

In the Matter of:)
) Docket No. R2001-1
POSTAL RATE AND FEE CHANGES)

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POSTAL RATE COMMISSION

In the Matter of:)
) Docket No. R2001-1
POSTAL RATE AND FEE CHANGES)

Suite 300
U.S. Postal Rate Commission
1333 H Street, N.W.
Washington, D.C.

Volume 8
Wednesday, January 10, 2002

The above-entitled matter came on for hearing pursuant to notice, at 9:33 a.m.

BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN
HON. RUTH Y. GOLDWAY, VICE-CHAIRMAN
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER

APPEARANCES :

On behalf of the United States Postal Service:

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C O N T E N T S

WITNESSES APPEARING:
 LARAINÉ B. HOPE
 SUSAN W. MAYO

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Laraine B. Hope	1635	1755 2030	2089	2092	
Susan W. Mayo	1854	1856			

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
Designation of corrected written cross-examination of USPS witness Laraine B. Hope, USPS-T-31	1639
Designated of corrected written cross-examination of USPS witness Susan W. Mayo, USPS-T-36	1858
Designation of corrected written cross-examination of USPS witness Loetscher	1864

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Corrected direct testimony of Laraine B. Hope on behalf of the USPS, USPS-T-31	1635	1636
Designation of corrected written cross-examination of USPS witness Laraine B. Hope, USPS-T-31	1638	1638
Corrected direct testimony of Susan W. Mayo on behalf of the USPS, USPS-T-36	1853	1855

C O N T E N T SE X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Response of USPS witness Susan W. Mayo to Interrogatories of David B. Popkin, DBP/USPS-104-113	1863	1863
Designation of corrected written cross-examination of USPS witness Susan W. Mayo, USPS-T-36	1856	1857

P R O C E E D I N G S

(9:33 a.m.)

CHAIRMAN OMAS: Good morning. Today we continue to receive testimony of Postal Service witnesses in support of Docket No. R2001-1, Request for Rate and Fee Changes.

Does anyone have a procedural matter to discuss before we continue today?

(No response.)

CHAIRMAN OMAS: There are three witnesses scheduled to appear today. They are Witnesses Loetscher, Hope and Mayo.

Mr. Reimer, I've been informed that participants have agreed to forego cross-examination of Witness Loetscher. Is this correct?

MR. REIMER: Yes, that is correct.

CHAIRMAN OMAS: Mr. Reimer, do you have any corrected copies of Witness Loetscher's direct testimony and appropriate declaration of authenticity so that you can move Witness Loetscher's testimony into evidence?

MR. REIMER: Not at this time.

MR. FELDMAN: Mr. Chairman?

CHAIRMAN OMAS: Yes.

MR. FELDMAN: Just to very briefly interrupt the proceeding, just to clarify Mr. Loetscher not being here, our parties, the National Federation of Independent

1 Publications and the Coalition of Religious Press
2 Association, did file a notice of oral cross. We didn't
3 realize that Mr. Loetscher was more or less permanently
4 located in Wisconsin, and we certainly didn't want him to
5 make the trip here just for a very few questions.

6 What we propose to do, and we'll file an
7 appropriate motion, will be to put into writing several
8 brief questions which the Postal Service has agreed to
9 consider, and we hope to have those filed earlier next week.

10 CHAIRMAN OMAS: All right. Thank you, Mr.
11 Feldman. Mr. Feldman, just for the record would you state
12 your name and your organization for the record?

13 MR. FELDMAN: Thank you very much, Mr. Chairman,
14 for reminding me of that. I'm Stephen Feldman, counsel for
15 the Coalition of Religious Press Associations and the
16 National Federation of Independent Publications. Thank you.

17 MR. REIMER: Chairman Omas, for that reason we
18 anticipate filing Mr. Loetscher's testimony on the 22nd with
19 the other witnesses that we would file on that day.

20 CHAIRMAN OMAS: Is there any objection?

21 (No response.)

22 CHAIRMAN OMAS: Hearing none, we will allow that
23 to happen.

24 Mr. Reimer, do you have any declaration or
25 application of written cross-examination? Not any until --

1 MR. REIMER: Not until the 22nd.

2 CHAIRMAN OMAS: The 22nd. Okay.

3 Mr. Alverno, will you introduce the next Postal
4 Service witness for today?

5 MR. ALVERNO: Thank you, Chairman Omas. The
6 Postal Service calls Laraine Hope.

7 CHAIRMAN OMAS: Ms. Hope, would you stand so I can
8 swear you in?

9 Whereupon,

10 LARAIN B. HOPE

11 having been duly sworn, was called as a witness
12 and was examined and testified as follows:

13 CHAIRMAN OMAS: Please be seated. Thank you.

14 (The document referred to was
15 marked for identification as
16 Exhibit No. USPS-T-31.)

17 DIRECT EXAMINATION

18 BY MR. ALVERNO:

19 Q Would you please introduce yourself?

20 A My name is Laraine B. Hope, and I work in the
21 Pricing Classification Division of the U.S. Postal Service
22 headquarters.

23 Q Earlier, Ms. Hope, I handed you two copies of a
24 document entitled Direct Testimony of Laraine B. Hope on
25 behalf of United States Postal Service, and it's marked as

1 USPS-T-31. I have now given those copies to the reporter.

2 Did you have a chance to examine them?

3 A Yes, I did.

4 Q And was this testimony prepared by you or under
5 your direction?

6 A Yes.

7 Q And do you have any changes or corrections to
8 make?

9 A No.

10 Q And if you were to testify orally today, would
11 your testimony be the same?

12 A Yes, it would.

13 MR. ALVERNO: Mr. Chairman, I ask that the direct
14 testimony of Laraine B. Hope, which is marked as USPS-T-31,
15 be received as evidence at this time.

16 CHAIRMAN OMAS: I will direct counsel to provide
17 the reporter with two copies of the corrected direct
18 testimony of Laraine B. Hope. That testimony is received
19 into evidence. As is our practice, it will not be
20 transcribed.

