion.

20 A There is a possibility that that could happen on  
21 those types of routes.

22 Q Well, didn't you just give two reasons here why  
23 you would expect --

24 A That's right.

25 Q -- that to be the case?

1 A Yes.

2 Q And wasn't the purpose of Ms. Crowder's video  
3 analysis to compare the load time that you get from looking  
4 at the videotapes against the load time that the data  
5 collectors reported in the ES tallies?

6 A That was her general purpose, yes.

7 Q In fact, wasn't one of her purposes to indicate  
8 that the ES videotapes, in her view, indicated that the ES  
9 load tally proportions were, in fact, quite high compared to  
10 what it looked like the load might really be on those  
11 routes?

12 A From her perspective using two different measuring  
13 methodologies, using a time study measuring methodology  
14 versus a work sampling methodology.

15 Q Now, when you say a time study, let's -- I want to  
16 avoid any kind of confusion here. Time study in terms of  
17 the ES data collection is a specific term that refers to the  
18 time studies that were performed by the data collectors  
19 using the wands as opposed to the videotaping; is that  
20 correct?

21 A To me, it's easier to clarify the situation for  
22 what we're discussing here and talking -- in comparison what  
23 Ms. Crowder did versus what ES did. The data that has been  
24 presented to this Commission has been collected via a work  
25 sampling methodology. The technique that she used to

1 evaluate the videotapes was a stopwatch time study  
2 methodology.

3 Q Okay. I think you're misunderstanding my point a  
4 little bit, because the kind of time study that you're  
5 talking about Ms. Crowder doing is different from the time  
6 studies that were a part of the ES data collection.

7 A That is correct.

8 Q Okay.

9 A We used a different time study technique when we  
10 did the ES time study process.

11 Q Okay. To avoid some confusion on those terms in  
12 terms of the transcript, would you have any problem if,  
13 instead of referring to Ms. Crowder's analysis as a time  
14 study, call it a video-analysis study? We recognize that  
15 she was calculating time, but just so we don't have  
16 confusion with respect to the ES time studies that were  
17 collected as part of the ES data collection.

18 A I get concerned with that in that the ES did  
19 video-analysis studies as well, and so that could be a point  
20 of confusion as well.

21 Q Okay. Well --

22 A I think we need to agree, just so we make it  
23 easier, I think -- you know, I'll try to refer to it as Ms.  
24 Crowder did a time study of the videotapes, and I'll try to  
25 keep my references to the ES, if that comes up in our

1 discussions, as the ES time study.

2 Q Okay. On page 9, starting at line 5, you  
3 criticize the way she stopped and started in terms of the  
4 counting of load time versus the surrounding walking time;  
5 is that correct?

6 A That's correct.

7 Q And you say she generally included at the start  
8 and end of each tape sequence of carrier activity some  
9 amount of inner-stop time or run time; is that correct?

10 A That's correct.

11 Q Let's think about carriers out on the street  
12 making a delivery. To make a delivery, doesn't a carrier  
13 have to make two access portions -- one, a walk up to the  
14 receptacle and, second, a walk back away from the  
15 receptacle? Isn't that, in fact, what happens on the route?

16 A My vision of a route is one of where a carrier  
17 walks to a receptacle, processes -- does a processing  
18 activity at that receptacle and then walks to the next  
19 receptacle and there's a processing activity at that  
20 receptacle. So if I'm looking at a park and loop section or  
21 route, it's to receptacle, activity at receptacle, to  
22 receptacle, at receptacle.

23 Now, if I look at an entire loop, at the tail end  
24 of the loop, there would be one activity of where the  
25 carrier would take and leave the last receptacle that they



1 had walked to to return back to his vehicle.

2 Q Well, let's take for example -- let's assume that  
3 you had a string of six deliveries in a row and let's assume  
4 they were all equally spaced apart.

5 If the sequence started at the midpoint of the  
6 walk between two deliveries and it ended at the midpoint of  
7 the walk between two deliveries, wouldn't that balance out?

8 A Not from my standpoint. I look at the fact that I  
9 need to have a walk to that delivery point as a complete  
10 cycle from the previous delivery point. You are making  
11 value judgments as to what's in the middle or what is not in  
12 the middle. Whether you're picking up two-thirds on one end  
13 and three-quarters on the other end, there is no way of  
14 knowing, especially in a video situation, you do not know  
15 where the initial delivery point was or where the final  
16 delivery point is.

17 Q So in other words, what you're saying, then, is if  
18 you look at any one particular starting point on a  
19 particular route at a particular time, you may not know  
20 exactly what occurred just prior to that.

21 Is it possible, though, that when you're looking  
22 at a large number of stops over a number of tapes, that that  
23 will tend to kind of balance out? In other words, sometimes  
24 you may have a film segment that starts just before a  
25 carrier reaches a delivery point, so it shows virtually no

1 walking time. You may in some other segment have a segment  
2 that starts just after a carrier has left a delivery point  
3 showing no load time.

4 A Is this a hypothetical question?

5 Q Well, we'll put it hypothetically for the moment,  
6 yes.

7 A Hypothetically, that situation could arise. I do  
8 not believe that in the videotapes segments that I reviewed,  
9 that that's what I saw in this situation, but in a  
10 hypothetical situation, what you described could take place.

11 Q Now, down on page 9, starting at line 11, you talk  
12 about occasions where the carrier disappeared momentarily  
13 from view. And you say that in such instances, Ms. Crowder  
14 assumed without any basis that a particular activity had  
15 occurred. That could be, for example, a carrier walking up  
16 to a porch and then disappearing for several seconds and  
17 then reappearing?

