

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

RECEIVED
AUG 18 4 53 PM '97
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
DOUGLAS F. CARLSON
(DFC/USPS-T40-1-7)

The United States Postal Service hereby provides responses of witness Plunkett to the following interrogatories of Douglas F. Carlson: DFC/USPS-T40-1-7, filed on August 6, 1997.

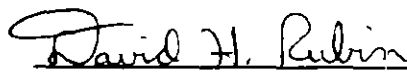
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
August 18, 1997

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-1. Please refer to your testimony at page 12, lines 2-6. Please assume that a customer wishes to obtain proof of delivery of a letter. This customer decides that he has two choices:

1. Purchase return-receipt service from the Postal Service;
 2. Not purchase return-receipt service, but instead enclose a self-addressed, stamped post card inside the letter. The post card would request that the recipient sign the post card, indicate on the post card the date on which the letter was delivered, and either indicate that the letter was delivered to the address on the mail piece or provide the address at which the letter was delivered if that address differed from the address on the letter. The self-addressed post card would request that the recipient mail back the post card promptly.
- a. Please confirm that a customer might be faced with these two choices.
 - b. Please confirm that option (1) and option (2) would provide the customer with the same amount and reliability of information about the delivery of the letter. If you do not confirm, please explain your answer fully.
 - c. For the purpose of assisting the Commission in determining the value of return-receipt service, please explain all differences between option (1) and option (2) that might make option (1) more valuable than option (2).

DFC/USPS-T40-1 Response:

- a. Assuming the circumstances in your question, confirmed.
- b. Option 2 would provide the information that is comparable in quantity and reliability to option 1 only under certain circumstances. The hypothetical example provided appears to imply a cordial relationship between sender and recipient such that the recipient has no reason to either withhold information or provide false information to the recipient. As many return receipts are used in conjunction with ongoing legal

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

proceedings in which the recipient may benefit from the provision of faulty information, it would not be safe to assume that the scenario envisioned in this interrogatory is typical. In addition, in many cases the recipient might fail to fill out the post card, or fail to mail it back to the sender. Since return receipt service makes delivery conditional upon the recipient's signing the return receipt card, it is more likely that the requested information will be provided to the sender. Finally, when purchased in conjunction with certified mail, return receipts provide a mailing receipt and a record of delivery.

- c. In option 1, the Postal Service acts as a disinterested third party in confirming the date on which an article was received, and the address to which it was delivered. While the relative value of objective information depends on the relationship between the sender and the recipient, it would be reasonable to conclude that it is non-trivial. Furthermore, option 2 places greater demands upon the recipient for the provision of information. Senders who place a high value upon the time of the recipient, or who merely wish not to inconvenience the recipient would undoubtedly value option 1 more highly. As discussed

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

- c. in part b, option 1 often would provide more, and more reliable,
information to the sender, along with a record of delivery.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-2. Please provide all evidence that the Postal Service has to indicate the percentage of customers who would consider a return receipt showing to whom a mail piece was delivered, the date of delivery, and the address of delivery to be at least 35 cents more valuable than a return receipt showing to whom a mail piece was delivered and the date of delivery.

DFC/USPS-T40-2 Response:

I am not aware of any study that would either confirm or refute the assertion that customers consider return receipts that provide the address of delivery to be 35 cents more valuable than those which do not. However, as indicated in Docket No. MC96-3, 10 percent of return receipt customers paid an additional 40 or 45 cents for receipts that provided the address of delivery in FY 95 (PRC Op., MC96-3, App. D, Sch. 3, p. 15). Additional customers who were unaware of the old address option for return receipt service may also find the address information worth at least 35 cents. The confirmation of a correct address through the new check-off box also might be worth at least 35 cents for some customers.

As this interrogatory suggests that the proposed 35 cent fee increase is predicated on the provision of address information for all return receipts, some additional clarification may be required. The proposed fee increase is intended to reflect not only the improvement in the service itself, but increases in test year costs, and a new application of the statutory pricing criteria as well. The Postal Service thus is proposing a cost coverage that reflects the value of return receipt service better than the 125 percent coverage recommended by the Commission in Docket No. MC96-3.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-3. Please provide all evidence that the Postal Service has to indicate the percentage of customers who would *not* consider a return receipt showing to whom a mail piece was delivered, the date of delivery, and the address of delivery to be at least 35 cents more valuable than a return receipt showing to whom a mail piece was delivered and the date of delivery.