21 (The document referred to,
22 previously identified as
23 Exhibit No. USPS-T-31, was
24 received in evidence.)

25 MR. ALVERNO: Mr. Chairman, I'm sorry. We also

1 have a library reference associated with this testimony.

2 May I proceed to enter that into evidence as well?

3 CHAIRMAN OMAS: Please.

4 BY MR. ALVERNO:

5 Q Ms. Hope, are you familiar with Library Reference
6 USPS-LR-J-131, which consists of the standard mail ECR and
7 NECR work papers?

8 A Yes, I am.

9 Q And was this library reference prepared by you or
10 under your direction?

11 A Yes, it was.

12 Q And do you sponsor this library reference?

13 A Yes.

14 MR. ALVERNO: Mr. Chairman, I ask that Library
15 Reference USPS-LR-J-131, which consists of the standard mail
16 ECR and NECR work papers, be received into evidence at this
17 time.

18 CHAIRMAN OMAS: Without objection.

19 Ms. Hope, have you had an opportunity to examine
20 the packet of designated written cross-examination that was
21 made available to you this morning in the hearing room?

22 THE WITNESS: Yes, I have.

23 CHAIRMAN OMAS: If the questions contained in that
24 packet were posed to you orally today, would your answers be
25 the same as those you previously provided in writing?

1 THE WITNESS: Yes, they would.

2 CHAIRMAN OMAS: Are there any corrections or
3 additions you would like to make to those answers?

4 THE WITNESS: No.

5 CHAIRMAN OMAS: Counsel, would you please provide
6 two copies of the corrected designated written cross-
7 examination of Witness Hope to the reporter? That material
8 is received into evidence, and it is to be transcribed into
9 the record.

10 MR. ALVERNO: Yes, Mr. Chairman.

11 (The document referred to was
12 marked for identification as
13 Exhibit No. USPS-T-31 and was
14 received in evidence.)

15 //

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes

Docket No. R2001-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS LARAINÉ B. HOPE
(USPS-T-31)

Party

Advo, Inc.

Interrogatories

AAPS/USPS-T31-1
NAA/USPS-T31-3, 5, 13, 20
VP/USPS-T31-8d, g, 9, 11-12, 19, 21-22, 33, 39-40,
43

Mail Order Association of America

AAPS/USPS-T31-1-2
NAA/USPS-T31-3-8, 20
VP/USPS-T31-32

Newspaper Association of America

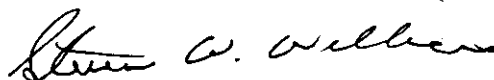
AAPS/USPS-T31-1-2
AAPS/USPS-T28-2 redirected to T31
NAA/USPS-T31-1-16, 18, 21-24
VP/USPS-T31-8d, g, 10-15, 17, 23-32, 35-37, 43

Val-Pak Direct Marketing Systems,
Inc. and Val-Pak Dealers' Association
Inc.

NAA/USPS-T31-20, 22

VP/USPS-T31-1-8, 9a-d, g, 10-31, 32a-d, f, 33,
35-37, 39a-d, i, 40-41, 42b, 43

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS LARAINÉ B. HOPE (T-31)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

InterrogatoryDesignating Parties

AAPS/USPS-T31-1	Advo, MOAA, NAA
AAPS/USPS-T31-2	MOAA, NAA
AAPS/USPS-T28-2 redirected to T31	NAA
NAA/USPS-T31-1	NAA
NAA/USPS-T31-2	NAA
NAA/USPS-T31-3	Advo, MOAA, NAA
NAA/USPS-T31-4	MOAA, NAA
NAA/USPS-T31-5	Advo, MOAA, NAA
NAA/USPS-T31-6	MOAA, NAA
NAA/USPS-T31-7	MOAA, NAA
NAA/USPS-T31-8	MOAA, NAA
NAA/USPS-T31-9	NAA
NAA/USPS-T31-10	NAA
NAA/USPS-T31-11	NAA
NAA/USPS-T31-12	NAA
NAA/USPS-T31-13	Advo, NAA
NAA/USPS-T31-14	NAA
NAA/USPS-T31-15	NAA
NAA/USPS-T31-16	NAA
NAA/USPS-T31-18	NAA
NAA/USPS-T31-20	Advo, MOAA, Val-Pak
NAA/USPS-T31-21	NAA
NAA/USPS-T31-22	NAA, Val-Pak
NAA/USPS-T31-23	NAA
NAA/USPS-T31-24	NAA
VP/USPS-T31-1	Val-Pak
VP/USPS-T31-2	Val-Pak
VP/USPS-T31-3	Val-Pak
VP/USPS-T31-4	Val-Pak
VP/USPS-T31-5	Val-Pak
VP/USPS-T31-6	Val-Pak
VP/USPS-T31-7	Val-Pak
VP/USPS-T31-8	Val-Pak