18 A That's correct.

19 Q Okay. Do you know whether in that specific  
20 example right there whether she did count that as being a  
21 load being made, and she made an estimate of what the load  
22 time would be in that case?

23 A In some circumstances, she made an estimate of  
24 what the load time was. Didn't always identify that that  
25 was an estimate.

1           Q     Now, you say in such instances Ms. Crowder assumed  
2     without any basis that a particular activity had occurred.

3           A     That's correct.

4           Q     Is that your conclusion, that every time a carrier  
5     disappeared, she had no basis whatsoever to conclude that an  
6     activity had occurred, that a particular activity had  
7     occurred? In other words, when the carrier goes up to the  
8     porch and disappears momentarily behind the porch, that she  
9     would have no basis to assume that there was a load being  
10    made?

11          A     If I were doing analysis of Post Office operations  
12    and asked to time study load activities, and I lost my  
13    subject from view so that I could not see what activity was  
14    taking place, I would not call that a load activity. That  
15    carrier may or may not be doing, the carrier may be --

16          Q     Okay.

17          A     I don't know what the carrier is doing. I just  
18    would not assume that that is a load activity that is taking  
19    place, though.

20          Q     Okay. You would not assume that. Ms. Crowder did  
21    assume did assume that, though, didn't she?

22          A     Yes, she made that assumption.

23          Q     And so she did count that as a load time in her  
24    video analysis?

25          A     She counted that as an at stop time.

1 Q Okay. So, to that extent then, compared to how  
2 you would have done it, her video analysis would produce a  
3 higher load in that instance than -- a higher load for that  
4 route in that instance than your analysis would?

5 A I have no idea. I can't tell you.

6 Q Okay. You don't know that it would produce a  
7 lower load than the way would do it, is that correct, since  
8 you would have not counted that as a load at all?

9 A I would not have time studied that as a load  
10 activity.

11 Q Okay. We can perhaps get into this later on in  
12 the videotape. The next point you make is at line 9 -- or  
13 page 9, line 17, where you talk about -- let's see here.  
14 Wait a minute. Where you talk about instances where the  
15 carrier is in the process of making a delivery when the  
16 videotape stops.

17 A Or starts.

18 Q Or starts. Okay. Now, if the tape were to start  
19 just before the load began, wouldn't that have the effect  
20 of, in essence, perhaps overstating the load proportion  
21 before it includes no walking time associated with that,  
22 getting to that stop?

23 A Once again, it depends on when you are going to  
24 include, or how you going to go about taking these series of  
25 time studies. One of Ms. Crowder's approaches to this was

1 to include an entire sequence in the video sequence. It  
2 started at point A and that sequence would end at point B.  
3 And what she did was time out of that sequence the stop time  
4 and some other time on occasion that she timed out of there.  
5 So she would say everything that was in there. Now, how  
6 many frequencies of a walking per load cycle were changed as  
7 she went through her study process.

8 Q Turn now to page 10. Your fourth point at the  
9 very top there. You say Ms. Crowder included sequences in  
10 which the taping was discontinued in the middle of the  
11 sequence, then restarted prior to the end of the sequence,  
12 creating gaps in which significant amounts of time passed  
13 but no activity was recorded. You then say, in all such  
14 instances, the unrecorded time was inexplicably included in  
15 run time.

16 Was there an example of this kind of a situation  
17 that was presented in the video session with Ms. Crowder?  
18 Perhaps we ought to --

19 MR. COOPER: So far, so good. Keep going. The  
20 fact that there may have been such an instance in the closed  
21 session, yes or not, it doesn't trouble me.

22 BY MR. McLAUGHLIN:

23 Q Okay. Let me just ask you, was there such an  
24 instance that falls within this paragraph here that was  
25 discussed in the confidential session with Ms. Crowder

1 concerning the videotapes?

2 A Yes, that was one example of that.

3 MR. McLAUGHLIN: Mr. Chairman, I think that I do  
4 want to pursue that, but, obviously, pursuing it further  
5 than that at this point will have to be done in private  
6 session. Let me just make a note to come back to that.

7 Well, I guess I had better leave that entire  
8 paragraph alone for now. I can't frame a question that  
9 doesn't involve potentially confidential information.

10 BY MR. McLAUGHLIN:

11 Q Let's go on to your next paragraph then on page  
12 10, your fifth point. Now, there you say that Ms. Crowder  
13 misidentified obvious living activities as run time  
14 activities.

15 And you give an example. You say there are  
16 instances in which the carrier has inadvertently dropped a  
17 piece of mail on the ground at a delivery point, a loading  
18 activity which Ms. Crowder included in FAT run time.

19 Again, was an example of this discussed -- was an  
20 example that you believe falls within this category  
21 discussed in the confidential session with Ms. Crowder, or  
22 is this some different issue from the ones that were  
23 discussed in her hearing?

24 A I don't recollect that one as one that was  
25 discussed in that particular session or an example that was

1 shown of that.

2 MR. McLAUGHLIN: Mr. Chairman, again, this is an  
3 area that I do want to follow up with in the confidential  
4 session as to identifying these instances that are referred  
5 to here just in a generic sense, to find the specific  
6 examples. So we'll have to hold that one, too.

7 [Pause.]

8 This one I think we can cover without going to the  
9 tapes or to the confidential session.

10 BY MR. McLAUGHLIN:

11 Q In your next point, starting on page 10, line 10,  
12 you talk about the unexplained variances in the two  
13 stopwatch measurements of load time taken by her team.

14 In other words, there were -- for some of the  
15 tapes, there were two separate observations that were taken,  
16 and the number that was used for her analysis was the  
17 average of those two stop times; is that correct?