DFC/USPS-T40-3 Response:

See my response to DFC/USPS-T40-2.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-4. Please provide all evidence that the Postal Service has to indicate the percentage of customers to whom the address information on a return receipt is of any positive value.

DFC/USPS-T40-4 Response:

See my response to DFC/USPS-T40-2.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-5. Referring to the Docket No. MC96-3 record if necessary, please provide all evidence or data that the Postal Service has to estimate the cost associated with providing:

- a. The new address on a return receipt if a piece of mail is delivered to an address different from the one on the mail piece;
- b. A check mark in the check-off box to indicate that the piece of mail was delivered to the address on the mail piece.

DFC/USPS-T40-5 Response:

- a. See USPS LR-H-107, pages 40-41 (copy attached).
- b. Please refer to my testimony, page 14, lines 11-17.

**RETURN RECEIPTS
UPDATE TO COST ANALYSIS
WHOM AND DATE DELIVERED**

VI Update to Test Year at Current Rates

Function	Time Mins.	Rate per	Direct	Total	
		Minute Test Year	Atr Cost Test Year	Piggyback Cost (3)	Atr Cost Test Year
1 1 Window Acceptance	0 414	0 426	0 176	0 074	0 250
1 2 Carrier/Driver Delivery & Call Window/Box Second Delivery (1)	0 667	0 432	0 288	0 102	0 390
1 3 Clerk Review of Return Receipt	0 128	0 426	0 054	0 023	0 077
1 4 Carrier Waiting for Review of Return Receipt	0 128	0 435	0 055	0 016	0 071
1 5 Printing Cost			0 006	0 003	0 009
1 6 Cost of Returning Return Receipt			0 139	0 000	0 139
1 7 Additional Cost of Handling Duplicate Requests					
Window Acceptance	0 017	0 426	0 007	0 003	0 010
Review and Search	0 038	0 426	0 016	0 007	0 023
<u>Forwarding and Returning Return Receipts Through the Mailstream</u>			<u>0 002</u>	<u>0 000</u>	<u>0 002</u>
Total Attributable Cost. Whom, and Date Delivered					0 972
1B Return Receipt for Merchandise Service					
<u>Additional Cost (2)</u>	<u>0 3336</u>	<u>0 426</u>	<u>0 142</u>	<u>0 050</u>	<u>0 192</u>
Total Attributable Cost Whom and Date Delivered for Merchandise					1 164

Footnotes:

(1)

Return Receipt at Time of Mailing Showing to Whom and Date Delivered.
Determination of Carrier /Driver Delivery and Call Window /Box

Cost Components	Minutes	Rate / Minute	Piggyback	Volume	Atr Cost (w/o Piggyback)		
Carrier Street Time	0 839	\$0 435	1 351	77,690	\$38,277	\$28,332	
Carrier Office Time	0 766	\$0 435	1 286	40,879	\$17,501	\$13,609	
Window Service	0 450	\$0 426	1 419	<u>80,192</u>	<u>\$21,825</u>	<u>\$15,380</u>	
Total				198,761	\$77,603	\$57,322	
Composite Average	0 667 (Avg. Minutes weighted by Volume)			\$	0 432	0 288	
Study Unit Cost Weighted Markup						1.35381	
Carrier Productive Hourly Wage Rate						\$26.08	
Clerk Productive Hourly Wage Rate						\$25.55	

(2) Additional Cost for Merchandise Return Receipt is assumed to be one-half of component 1.2 Carrier/Driver Delivery & Call Window Box