VP/USPS-T31-8d	Advo, NAA
VP/USPS-T31-8g	Advo, NAA
VP/USPS-T31-9	Advo
VP/USPS-T31-9a	Val-Pak
VP/USPS-T31-9b	Val-Pak
VP/USPS-T31-9c	Val-Pak
VP/USPS-T31-9d	Val-Pak
VP/USPS-T31-9g	Val-Pak
VP/USPS-T31-10	NAA, Val-Pak
VP/USPS-T31-11	Advo, NAA, Val-Pak
VP/USPS-T31-12	Advo, NAA, Val-Pak
VP/USPS-T31-13	NAA, Val-Pak
VP/USPS-T31-14	NAA, Val-Pak
VP/USPS-T31-15	NAA, Val-Pak
VP/USPS-T31-16	Val-Pak
VP/USPS-T31-17	NAA, Val-Pak
VP/USPS-T31-18	Val-Pak
VP/USPS-T31-19	Advo, Val-Pak
VP/USPS-T31-20	Val-Pak
VP/USPS-T31-21	Advo, Val-Pak
VP/USPS-T31-22	Advo, Val-Pak
VP/USPS-T31-23	NAA, Val-Pak
VP/USPS-T31-24	NAA, Val-Pak
VP/USPS-T31-25	NAA, Val-Pak
VP/USPS-T31-26	NAA, Val-Pak
VP/USPS-T31-27	NAA, Val-Pak
VP/USPS-T31-28	NAA, Val-Pak
VP/USPS-T31-29	NAA, Val-Pak
VP/USPS-T31-30	NAA, Val-Pak
VP/USPS-T31-31	NAA, Val-Pak
VP/USPS-T31-32	MOAA, NAA
VP/USPS-T31-32a	Val-Pak
VP/USPS-T31-32b	Val-Pak
VP/USPS-T31-32c	Val-Pak
VP/USPS-T31-32d	Val-Pak
VP/USPS-T31-32f	Val-Pak
VP/USPS-T31-33	Advo, Val-Pak
VP/USPS-T31-35	NAA, Val-Pak
VP/USPS-T31-36	NAA, Val-Pak

VP/USPS-T31-37	NAA, Val-Pak
VP/USPS-T31-39	Advo
VP/USPS-T31-39a	Val-Pak
VP/USPS-T31-39b	Val-Pak
VP/USPS-T31-39c	Val-Pak
VP/USPS-T31-39d	Val-Pak
VP/USPS-T31-39i	Val-Pak
VP/USPS-T31-40	Advo, Val-Pak
VP/USPS-T31-41	Val-Pak
VP/USPS-T31-42b	Val-Pak
VP/USPS-T31-43	Advo, NAA, Val-Pak

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

AAPS/USPS-T31-1:

Please provide a table equivalent to that presented on page 15 of your testimony for ECR Saturation mail volumes.

RESPONSE:

The following is the requested table, which was calculated from data referenced by witness Schenk (USPS-T-43) in USPS-LR-J-58 and USPS-LR-J-112.

SUMMARY OF ECR SATURATION VOLUME BY OUNCE INCREMENT

<i>Ounce Increment</i>	<i>Percentage of Total Volume</i>
Under 4.0	82.64%
04-05	8.51%
05-06	5.29%
06-07	1.98%
07-08	0.93%
08-09	0.34%
09-10	0.16%
10-11	0.07%
11-12	0.04%
12-13	0.02%
13-14	0.01%
14-15	0.01%
15-16	0.01%
TOTAL	100.0%

Figures are rounded.

The above data illustrate a similar pattern to that shown in Table #4, page 15 of my testimony, with a sharper drop-off. The percentage of total saturation volume under 4.0 ounces is 82.64, as compared to the percentage of total ECR

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

volume under 4.0 ounces, which is 79.84, as indicated in my testimony. For ease of reference, the following table presents the data side-by-side:

**TOTAL ECR SATURATION VOLUME AND
TOTAL ECR VOLUME AT ALL DENSITY TIERS
BY OUNCE INCREMENT**

<i>Ounce Increment</i>	<i>Percentage of Total Saturation Volume</i>	<i>Percentage of Total ECR Volume</i>
Under 4.0	82.64%	79.84%
04-05	8.51%	9.30%
05-06	5.29%	5.21%
06-07	1.98%	2.51%
07-08	0.93%	1.26%
08-09	0.34%	0.80%
09-10	0.16%	0.41%
10-11	0.07%	0.21%
11-12	0.04%	0.23%
12-13	0.02%	0.10%
13-14	0.01%	0.06%
14-15	0.01%	0.03%
15-16	0.01%	0.03%
TOTAL	100.0%	100.0%

Figures are rounded.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

AAPS/USPS-T31-2:

At pages 17 – 19 of your testimony, you show the weight points at which the Postal Service is proposing rate reductions for basic, high density, and saturation Standard mail. If the Postal Service were to freeze all of those rates for which a rate reduction is requested, by how much would its test year revenues increase?

RESPONSE:

The analysis requested is provided below, with the following caveats. First, this is a hypothetical question that is not consistent with the current rate design, which is based on precedents set in rate cases dating from the creation of the ECR subclass in Docket No. MC95-1. The rate design assumes a steady pound rate above the breakpoint, without exception.

More significantly, "freezing" some of the rates, while raising others, defeats the main objective in lowering the pound rate, which is to treat ECR mail more equitably across-the-board. The question also does not allow for consideration of own-price elasticity for ECR saturation mail and the consequent change in projected volume by density tier that would occur due to a projected change in the quantity demanded. Although the volume affected is small, the ECR rate design formula is very sensitive, and if this change were incorporated into the rate design, it would have an impact on rates beyond those "frozen" in the saturation tier. Furthermore, the analysis requested requires a simplifying assumption about the precise weight of pieces within each ounce increment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

Keeping the above cautions in mind, the information requested can be derived from Exhibit USPS-31A, which accompanies my testimony, USPS-LR-J-131, WP1, pages T and U ("SUM"), and USPS-LR-J-58.

For clarity and the convenience of the reader, the following is an outline of the series of steps taken to arrive at the data requested:

- 1.) Show the volume by destination entry and ounce increment for the Saturation tier. This information is taken directly from Exhibit USPS-31A of my testimony and USPS-LR-J-58.
- 2) Calculate the current rate by destination entry cell. Each ounce increment includes a range of fractional values, as discussed in my testimony on page 16, lines 11 – 16. In an attempt to be as fair as possible, rather than choosing the lowest or highest end, I have selected the midpoint of each range to calculate the rate. For example, in the range of 9.0 to 10.0 ounces, the analysis assumes a weight of 9.5 ounces.
- 3) Calculate the proposed rate by destination entry cell in each ounce increment, using the midpoint as in Step #2.
- 4) Determine the difference by subtracting the proposed rate from the current rate by destination entry cell for each ounce increment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

- 5) Multiply the difference in rates as calculated in step #4 for each cell by the volumes in step #1 for each ounce increment and total to arrive at the difference in revenue.