18 A That's correct.

19 Q Okay.

20 You then go on to discuss that in some detail,  
21 identifying instances in which you find substantial  
22 variations between two times at a particular stop.

23 Let me just ask you, in terms of these various  
24 differences in the observed times, did you bother to go back  
25 to see how much those differences affected her ultimate

1 results?

2 A I did a variance -- I did a strict mathematical  
3 calculation on the variance between the two time studies,  
4 looked at it, and looked at the maximum variation, the  
5 minimum variation, the standard deviation of that, and said  
6 from professional judgment in looking at the number of  
7 seconds that we had on many of these cases, along with other  
8 issues relative to the FAT situation, that there was a  
9 substantial impact.

10 Q Let's take a closer look at that: Over on page  
11 11, starting at line 4, you seem to be particularly  
12 concerned about one of the observations where -- actually I  
13 guess it's lines 1 through 5 where you're talking about this  
14 particular example.

15 Where there is an eight-second difference between  
16 the two observations which you say is, in italicized words,  
17 432 percent larger than the initial measurement.

18 In terms of the number that Ms. Crowder used for  
19 that particular stop, isn't it correct that the number she  
20 used was the midpoint of the average between those two  
21 numbers?

22 A The numbers that she used in making her ratios or  
23 her proportions would be the average.

24 Q And so, in fact, it's 5.85 seconds is what she  
25 used?



1 A That's correct.

2 Q And the high figure was 9.85, four seconds higher  
3 than the ones she actually used?

4 A That's correct.

5 Q Okay.

6 For that particular route, I assume you don't  
7 recall how many total seconds were observed on the tapes?

8 A You're correct in that; I do not recall how many  
9 total seconds were on that.

10 Q I happen -- well, here.

11 Let me hand you a cross examination exhibit that I  
12 haven't marked yet because I want to conform to the --

13 A On that particular one, is that examples of her  
14 Merrifield spreadsheets?

15 Q Yes, yes.

16 A I have information on there like route, name,  
17 date, place, other things.

18 Q Yes, it does, it does have the name of the city.

19 A I think we're trying to kind of hold that one off.

20 Q Okay. That's --

21 A I mean, it's been out there, but we're kind of --  
22 I mean, that was my call that we're trying to hold out on  
23 that one.

24 CHAIRMAN GLEIMAN: Wait a minute. What do you  
25 mean by "it's been out there?" If it's public, then it's

1 public. You can't get un-pregnant.

2 MR. McLAUGHLIN: Mr. Chairman, what I would be  
3 handing the witness is identical in all respects to what is  
4 in Ms. Crowder's Library Reference which has been filed.

5 The only thing it has is, in addition it has one  
6 additional column at the end which are numbers that I  
7 calculated on the Excel spreadsheet.

8 Now, that's the only difference, and those numbers  
9 are basically taking the maximum value for each observation.

10 So I'm not sure, subject to counsel, that we're  
11 really dealing here with something that at this point need  
12 be on a closed record.

13 CHAIRMAN GLEIMAN: Is Witness Crowder's Library  
14 Reference sealed or protected?

15 MR. McLAUGHLIN: It is not sealed.

16 CHAIRMAN GLEIMAN: Then unless you've got a seal  
17 on your numbers, this document is in the public domain.  
18 Let's go ahead.

19 MR. McLAUGHLIN: Okay. First let me identify  
20 this. This is from Witness Crowder's spreadsheet,  
21 MPA-Merrifield 3.XLS, which is the one identified in your  
22 testimony that we were referring to.

23 CHAIRMAN GLEIMAN: Counsel, before we proceed, I'd  
24 like to take about a one-minute break.

25 [Recess.]

1 CHAIRMAN GLEIMAN: I apologize for holding things  
2 up.

3 MR. McLAUGHLIN: Mr. Chairman, I guess I will go  
4 with your marking provisions here. This should be -- let's  
5 call this MPA/USPS-RT-11-XE-1, is that you would prefer?

6 CHAIRMAN GLEIMAN: That sounds like it is  
7 consistent with the road that we have been down before  
8 earlier today.

9 [Cross-Examination Exhibit No.  
10 MPA/USPS-RT-11-XE-1 was marked for  
11 identification.]

12 MR. McLAUGHLIN: Okay. Let me mark two of these  
13 for the reporter. Oops, I just realized I may be marking my  
14 last copy here.

15 CHAIRMAN GLEIMAN: If you will mark one for the  
16 reporter, I will look on with one of my colleagues up here.

17 MR. McLAUGHLIN: Okay.

18 CHAIRMAN GLEIMAN: You notice I am in much demand,  
19 both of my colleagues have offered up their copies for me to  
20 share.

21 COMMISSIONER LeBLANC: Nice people that we are.

22 MR. McLAUGHLIN: Let me explain, there are --

23 CHAIRMAN GLEIMAN: Commissioner Omas said that if  
24 he was in arm's reach, he would have offered his copy up,  
25 too.

1 MR. McLAUGHLIN: I won't comment any further on  
2 that.

3 BY MR. McLAUGHLIN:

4 Q There are some slight variations here from what is  
5 actually in the spreadsheet in Witness Crowder's Library  
6 Reference. First, I have added a column at the very  
7 beginning, which is captioned "Cell" and that is simply to  
8 correspond to the cells in her spreadsheet for reference.  
9 And for example, in your testimony you refer to lines G160  
10 and H160, which contain the spot where you see this big  
11 discrepancy in the load time reported.

12 If you go down to lines 160 on this  
13 cross-examination exhibit, do you see there the 1.85 seconds  
14 and the 9.85 seconds that we are referring to?