(3) Direct Cost times Piggyback Factor in (1) minus Direct Cost

**RETURN RECEIPTS
UPDATE TO COST ANALYSIS
WHOM, WHERE AND DATE DELIVERED**

FUNCTION	Rate per		Direct		Total
	Time Mins.	Minute Test Year	Attr Cost Test Year	Piggyback Cost (3)	Attr Cost Test Year
2.1 Window Acceptance	0.324	0.426	0.138	0.058	0.195
2.2 Carrier/Driver Delivery & Call Window/Box Second Delivery (1)	0.928	0.433	0.402	0.137	0.539
2.3 Clerk Review of Return Receipt	0.271	0.426	0.115	0.048	0.163
2.4 Carrier Waiting for Review of Return Receipt	0.271	0.435	0.118	0.034	0.151
2.5 Printing Cost			0.006	0.000	0.006
2.6 Cost of Returning Return Receipt			0.139	0.000	0.139
2.7 Additional Cost of Handling Duplicate Requests					
Window Acceptance	0.012	0.426	0.005	0.002	0.007
Review and Search	0.031	0.426	0.013	0.006	0.019
Total Attributable Cost Whom, Where and Date Delivered					\$ 1.220
Return Receipts for Merchandise Return Service					
2B <u>Additional Cost</u> (2)	0.4639	0.425833333	0.198	0.067	0.265
Total Attributable Cost Whom, Where and Date Delivered for Merchandise					\$ 1.485

Footnotes:

(1)

Return Receipt at Time of Mailing Showing to Whom and Date Delivered.

Determination of Carrier/Driver Delivery and Call Window /Box

Cost Components	Minutes	Rate per Minute	Piggyback	Volume	Attr. Cost (w/o Piggyback)
Carrier Street Time	0.942	\$0.435	1.351	8572	4,741
Carrier Office Time	1.123	\$0.435	1.286	4587	2,880
Window Service	0.650	\$0.426	1.419	3657	1,437
Total				16816	9,058

Composite Average 0.928 (Avg. Minutes weighted by Volume) \$ 0.433 \$ 0.402
Study Unit Cost Weighted Markup 1.33966

(2) Additional Cost for Return Receipt for Merchandise is assumed to be one-half of component 2.2 Carrier/Driver Delivery & Call Window Box

(3) Direct Cost times Piggyback Factor in (1) minus Direct Cost

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-6. Referring to the Docket No. MC96-3 record if necessary, please provide the approximate percentage of all return receipts that will be delivered at an address different from the address on the mail piece.

DFC/USPS-T40-6 Response:

The estimated percentage is 1.13 percent (Docket No. MC96-3, Tr. 4/1098).

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-T40-7. Please refer to your testimony regarding the proposed new delivery-confirmation service.

a. Please provide all standards relating to the time that should be allowed to elapse between (1) the time that a parcel for which a customer has purchased delivery confirmation was delivered and (2) the time at which the telephone- or Internet-based delivery-confirmation system will reflect the delivery data.

b. Will a customer be eligible for a refund if the delivery-confirmation data are not posted to the delivery-confirmation system within a specified period of time after delivery of the parcel? If not, why not?

c. Please provide all data that are available about the speed with which delivery-confirmation data become available to customers who access the existing Express Mail tracking system.

DFC/USPS-T40-7 Response:

- a. Delivery offices will upload delivery confirmation at the close of the workday. Customers will therefore be able to access delivery confirmation information on the evening of the day on which delivery was completed.
- b. As the implementation of delivery confirmation depends in large part upon the outcome of the instant proceeding, there are many details that have yet to be finalized. Currently there are no plans to offer refunds, partly owing to the fact that many customers will pay nothing for the service, while those who do will pay a relatively modest amount. Moreover, the proposed cost coverage for delivery confirmation is sufficiently low that implementation of a refund system may well result in costs exceeding revenues.

RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF DOUGLAS F. CARLSON

- b. As with delivery confirmation data, Express Mail delivery information generally is uploaded at or before the conclusion of the workday, and consequently should be available to customers on the day that delivery is made.

DECLARATION

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

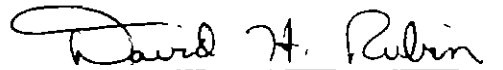


MICHAEL K. PLUNKETT

Dated: AUGUST 18, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in black ink and is positioned above a horizontal line.

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 18, 1997