The difference in test year revenue to the Postal Service, if rates were "frozen" in the Saturation tier as explained above would be \$2,427,000. This is very minimal: under 0.05 percent of both current and projected total ECR revenues. It also is a very small percentage of overall saturation tier revenues: 0.13 percent.¹

The electronic spreadsheet, which includes all calculations, is attached. The summary table is recapped below.

¹ See USPS-LR-J-131, WP1, page W (TYBR VOL CAT). Total estimated revenues in the Saturation tier under current rates are: \$1,836,550,000 (which is the sum of cells AA13+AA17+AA21). \$2,427,000/\$1,836,550,000 is 0.13 percent. The same proportion applies if the proposed rates are used; see WP1, page X (same cell references). Total estimated revenues in the Saturation tier under proposed rates are \$1,882,125,000. \$2,427,000/\$1,882,125,000 is 0.13 percent.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF ASSOCIATION OF
ALTERNATE POSTAL SYSTEMS (AAPS)**

**SUMMARY OF HYPOTHETICAL ANALYSIS
INCREASE IN TEST YEAR REVENUES
ASSUMING SOME ECR SATURATION RATES ARE 'FROZEN' ***
(In Dollars)

	Ounce Increment				
	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0	10.0-11.0
None			\$2,380	\$4,503	\$4,632
DBMC		\$235	292	619	765
DSCF	\$34,202	69,031	56,730	38,459	28,555
DDU	627,547	655,738	342,329	212,040	103,814
TOTAL	\$661,748	\$725,004	\$401,732	\$255,622	\$137,767

	Ounce Increment					
	11.0-12.0	12.0-13.0	13.0-14.0	14.0-15.0	15.0-16.0	GRAND TOTAL
None	\$4,943	\$4,412	\$3,727	\$2,686	\$3,773	\$31,056
DBMC	2,334	1,335	1,233	1,609	1,890	10,313
DSCF	13,642	10,332	7,131	8,330	4,003	270,415
DDU	68,442	47,182	28,937	15,546	13,976	2,115,552
TOTAL	\$89,362	\$63,260	\$41,028	\$28,171	\$23,642	\$2,427,336

* Assumes that current rates would be in effect if the rates proposed in Docket No. R2001-1 are negative; see

USPS-T-31, page 19. Also see above for caveats to this hypothetical analysis.

STEP 4: SATURATION TEST VOLUME
WITH RATE DECREASE
UNDER 100-1-1 PROPORTAL

100% BY 02. RECENTLY: in person
 100% BY 02. RECENTLY: in person
 100% BY 02. RECENTLY: in person

Page 12 of 12

Source: WPA, Page 7, in dollars

Source: Current - Proposed Budget in dollars

Source: Volume from Group 61 - Photo Collection from Group 64; in drawer

NOTE: THE SHADED AREAS IN RED SHOW A POSITIVE PLATE DIFFERENCE

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF THE ASSOCIATION OF ALTERNATE POSTAL SYSTEMS,
REDIRECTED FROM WITNESS MOELLER**

AAPS/USPS-T28-2:

Please provide an estimate of the number of Saturation ECR pieces for which a rate decrease is being proposed in this docket, broken down by entry level (e.g., SCF entry, DDU entry).

RESPONSE:

This information is contained in Exhibit USPS-31A, which accompanies my testimony (USPS-T-31), and is detailed in Library Reference USPS-LR-J-58. For convenience, information on the number of Saturation tier pieces in the test year estimated to experience a rate decrease under the proposal is recapped below:

<i>Destination Entry</i>	<i>Number of Pieces</i>
None	5,440,714
DBMC	921,719
DSCF	81,217,903
DDU	889,066,655
TOTAL	986,646,991

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

NAA/USPS-T31-1:

Please refer to Page 9, lines 6 to 8, of your testimony. Were data available from the Base Year in this case that would allow you to determine the cost shares of the commercial and nonprofit subclasses? If so, please explain why you did not use such data.

RESPONSE:

Costs for these groupings were not available. This is discussed in my testimony on page 8, line 19 to page 9, line 12. The description by witness Moeller of the role of volume variable costs as applied to Standard Regular and Nonprofit also applies to Enhanced Carrier Route and Nonprofit Enhanced Carrier Route. (USPS-T-32, page 7, lines 11 – 15). The allocation methodology described in response to NAA/USPS-T31-2, below, was not intended to determine the precise volume variable cost of the commercial and nonprofit subclasses in isolation. The allocation assisted in executing the rate design formula and producing the statutory revenue-per-piece relationship between commercial and nonprofit subclasses, which is described in my testimony on page 35, lines 1 – 7.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

NAA/USPS-T31-2:

Please explain how the estimate for allocating the combined NECR and ECR costs to each subclass was developed. Please provide all calculations.

RESPONSE:

See page 9 of my testimony, lines 6 to 8 for a description of the method used to allocate the combined ECR and NECR costs to each subclass.

The calculations that follow are in millions of dollars.

USPS LR-I-166	ECR Costs from WP1, page 16	\$2,466.132
	NECR Costs from WP2, page 16	\$ 207.208
	TOTAL	\$2,673.340

The ECR cost ratio, using information from Docket No. R2000-1, is \$2,466.132 divided by \$2,673.340, or 92.25 percent. The NECR cost ratio is \$207.208 divided by \$2,673.340, or 7.75 percent.

These ratios were applied to the combined volume variable cost with contingency of \$2,749.941 in this docket provided by witness Patalunas in his testimony (USPS-T-12, WP F, Table E). The calculation used for ECR is $\$2,749.941 \times 0.9225 = \$2,536.82$, as shown in USPS-LR-J-131, WP1, page L, column E, row 8. The calculation used for NECR is $\$2,749.941 \times 0.0775 = \213.12 , as shown in USPS-LR-J-131, WP2, page L, column E, row 9. This

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allocation was made merely to facilitate the use of the rate design formula. See response to NAA/USPS-T31-1, above.