15 A Yes, I do.

16 Q Okay. And the 5.85 is the figure that she  
17 actually used, the average of those two, is that correct?

18 A That's correct.

19 Q If you turn to the last page of this exhibit, one  
20 line 255, there is a number 2,651 under sequence time.

21 COMMISSIONER LeBLANC: That is line 256.

22 BY MR. McLAUGHLIN:

23 Q 256, excuse me, line 256. I'm sorry. Line 256.  
24 The lines didn't come through very well, and I have  
25 astigmatism.

1           A     So we have the totals and we are 256 33 and then  
2 we have a number right next to it.

3           Q     Right. The 2,651, it is your understanding that  
4 represents the total seconds observed on the videotape for  
5 this particular route?

6           A     This is the route that is made up of one day where  
7 there are two time studies and then we go through one day  
8 where there is only set of time studies, so the grand total  
9 for this --

10          Q     Right, it is the grand total for this one.

11          A     -- represents the fifth and the sixth for the two?

12          Q     Yeah, that is correct. So the particular cell you  
13 were concerned about, the difference between the maximum  
14 value and the value that Crowder used was 4 seconds compared  
15 to the total of 2,600 seconds for this route that are in the  
16 videotape, is that correct?

17          A     That is correct.

18          Q     Okay. Now, let me refer you to the last column on  
19 this cross-examination exhibit which does not appear in her  
20 Library Reference, it is one that I created myself. And let  
21 me explain to you what those cells are. The equation in  
22 each cell is equals max (stop time 1, stop time 2), and if  
23 you will look at any one of these numbers here, you will see  
24 that for any particular delivery, the number that appears in  
25 the far right is the maximum value that was recorded on

1 either of those two observation days, do you see that?

2 A I see that.

3 Q Okay. Then at the very end, on page 3 for the  
4 first route day, and on page 5 for the second route day, I  
5 have inserted a summation column which sums up all of these  
6 maximum values. Now, assuming I hit the right key, the  
7 sigma key, --

8 MR. COOPER: I do want to make it clear for the  
9 record that you are not asking the witness to confirm the  
10 accuracy of these calculations at this point.

11 MR. McLAUGHLIN: No, no. What I would suggest is  
12 I have described precisely how I created the spreadsheet and  
13 it would obviously be a very simple task to confirm that.  
14 That is why I wanted to give the witness the cell equations  
15 that I used. And, in fact, if counsel, after the hearing,  
16 has any questions, I would provide him with the spreadsheet  
17 itself.

18 THE WITNESS: An electronic copy?

19 BY MR. McLAUGHLIN:

20 Q Now then, if you turn to page -- the last page of  
21 this cross-examination exhibit. Do you see down around,  
22 starting around line 262 at the very end, there is a  
23 summation for the two day totals? And you will see that the  
24 difference between the average stop time seconds that Ms.  
25 Crowder had in her spreadsheet and the maximum time using

1 the maximum of each single observation is 644 seconds versus  
2 609 seconds, if these calculations have been done correctly,  
3 is that correct?

4 A I see the 609.

5 Q In the far right, the 644.

6 A The 644.

7 Q Okay. Assuming that those have been done  
8 correctly, and you divide the 644 maximum value by the total  
9 sequence time shown on that same line of 6,248, that would  
10 get you 10.32 percent as the proportion of load time on  
11 those videotapes?

12 A Assuming that you did the calculations correct,  
13 that is what this is inferring, yes.

14 Q And so the difference between what is shown in  
15 Crowder's spreadsheet, and using the maximum value of those  
16 two values, there is a difference of 10.32 percent versus  
17 9.76 percent load, is that correct?

18 A That is what this sheet indicates.

19 Q Do you know what the corresponding ES load tallies  
20 were that she calculated for this particular route?

21 A No, I would have to go back to her spreadsheet,  
22 but I am sure you are going to advise me of that.

23 Q Well, I had it written down, but I probably handed  
24 out the copy that had the number. I believe it was 33  
25 percent, but let me just double-check.

1           32.3 percent, which is the number that appears on  
2 page 43 of Witness Crowder's direct testimony, MPAT-5.

3           Now, going on, on page 11, you have an entire  
4 footnote, in fact, where you identify a number of cells  
5 where you say there is this wide disparity. Obviously those  
6 involve other spreadsheets and other routes.

7           Frankly, I haven't had an opportunity to go  
8 through all of those routes. I could go through some. I  
9 can't testify. But anyone else could go through any one of  
10 Ms. Crowder's spreadsheets and do the very same calculation  
11 we just talked about of taking the maximum value of each of  
12 those multiple observations and figuring out how much that  
13 would impact her result if she had used the maximum values,  
14 could they not?

15           A     Yes, they could.

16           Q     And obviously we don't have a chance for  
17 surrebuttal, so we can't present that, but in this case at  
18 least, it makes a difference of less than one percentage  
19 point?

20           A     Doing the calculation the way you did the  
21 calculation.

22           Q     Okay. I take it that you did not, although you  
23 identified a number of instances where you saw a discrepancy  
24 between the two different observed load times, you did not  
25 yourself attempt to determine what would happen if you



1       instead used in every instance the larger of those two.

2           A       No, I didn't. What I did look at was for each one  
3       of the calculations as to whether there was consistency.  
4       That is, did the first team always time high or always time  
5       low. And what I saw was they alternated back and forth.

6           So as I looked at each unit value, if I see a five  
7       seconds, I don't necessarily believe the low time is right,  
8       nor do I believe that the high time is right. If I have  
9       that wide of a significant variability on each time study, I  
10      don't know what the true time is -- would be that particular  
11      activity.

12          Q       It could even be the average of those two,  
13      couldn't it?

14          A       Could be something -- could be. Could be  
15      something all together different than that.

16           Also, you present me with calculations as to the  
17      total up here, and I disagree with the FAT portions that go  
18      into these routes. So I don't necessarily agree that 10.32  
19      percent is what represents --

20          Q       Well, but the point of this cross examination  
21      exhibit was to deal with the specific criticism you raised  
22      about the difference in the times for two observations of  
23      the same load.

24          A       I think that's the point you're trying to make. I  
25      may have some different ones that I'm trying to make.

1           Q     I think we'll be covering those separately as  
2 well, probably in the private session.

3           MR. McLAUGHLIN: Mr. Chairman, with respect to the  
4 cross examination exhibit, I'm not quite sure what its  
5 evidentiary status should be. We're faced with the quandary  
6 here, of course, that there is no opportunity for  
7 surrebuttal and we have done some calculations which have --  
8 which we have identified how they were calculated and how  
9 they were done, which anyone else is capable of checking or  
10 replicating or duplicating.

11           So I raise the question as to whether this can be  
12 considered introduced for purposes of evidence in this  
13 testimony, not per se for the truth of the matters asserted  
14 therein, but as an example of how these calculations can be  
15 made to produce this result.

16           MR. COOPER: Mr. Chairman, I would object to any  
17 evidentiary status for this exhibit on the grounds that no  
18 witness has attested to the veracity or accuracy of these  
19 calculations or even to the method by which they were  
20 performed, and therefore it can have no evidentiary status.  
21 However, I would not object to its transcription into the  
22 record to illuminate the questioning which we have --

23           MR. McLAUGHLIN: Okay. I would just simply once  
24 again offer to any party who wants to that they can easily  
25 replicate what has been done here and shown on this exhibit,

1 and if someone has a problem with that, give me a call.

2 CHAIRMAN GLEIMAN: Do you wish to transcribe --

3 MR. McLAUGHLIN: Yes, I do want to have it  
4 transcribed. I think it needs to be transcribed. I will  
5 not ask that it be moved into evidence.

6 CHAIRMAN GLEIMAN: I appreciate that.

7 The cross examination, the exhibit in question  
8 will be transcribed into the record at this point.

9 [MPA/USPS-RT-11-XE-1 was  
10 transcribed into the record.]  
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## MPA DATA

MPA

/ USPS - RT11 - XE-#

Cell	Unit Code	Route Code	Date	Sequence Start	Sequence End	Start of Stop Time (***unless otherwise noted)	Stop Time (1)	Stop Time (2)	Stop Time	Seq Time	route type	del type	detail	Maximum Time
76	CY55	611	6/5/97	9:10:33	9:11:49	9:10:33				76	p/l	sdr	Just leaving truck for loop	
77	Jackson Miss					9:10:55	5.28	5.4	5.34		p/l	sdr		5.40
78	AC&CC					9:11:15	7.40	6.37	6.89		p/l	sdr	SDR, small lawns, larger homes	7.40
79	LT&BM					9:11:43	4.22	5.3	4.76		p/l	sdr	SDR, small lawns, larger homes	5.30
80	Day 1			9:14:25	9:16:38	9:14:28	9.78	10	9.89	133	p/l	sdr		10.00
81						9:15:07	3.66	3.3	3.48		p/l	sdr		3.66
82						9:15:35	5.10	5.85	5.48		p/l	sdr		5.85
83						9:16:07	2.23	2.63	2.43		p/l	sdr		2.63
84						9:16:37	3.00	3.4	3.20		p/l	sdr	stopped in midload	3.40
85				9:26:24	9:27:59	9:26:43	5.25	6.6	5.93	95	p/l	sdr		6.60
86						9:27:15	4.25	4.59	4.42		p/l	sdr		4.59
87						9:27:37	4.65	5.3	4.98		p/l	sdr		5.30
88						9:27:59					p/l	sdr	ended at truck	
89				9:30:09	9:32:47	9:30:09				158	p/l	sdr	Just leaving truck for loop	
90						9:30:37	2.45	2.69	2.57		p/l	sdr		2.69
91						9:31:18	7.11	7.2	7.16		p/l	sdr		7.20
92						9:32:06	2.95	3.35	3.15		p/l	sdr		3.35
93						9:32:47					p/l	sdr	almost to next stop	
94				9:33:22	9:35:51	9:33:41	10.10	10.75	10.43	149	p/l	sdr		10.75
95						9:34:51	3.89	4.3	4.10		p/l	sdr		4.30
96						9:35:51					p/l	sdr	disappears walking behind bushes	
97				9:38:15	9:38:31	9:38:15				136	p/l	sdr	load just ended	
98						9:36:44	2.69	2.69	2.69		p/l	sdr		2.69
99						9:37:28	4.84	5	4.92		p/l	sdr		5.00
100						9:38:28	3.15	3.5	3.33		p/l	sdr		3.50
101				9:38:48	9:40:05	9:38:58	2.00	3	2.50	77	p/l	sdr	drop on outdoor furniture	3.00
102						9:39:40	2.75	3.47	3.11		p/l	sdr		3.47
103				9:40:50	9:44:49	9:40:58	5.05	6.09	5.57	239	p/l	sdr		6.09
104						9:42:08	3.04	3.54	3.29		p/l	sdr		3.54
105						9:43:09	2.47	3	2.74		p/l	sdr		3.00
106						9:43:47	2.22	3.03	2.63		p/l	sdr		3.03
107						9:44:25	2.88	3.66	3.27		p/l	sdr		3.66
108						9:44:49					p/l	sdr	returned to truck	
109				9:52:35	9:55:56	9:53:07				201	p/l	sdr	just left truck	0.00
110						9:53:24	5.84	4.15	5.00		p/l	sdr	stopped to look at mail, took another step and loaded	5.84
111						9:53:38	1.90	1.62	1.76		p/l	sdr	Duplexes, didn't really stop here just swiped mail into box, sep mailboxes	1.90
112						9:54:04	3.04	2.5	2.77		p/l	sdr	Duplexes, sep mailboxes	3.04
113						9:54:38	5.00	5	5.00		p/l	sdr	blip in tape while loading, est off tape time	5.00
114						9:55:13	12.34	14.12	13.23		p/l	sdr	went inside and dropped	14.12
115						9:55:50	1.37	2.18	1.78		p/l	sdr		2.18
116				9:56:23	9:57:12						p/l	sdr	commercial area, only walking	
117				9:57:34	9:58:10						p/l	sdr	returns from commercial area and goes back to truck	
118				10:03:44	10:12:08	10:04:11	3.56	4.03	3.80	504	p/l	sdr	SDR, middle class housing -- nice	4.03
119						10:04:52	3.28	4.19	3.74		p/l	sdr		4.19
120						10:05:18	2.15	2	2.08		p/l	sdr		2.15
121						10:06:02	2.91	3.35	3.13		p/l	sdr		3.35
122						10:06:44	3.48	4	3.74		p/l	sdr		4.00
123						10:07:42	1.38	2.91	2.15		p/l	sdr		2.91
124						10:08:18	5.13	6.19	5.66		p/l	sdr		6.19
125						10:09:07	13.50	14.19	13.85		p/l	sdr		14.19
126						10:09:59	1.91	2.53	2.22		p/l	sdr		2.53
127						10:10:24	2.28	3.44	2.86		p/l	sdr		3.44
128						10:11:07	3.19	3.63	3.41		p/l	sdr		3.63