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NAA/USPS-T31-3:

Please refer to footnote 11 of your testimony. What is it that makes a discussion of implicit cost coverages for piece-rated and pound-rated mail enlightening "in this instance" of Standard Enhanced Carrier Route mail as opposed to other subclasses of mail?

RESPONSE:

Examination of the implicit cost coverages for piece-rated and pound-rated pieces helps to illustrate and support the Postal Service's proposal for lowering the pound rate. It also shows the reasonableness of the proposal.

My testimony is limited to the Standard Enhanced Carrier Route and Nonprofit Enhanced Carrier Route subclasses. I have not studied whether it would be beneficial to introduce implicit coverage analyses to other classes of mail.

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NAA/USPS-T31-4:

If, as you mention at Page 13 of your testimony, one goal in rate design is to bring the piece and pound rated implicit coverages for ECR closer together, why was the pound rate reduced instead of the piece rate being increased above the proposed increase?

RESPONSE:

Increasing the piece rate further than the increases in the Postal Service's proposal would likely disrupt current rate relationships and could increase some individual rate cells by more than 10 percent. Incidentally, I did not state that implicit coverage relationships were a goal of the rate design; in my testimony, I noted that:

While equalizing cost coverage of the two groupings is not strictly necessary, the information suggests that a reduction in the pound rate can be made without distorting the relative implicit coverage of the two groupings. (USPS-T-31, page 13, lines 2 – 5).

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NAA/USPS-T31-5:

Please refer to tables 5A, 5 B, and 5C of your testimony.

a. Please quantify the amount by which the revenue received from the Standard commercial ECR mail at the weight increments that face a rate reduction under your proposed rates is less than the revenue that would be received from the same weight increments if the current charges for pound-rated mail were unchanged, at Test Year Before Rates volumes.

b. Please provide the change in implicit cost coverage between the current and proposed ECR pound rates.

RESPONSE:

a. The analysis requested is provided below, with the following caveats.

First, this is a hypothetical question that is not consistent with the current rate design, which is based on precedents set in rate cases dating from the creation of the ECR subclass in Docket No. MC95-1. The rate design assumes a steady pound rate above the breakpoint, without exception.

More significantly, "freezing" some of the rates, while raising others, defeats the main objective in lowering the pound rate, which is to treat ECR mail more equitably across-the-board. Although the volume affected is small, the ECR rate design formula is very sensitive, and if this change were incorporated into the rate design, it would have an impact on rates beyond those "frozen." Furthermore, the analysis requested requires a simplifying assumption about the precise weight of pieces within each ounce increment.

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Keeping the above cautions in mind, the information requested can be derived from Exhibit USPS-31A, which accompanies my testimony, USPS-LR-J-131, WP1, pages T and U ("SUM"), and USPS-LR-J-58. For clarity and the convenience of the reader, the following is an outline of the series of steps taken to arrive at the data requested. These steps are also described in my response to interrogatory AAPS/USPS-T31-2.

- 1) Show the volume by destination entry and ounce increment for each density tier. This information is taken directly from Exhibit USPS-31A and USPS-LR-J-58.
- 2) Calculate the current rate by destination entry cell. Each ounce increment includes a range of fractional values, as discussed in my testimony on page 16, lines 11 – 16. Rather than choosing the lowest or highest end, I have selected the midpoint of each range to calculate the rate. For example, in the range of 9.0 to 10.0 ounces, the analysis assumes a weight of 9.5 ounces.
- 3) Calculate the proposed rate by destination entry cell in each ounce increment, using the midpoint as in Step #2.
- 4) Determine the difference by subtracting the proposed rate from the current rate by destination entry cell for each ounce increment.
- 5) Multiply the difference in rates as calculated in step #4 for each cell by the volumes in step #1 for each ounce increment and total to arrive at the difference in revenue for each tier.

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In order to answer the question above, using the series of steps described above, this analysis was performed for the Basic and High Density tiers (see Attachment for details). Analysis of the Saturation tier using the same methodology was described in the response to interrogatory AAPS/USPS-T31-2 (see Attachment to the response to interrogatory AAPS/USPS-T31-2 for details). Results for all three tiers are recapped below.

Basic	\$ 2,890,899
High Density	\$ 1,356,261
Saturation	\$ 2,427,336
TOTAL DIFFERENCE	\$ 6,674,496

Given the caveats, which are discussed above, the figure requested rounds to \$6.6 million. This is minimal, which is not surprising, because, as shown in Exhibit USPS-31A, the total ECR volume affected is small: 5.69 percent.

b. See Table #3 on page 13 of my testimony, which shows the implicit coverage for piece-rated and pound-rated pieces at both the 3.0 and 3.5 ounce dividing lines. Before rates, the implicit coverage for pound-rated pieces at the 3.0 ounce dividing line is 249.8 percent, and the implicit coverage for pound-rated pieces at the 3.5 ounce dividing line is 246.2 percent. After rates, the implicit coverage for pound-rated pieces at the 3.0 ounce dividing line is 252.6

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percent; the implicit coverage at the 3.5 ounce dividing line is 249.0 percent. The implicit coverage for both piece-rated and pound-rated pieces increases slightly after rates, but the gap between piece-rated and pound-rated pieces narrows, as discussed in my testimony on page 13, lines 5 to 11.

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ATTACHMENT TO RESPONSE TO
MAAUSPS-T31-8
Page 2

MAAUSPS-T31-8
HIGH DENSITY TIER

STEP #1	HIGH DENSITY TIER VOLUME WITH RATE DECREASE UNDER R2001-1 PROPOSAL	Destination Entry	Change Increment													
			0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9	0.0-0.9
		None	1,238,828	885,115	588,856	348,378	174,328	108,478	40,875	26,143	32,787	14,232	12,888	12,137		
		DBMC	126,873	121,488	16,515	88,218	8,802	14,808	972	0	8,886	0	23,287	0		
		DBCF	80,795,091	72,718,377	8,217,767	21,288,748	8,542,132	4,873,267	1,884,857	1,173,116	688,708	384,835	248,153	133,847		
		DOU	1,438,834,800	1,244,988,958	193,845,842	43,428,828	26,980,278	17,831,244	8,888,784	6,381,882	3,224,312	2,101,482	1,087,438	608,828		
TOTAL BY QZ INCREMENT, in places			61,354,888	61,887,377	35,527,213	22,828,791	11,828,281	7,883,180	3,888,888	2,888,888	1,372,888	882,813				

Source: USPS-T-31; Exhibit 31A and USPS-LA-3-88

STEP #2	CURRENT RATES	Destination Entry	Per Place	Per Pound	Change Increment											
					4.5	6.5	8.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5
		None	0.024	0.028	0.2853	0.3431	0.2132	0.3231	0.3828	0.4028	0.4427	0.4826	0.5224	0.5623	0.6022	0.6421
		DBMC	0.024	0.024	0.1773	0.2113	0.2454	0.2796	0.3136	0.3476	0.3817	0.4157	0.4498	0.4838	0.5179	0.5520
		DBCF	0.024	0.024	0.1714	0.2041	0.2368	0.2696	0.3024	0.3351	0.3679	0.4008	0.4336	0.4664	0.4992	0.5320
		DOU	0.024	0.024	0.1911	0.2238	0.2565	0.2892	0.3219	0.3546	0.3873	0.4200	0.4527	0.4854	0.5181	0.5508

Source: WP1, page U; in dollars

STEP #3	PROPOSED RATES	Destination Entry	Per Place	Per Pound	Change Increment											
					4.5	6.5	8.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5
		None	0.048	0.058	0.3125	0.3616	0.2888	0.3881	0.4357	0.4811	0.5264	0.5718	0.6171	0.6624	0.7077	0.7530
		DBMC	0.048	0.048	0.1881	0.2178	0.2463	0.2749	0.3108	0.3417	0.3726	0.4035	0.4344	0.4653	0.4962	0.5271
		DBCF	0.048	0.048	0.1788	0.2088	0.2388	0.2677	0.2973	0.3268	0.3564	0.3860	0.4156	0.4451	0.4747	0.5042
		DOU	0.048	0.048	0.1983	0.2283	0.2583	0.2877	0.3173	0.3468	0.3764	0.4060	0.4356	0.4651	0.4947	0.5242

Source: WP1, page T; in dollars

STEP #4	RATE DIFFERENCE	Destination Entry	Change Increment													
			0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		None	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007	-0.0007
		DBMC	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008
		DBCF	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008
		DOU	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008	-0.0008

Source: Current - Proposed Rates; in dollars

STEP #5	REVENUE IMPACT	Destination Entry	Change Increment													
			0.5	0.5-7.5	7.5-8.5	8.5-9.5	9.5-10.5	10.5-11.5	11.5-12.5	12.5-13.5	13.5-14.5	14.5-15.5	15.5-16.5	16.5-17.5	17.5-18.5	TOTAL
		None	14	14	14	14	14	14	14	14	14	14	14	14	14	1,377
		DBMC	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	48,628	103,348
		DBCF	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	200,281	1,188,888
		DOU	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	1,188,888
		TOTAL	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	71,888	1,188,888

Source: Volume from Step #1 * Rate Difference from Step #4; in dollars

NOTE: THE SHADED AREAS IN RED SHOW A ZERO OR POSITIVE RATE DIFFERENCE

FOR SATURATION TIER, SEE ATTACHMENT TO RESPONSE TO AAPS-USPS-T31-2

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NAA/USPS-T31-6:

Please confirm that an advertiser that participates in a shared Standard ECR pound-rated mailing does not pay the pound rate to the Postal Service, but rather pays a price set by the shared mailer. If you cannot confirm, please explain why not.

RESPONSE:

An advertiser that participates in a shared-mailing program does not pay postage directly to the Postal Service; however, one of the factors that the shared mailer takes into account in setting the price is the rate charged by the Postal Service.

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NAA/USPS-T31-7:

Please confirm that an advertiser that participates in a shared Standard ECR piece-rated mailing does not pay the piece rate to the Postal Service, but rather pays a price set by the shared mailer. If you cannot confirm, please explain why not.

RESPONSE:

Confirmed. It should be noted that one of the factors that the shared mailer takes into account in setting the price is the rate charged by the Postal Service.

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NAA/USPS-T31-8:

Please confirm that your testimony does not discuss and does not rely on any contentions regarding the prices charged by shared mailers to the advertising participants in their mailings. If you cannot confirm, please explain why not.

RESPONSE:

My testimony does not discuss prices charged by shared mailers to advertising participants in their mailings; however, my testimony notes that "the concerns of alternative providers of saturation advertising services were taken into account and balanced with the concerns of businesses that would prefer a lower pound rate." (USPS-T-31, page 21, lines 6 – 9).

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NAA/USPS-T31-9:

Please confirm that your testimony does not discuss and does not rely on any contentions regarding the prices charged by newspapers to their advertisers for inclusion in newspaper Total Market Coverage programs. If you cannot confirm, please explain why not.

RESPONSE:

Confirmed.

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NAA/USPS-T31-10:

Please refer to Page 23, line 18. to Page 24, line 9, where you allude to the concern about "cross-over" to Standard Regular Automation letter rates as a justification for a zero percent passthrough of the letter/flat differential at the Basic ECR tier. Please identify the Standard Regular rate category that is most relevant to this concern, and state the rate for that rate category proposed by witness Moeller.

RESPONSE:

I was referring to the Standard Mail 5-digit automation letter rate. The rate proposed for this category in witness Moeller's testimony (USPS-T-32, page 19) is 19.0 cents, which is 0.4 cent less than the 19.4 cents proposed for ECR basic letters.