## MPA DATA

Cell	Unit Code	Route Code	Date	Sequence Start	Sequence End	Start of Stop Time (***unless otherwise noted)	Stop Time (1)	Stop Time (2)	Stop Time	Seq Time	route type	del type	detail	Maximum Time
129						10:11:42	8.21	10.4	9.31		p/l	sdr	door had to be opened	10.40
130						10:12:08					p/l	sdr	started to talk -- apparently to data collector, end	
131				10:12:51	10:16:48	10:12:52	3.59	3.5	3.55	237	p/l	sdr		3.59
132						10:13:18	7.06	7.88	7.47		p/l	sdr		7.88
133						10:13:52	5.15	5.75	5.45		p/l	sdr		5.75
134						10:14:30	2.80	3.3	3.05		p/l	sdr		3.30
135						10:15:02	3.81	4.96	4.39		p/l	sdr		4.96
136						10:15:27	2.14	2	2.07		p/l	sdr		2.14
137						10:15:59	1.80	1.4	1.60		p/l	sdr		1.80
138						10:16:21	2.17	3	2.59		p/l	sdr		3.00
139				10:17:11	10:20:16	10:17:44	5.63	4	4.82	185	p/l	sdr		5.63
140						10:18:18	2.09	2.09	2.09		p/l	sdr		2.09
141						10:18:44	2.50	3.1	2.80		p/l	sdr		3.10
142						10:19:39	2.44	2.62	2.53		p/l	sdr		2.62
143						10:20:16					p/l	sdr	walked back to truck and stopped	
144				10:45:51	10:46:50	10:45:52	1.23	1.19	1.21	59	p/l	sdr	Big Delay due to Lock Problem; changes trucks SDR, big houses large lawns, first piece of tape after big delay	1.23
145														
146				10:47:17	10:51:13	10:47:47	2.00	3.88	2.94	236	p/l	sdr		3.88
147						10:48:17	1.66	2.72	2.19		p/l	sdr		2.72
148											p/l	sdr	10:48:27-10:48:32 blip in tape, still walking	
149						10:48:35	4.71	4.71	4.71		p/l	sdr	stopped to talk with lady at car and give her mail	4.71
150						10:48:50					p/l	sdr	very small blip in tape-- continuing walking	
151						10:49:15	2.75	2.03	2.39		p/l	sdr		
152						10:49:26					p/l	sdr	10:49:26-10:49:39 blip in tape, still walking	
153						10:49:40	2.93	4.18	3.56		p/l	sdr		4.18
154						10:50:58	1.90	2.4	2.15		p/l	sdr		2.40
155				10:51:33	10:52:40	10:51:33	3.78	4.3	4.04	67	p/l	sdr	started in midload	4.30
156						10:52:15	1.31	2.28	1.80		p/l	sdr		2.28
157				10:52:50	10:54:14	10:52:50	1.00	1.16	1.08	84	p/l	sdr	started in midload	1.16
158						10:53:22	5.87	7.96	6.92		p/l	sdr		7.96
159						10:54:14		2.66	1.33		p/l	sdr	going back to truck	2.66
160				11:09:12	11:12:31	11:10:04	1.85	9.85	5.85	199	p/l	sdr		9.85
161						11:10:58	5.91	2.97	4.44		p/l	sdr	opened screen door to load	5.91
162						11:11:36	1.09	2.97	2.03		p/l	sdr		2.97
163						11:11:59	3.23	4	3.62		p/l	sdr	minor difficult terrain -- new construction	4.00
164						11:12:27							blips in tape -- still walking 11:12:27-11:12:29, 11:12:29-11:12:31	
165				11:13:35	11:18:38	11:14:37	1.22	1.63	1.43	303	p/l	sdr		1.63
166						11:15:37	1.57	2.63	2.10		p/l	sdr		2.63
167						11:16:24	9.00	9	9.00		p/l	sdr	blip in tape 11:16:24-11:16:33 going up and coming back from load, stop est	9.00
168						11:16:55	1.56	1.75	1.66		p/l	sdr	talking apparently to data collector about barking dog, still walking	1.75
169						11:18:01	1.79	2.62	2.21		p/l	sdr		2.62
170				11:18:51	11:20:31	11:18:35							walking wary of dog	0.00
171						11:19:02	7.88	7.72	7.80	100	p/l	sdr	after stop walking away, wary of dog and apparently talking to data collector	7.88
172						11:20:31							almost to next stop, tape stops	0.00
173				11:20:52	11:23:59	11:20:58	5.60	6.44	6.02	187	p/l	sdr		6.44
174						11:21:35	4.00	4	4.00		p/l	sdr	11:21:35-11:21:38 blip in tape, stop estimated from tape	4.00
175						11:22:20	3.41	5	4.21		p/l	sdr		5.00
176						11:22:52	3.18	4.25	3.72		p/l	sdr		4.25

## MPA DATA

Cell	Unit Code	Route Code	Date	Sequence Start	Sequence End	Start of Stop Time (**unless otherwise noted)	Stop Time (1)	Stop Time (2)	Stop Time	Seq Time	route type	del type	detail	Maximum Time
177						11:23:26	1.05	2.1	1.58		p/l	sdr		2.10
178						11:23:59					p/l	sdr		0.00
179				11:37:12	11:40:04	11:37:12				172	p/l	sdr	stopped at truck just leaving a stop	0.00
180						11:37:58	1.62	2.53	2.08		p/l	sdr		2.53
181						11:38:38	6.03	4.22	5.13		p/l	sdr		6.03
182						11:39:06	1.59	2.28	1.94		p/l	sdr		2.28
183						11:39:40	1.75	2.56	2.16		p/l	sdr		2.56
184						11:39:57	1.62	3.1	2.36		p/l	sdr		3.10
185					TOTALS				353.64	3597.00				388.36
186					Stops				88					
187					Average Stop Time				4.02					
188					Total Time Collected				59.95	Minutes				
189					Stop/(Stop+Interstop)				9.83%					10.80%

## MPA DATA

Cell	Unit Code	Route Code	Date	Sequence Start	Sequence End	Start of Stop Time (***unless otherwise noted)	Stop Time (1)	Stop Time (2)	Stop Time	Seq Time	route type	del type	detail	Maximum Time
190	CY55 Day 2	611	6/6/97	8:52:26	8:54:27	***end of stop time								
191						8:52:40 AM			2.75	121	p/l	sdr		
192						8:53:14 AM			2.53		p/l	sdr		
193						8:53:43 AM			2.97		p/l	sdr		
194						8:54:12 AM			2.07		p/l	sdr		
195				9:04:12	9:04:27									
196				9:05:18	9:06:51	9:05:29 AM			7.13	93	p/l	sdr		
197						9:06:03 AM			5.59		p/l	sdr		
198						9:06:36 AM			1.37		p/l	sdr		
199						9:06:44 AM			3.81		p/l	sdr		
200				9:12:09	9:13:47	9:12:33 AM			2.56	98	p/l	sdr		
201						9:13:21 AM			18.94		p/l	sdr	Deliver Package	
202				9:17:36	9:18:45	9:18:06 AM			3.40	69	p/l	sdr		
203				9:19:25	9:20:39	9:19:25 AM			10.03	74	oth	oth	Other stop; talking to customer; no mail delivered	
204						9:20:10 AM			3.12		p/l	sdr		
205				9:35:47	9:38:18	9:35:56 AM			2.97	151	p/l	sdr	Smaller houses; busier street	
206						9:36:14 AM			2.81		p/l	sdr		
207						9:36:25 AM			2.91		p/l	sdr		
208				9:48:58	9:49:15						p/l	sdr	Followed closely by union rep; Mid-load	
209				9:50:16	9:51:07	9:50:58 AM			3.96	51	p/l	sdr	Mid-load	
210				10:12:12	10:13:51	10:13:31 AM			2.41	99	p/l	sdr	Just finished stop	
211				11:07:04	11:08:11	11:07:41 AM			2.94	67	p/l	sdr		
212				11:08:45	11:09:13						p/l	sdr	Mid-load	
213				11:15:29	11:16:55	11:15:29 AM			4.97	86	p/l	sdr	Mid-load	
214						11:16:07 AM			2.15		p/l	sdr		
215				11:20:09	11:22:18	11:20:42 AM			5.28	129	p/l	sdr	Mid-load	
216						11:21:38 AM			9.59		p/l	sdr	Slow sorting mail	
217				11:32:09	11:32:36	11:32:20 AM			2.44	27	p/l	sdr		
218				11:33:34	11:34:59	11:34:14 AM			8.75	85	p/l	sdr	Obstructed	
219				11:37:12	11:38:59	11:37:24 AM			2.56	107	p/l	sdr		
220						11:37:53 AM			2.37		p/l	sdr		
221						11:38:20 AM			2.30		p/l	sdr	Cross street to car	
222				12:20:17	12:21:00	12:20:37 PM			8.00	43	p/l	sdr		
223						12:21:10 PM			1.79		p/l	sdr		
224				12:24:43	12:25:03	12:24:49 PM			3.63	20	p/l	sdr		
225				12:31:31	12:34:39	12:32:02 PM			2.84	188	p/l	sdr	Street box at curb	
226						12:32:02 PM			1.30		p/l	sdr		
227						12:33:26 PM			2.69		p/l	sdr		
228						12:34:16 PM			2.06		p/l	sdr	Talking while walking between	
229				12:49:00	12:52:37	12:49:08 PM			13.19	217	p/l	sdr		
230						12:49:59 PM			3.90		p/l	sdr		
231						12:50:58 PM			3.81		p/l	sdr		
232						12:51:35 PM			3.50		p/l	sdr		
233						12:52:03 PM			3.15		p/l	sdr		
234						12:52:30 PM			4.00		p/l	sdr		
235				12:55:21	12:57:18	12:55:29 PM			4.81	117	p/l	sdr		
236						12:56:15 PM			3.69		p/l	sdr		
237						12:57:13 PM			4.81		p/l	sdr		
238				13:40:24	13:42:07	1:40:50 PM			3.00	103	p/l	sdr		
239						1:41:11 PM			1.84		p/l	sdr		
240						1:41:41 PM			3.00		p/l	sdr		
241				13:54:52	13:56:32					100	p/l	sdr	Starts mid-load	
242						1:55:42 PM			3.47		p/l	sdr		