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NAA/USPS-T31-11:

Has the Postal Service conducted any study of the cost savings associated with walk sequencing since the Shipe study that was in evidence in Docket No. R90-1? If so please provide copies of all such studies.

RESPONSE:

Although the methodology used in the Shipe study has not been replicated, the cost savings associated with high-density and saturation walk-sequenced mail have been quantified in subsequent rate cases, including this one, as presented by witness Schenk in USPS-LR-J-59 and 117.

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NAA/USPS-T31-12:

Did you consider proposing a new density tier Standard ECR mail between the High Density and Saturation tiers? If so, please state why you do not propose such a new tier.

RESPONSE:

No. I have not studied this; the concept may have merit and could be considered in the context of future ECR rate design.

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NAA/USPS-T31-13:

Please refer to Page 26 of your testimony at Table # 7 and lines 11 to 15. Did you consider any alternative rate designs that would have limited the density passthrough between high density and saturation nonletters to 100 percent instead of the 108.3 percent that you propose? If so, please explain what alternatives you considered and why you rejected them. If not, please explain why the passthrough between high density and saturation nonletters in excess of 100 percent did not cause you to consider alternatives.

RESPONSE:

The rate design for Standard ECR is an iterative process and I considered many alternatives before finalizing my proposal. Some of them involved different passthrough percentages and different rate differentials. I sought a combination of inputs that met the various criteria for rate design, as discussed in my testimony on page 2, lines 8 – 15. In addition, as discussed in my testimony, the proposal to require that high-density and saturation letters bear mailer-applied barcodes was considered in determining the Letter-Nonletter passthroughs in the High Density and Saturation tiers:

The rate gap between High Density letters and nonletters, measured in cents, was widened, from the current 0.3 cent to 0.5 cent, a 66.6 percent increase. At the Saturation tier, the gap was widened from 0.4 cent to 0.7 cent, a 75.0 percent increase. These figures represent significant savings to mailers who barcode their High Density and Saturation letters. (USPS-T-31, page 10, lines 18 to 23.)

As noted in my response to VP/USPS-T31-22, the passthroughs cannot be viewed as isolated inputs, because the Standard Mail ECR formula is dynamic. There are several variables in the rate design formula which work

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interactively and with other inputs in the spreadsheet model in USPS-LR-J-131. (For more detail on the relationship of the shape and density passthroughs, see Appendix #1 of my testimony, which is a description of the ECR Presort Tree.) A change in the passthroughs to decrease the High Density-Saturation nonletter passthrough would impact other rates. In addition, this change could impact the projected Test Year After Rates volumes; commensurate changes in the passthroughs or other "soft" inputs might have to be made to meet the ECR revenue requirement as set by the rate level witness. Passthroughs are only a part of rate design and they are not the only consideration in setting rates; they are not set independently of these other considerations.

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NAA/USPS-T31-14:

Please refer to LR-J-131, work paper 1, page 0 (rate design formula):

- a. Please explain why test year before rates figures (especially volumes) are used, given that the pound rate input is the proposed rate and the outputs are the proposed rates
- b. Did you perform any calculations other than set forth in your testimony in determining the pound rate? If so, please provide those calculations.
- c. Please confirm that your proposed pound rate for Standard ECR mail was selected by you to be an input into the rate design formula. If you cannot confirm, please explain why not.

RESPONSE:

- a. The after rates volumes cannot be forecast until the new rates are determined.
 - b. No.
 - c. I selected the proposed pound rate in USPS-LR-J-131, WP1, page 0 ("ECR RD"), column H, Row 24. For a description of the pound rate as an input to the ECR rate design formula, see my testimony on page 6, line 11 to page 7, line 6.
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NAA/USPS-T31-15:

Please refer to page H (Cost) of LR-J-131 ~ WP1. For the Standard ECR delivery cost by density tier data, you cite LR-J-59. However, these data do not seem to be a part of LR-J-59. Please confirm that the source for these data is LR-J-117. If you do not confirm, please provide the correct source.

RESPONSE:

Confirmed.

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NAA/USPS-T31-16:

Please refer to page H (Cost) of LR-J-131-WP1. Please confirm that the Standard ECR delivery costs for flats presented at that page are different from the Standard ECR delivery costs presented in LR-J-117, Table 1. If the source you cite is LR-J-117, please explain the discrepancy between your delivery cost figures for ECR flats and those in LR-J-117.

RESPONSE:

Confirmed. The delivery costs for "flats" presented in Table 1 of LR-J-117 are for flat-shaped pieces only. The delivery costs for "flats" presented in USPS-LR-J-131, WP1, page H ("COST") are for nonletter-shaped pieces (flats and parcels). The delivery costs for nonletter-shaped Standard Mail ECR pieces provided in LR-J-117 are in Workbook LR-J-117.xls, Worksheet "Summary TY," cells O101 to O103, which is the source for the delivery costs provided in USPS-LR-J-131, WP1, page H ("COST").

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NAA/USPS-T31-18:

Please provide a ECR presort tree including current rate differences, calculated cost differences, and proposed rate differences based on your results from the previous question.

RESPONSE:

The presort tree in Appendix #1 of my testimony contains the information requested.

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NAA/USPS-T31-20:

Please confirm:

- a. That the volumes you use in designing rates for Standard A ECR mail are derived from LR-J-125, which is based upon the volume forecasting testimony of witness Tolley;
- b. That the cost savings which you use in designing rates are based on the testimony of witness Schenk, which used the volume forecasts in LR-J-117;
- c. That the following table accurately reflects the forecasted volumes used by witnesses Tolley and Schenk in the cited library references:

	Tolley			Schenk	
	Commercial	Non-Profit	Total ECR	Total ECR	% Difference
ECR Letters	3,545.81	546.28	4,092.08	4,892.02	19.55%
ECR Nonletters	12,637.04	1,211.36	13,848.40	13,408.35	-3.18%
Auto C/R	2,104.82	301.14	2,405.96	2,365.74	-1.67%
High Density L	360.09	73.60	433.69	517.85	19.41%
High D NL	1,834.14	14.94	1,849.08	1,597.27	-13.62%
Saturation L	3,804.20	699.56	4,503.76	4,591.99	1.96%
Saturation NL	9,587.68	405.65	9,993.33	9,753.08	-2.40%

Notes:

Tolley numbers from LR-125

Schenk numbers from LR-117, divided by 1000 to correspond to Tolley units

If you cannot confirm these figures, please explain why not.