MPA DATA

Cell	Unit Code	Route Code	Date	Sequence Start	Sequence End	Start of Stop Time (---unless otherwise noted)	Stop Time (1)	Stop Time (2)	Stop Time	Seq Time	route type	del type	detail	Maximum Time
243				13:57:07	13:58:48	1:57:43 PM			2.75	101	p/l	sdr		
244						1:58:33 PM			2.28		p/l	sdr		
245				14:20:03	14:21:11	2:20:35 PM			2.91	68	oth	oth		
246				14:22:13	14:22:46	2:22:27 PM			2.41	33	p/l	sdr	No bag	
247				14:23:50	14:24:50	2:24:13 PM			7.65	60	p/l	sdr	No bag	
248				14:25:36	14:26:37	2:26:04 PM			2.80	61	p/l	sdr	Obstructed	
249				14:34:59	14:36:25	2:35:34 PM			12.84	86	p/l	sdr	Has bag again; spent some time looking through bag	
250						2:36:14 PM			3.28		p/l	sdr		
251				14:38:04	14:39:33	2:38:34 PM			6.21	89	p/l	sdr		
252						2:39:10 PM			6.13		p/l	sdr		
253				14:55:05	14:57:08	2:55:10 PM			9.44	121	p/l	sdr		
254						2:56:13 PM			2.03		p/l	sdr		
255						2:56:56 PM			5.38		p/l	sdr	Obstructed	
256					TOTALS				256.33	2651.06				
257					Stops				59					
258					Average Stop Time				4.34					
259					Total Time Collected				44.18	Minutes				
260					Stop/(Stop+Interstop)				9.67%					
261														
262					2-DAY TOTALS				609.97	6248.06				
263					Stops				147					644.69
264					Average Stop Time				4.15					147
265					Total Time Collected				104.13	Minutes				4.39
266					Stop/(Stop+Interstop)				9.76%					104.13
														10.32%



1 session that if there is follow-up to the cross examination  
2 that took place, we ought to dispense with that, and in  
3 theory, we ought to dispense with any redirect associated  
4 with the open session now, too. So let's proceed along  
5 those lines.

6 You had a procedural matter?

7 MR. BAKER: Yes. Earlier this week, NAA and the  
8 AAPS filed a joint motion concerning a Postal Service  
9 library reference that contained the SAI study with a motion  
10 for expedited response. The Postal Service did respond  
11 today, and while I suppose I disagree with just about every  
12 sentence in its argument, I will make Mr. Alverno happy by  
13 withdrawing that motion that NAA and AAPS made, and I'm  
14 authorized to do so on behalf of AAPS as well with the  
15 understanding that if we so choose to make some use of that  
16 library reference in an appropriate document under seal, we  
17 may do so under Commission's rules.

18 CHAIRMAN GLEIMAN: You have not only made Mr.  
19 Alverno happy, but you have made me happy because it makes  
20 my life a little bit easier this evening, and I don't see  
21 any reason right off the top why the reservation that you  
22 added at the end isn't reasonable and acceptable.

23 Are there any follow-up questions to those that  
24 have been posed so far?

25 It's your call at this point, Mr. Cooper, whether

1 you would like to have some time for redirect. I wouldn't  
2 find it objectionable if you wanted to try and wrap it all  
3 up at the end, but that's your call.

4 MR. COOPER: I think it would be most expeditious  
5 to do what little redirect I would have up to this point all  
6 at the end. So I would prefer to do that.

7 CHAIRMAN GLEIMAN: That being the case, then, once  
8 again, anyone who has not signed the proper certification is  
9 going to have to leave the room at this point. I didn't see  
10 anybody making a motion towards the door, so I'm going to  
11 assume everybody in here has signed a certification.

12 With that, we're going to take about a 30-second  
13 break and I'm going to hit the kill switch on the  
14 transmission, and we'll close the doors and we'll take it  
15 from there.

16 One other point, Mr. Costich was thoughtful enough  
17 to remind me that we have a squawk box system. There are  
18 certain offices around here that have squawk boxes, and I  
19 don't know if any staff is still around, but if you're out  
20 there listening on the squawk box, and you haven't signed  
21 the certification, shut the squawk box off.

22 My suspicion is that there aren't too many people  
23 around here right now who aren't in the room, so I think  
24 that that about covers it, and I guess we can proceed with  
25 the closed session.

1           This is a separate transcript volume now that  
2 we're dealing with.

3           [Whereupon, at 7:55 p.m., the hearing proceeded  
4 into in camera session.]

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