- d. Please explain why you propose rates based on a different volume forecast than is used in calculating the unit cost savings.

RESPONSE:

- a. Confirmed.
- b. Confirmed. I also used cost data from witness Mayes (USPS-T-23) in determining dropship discounts, as stated in response to interrogatory VP/USPS-T31-29.
- c. Confirmed. The first two rows could be labeled more precisely as "ECR Basic Letters" and "ECR Basic Nonletters."

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- d. It should be noted that the Total combined ECR and NECR volume provided by both witnesses is consistent: 37,126.30 (specified in millions, as in the table above). They each use the finer detail – the mail mix – that is appropriate to their respective analyses. I utilize information from these respective analyses as appropriate in my testimony.

The rates presented in my testimony are based on the cost data that were provided by witness Schenk. Witness Schenk's data provide cost estimates for both ECR commercial and nonprofit. It is my understanding that witness Schenk's letter and nonletter volumes cited in the above table, from USPS LR-J-117, are based on the processing categories recorded in the PERMIT system. Thus, they should correspond to the Domestic Mail Manual (DMM) definition of shape. This allows witness Schenk to match volumes to costs, which are derived from IOCS tallies. It is my understanding that any other feasible approach would have involved a mismatch of cost and volume data, which would result in a distorted cost analysis.

The volumes in witness Tolley's USPS-LR-J-125 are based on the rates paid, not necessarily on the DMM-defined shape. Obviously, volume estimates developed by rate category are necessary to project Test Year revenue. My testimony uses volumes that correspond to specific rate categories and reflect the mail mix that is anticipated in the Test Year.

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A point of clarification: as noted above, total volume is the same in both analyses, but the mail mix differs. For example, the number of letters in witness Schenk's LR-J-117 is higher than in witness Tolley's USPS-LR-J-125, and the number of nonletters in witness Schenk's LR-J-117 is lower than in witness Tolley's USPS-LR-J-125. This is explained by the fact that letter-shaped pieces as defined by the DMM that weigh over 3.3 ounces will pay nonletter rates. Witness Tolley shows these pieces as nonletters because they pay nonletter rates, while witness Schenk shows these pieces as letters because they conform to the shape of a letter.

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NAA/USPS-T31-21:

Please refer to your Workpaper 1, page Q, and Workpaper 1, page X. Is there a relationship between the revenue figure from line 31 of page Q (which you use in your testimony) and the Net Revenue figure of page X, column 21? Please explain.

RESPONSE:

USPS-LR-J-131, page Q ("TYAR REV") calculates projected ECR revenues for the test year using proposed rates and after rates volumes. Page Q, line 31 includes revenue from fees and the residual shape surcharge. USPS-LR-J-131, page X ("TYAR VOL CAT") calculates projected ECR revenues for the test year using proposed rates and before rates volumes. The figure in column 21, line 13 – \$5,665.708 million – does not include revenues from fees and the residual shape surcharge. This figure can also be found on page S ("NEW RATE TYBR VOL"), column 3, line 26.

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NAA/USPS-T31-22:

Please refer to Domestic Mail Manual E630.1.7(c), which states, in pertinent part, the density required for the Standard ECR saturation rate as follows: "pieces must be addressed either to 90% or more of the active residential addresses or to 75% or more of the total number of active possible delivery addresses, which is less, on each carrier route receiving this mail." Please also assume that, in the scenarios below, the mailing would otherwise qualify in all respects for Standard ECR rates.

- a. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 375 pieces could qualify for the Standard ECR saturation rate.
- b. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 374 pieces would not qualify for the Standard ECR saturation rate.
- c. Please confirm that, assuming a route consisting only of 500 active residential addresses, a mailing consisting of 250 pieces would not qualify for the Standard ECR saturation rate.
- d. Please confirm that, assuming a route consisting of 500 active possible delivery addresses, of which only 250 were active residential addresses, a mailing addressed to 225 residential addresses could qualify for the Standard ECR saturation rate.
- e. Please confirm that nothing in the DMM would require, in the scenario in (d), that the 250 residential addresses would have to be in any particular section of the route, but could be scattered throughout the entire route.
- f. If you cannot confirm any of the above, please explain why not.

RESPONSE:

a.-e. Confirmed. Please note that the wording at the end of the phrase quoted from the DMM is "whichever is less," rather than "which is less," as indicated above.

f. Not applicable.

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NAA/USPS-T31-23:

Please refer to your response to NAA/USPS-T31-2.

- a. Please confirm that your methodology assumes that the proportion of commercial ECR and NECR costs remains constant between the base year and the Test Year. If you cannot confirm, please explain why not.
- b. Please confirm that the ratio of commercial ECR to NECR volumes is not constant between the Base Year levels and the forecasted Test Year volumes, as presented in LR-J-125. If you cannot confirm, please explain why not.
- c. Please confirm that the mix among rate categories in commercial ECR and NECR does not remain constant between the Base Year levels and the forecasted Test Year volumes, as presented in LR-J-125. If you cannot confirm, please explain why not.
- d. Please explain why you assume a constant cost ratio between commercial ECR and NECR when the ratio of the volumes of these two subclasses, and the mail mix within the subclasses, is not constant between the Base Year and Test Year.

RESPONSE:

- a. Not confirmed. No assumption is made about the actual cost proportion.

As stated in my response to NAA/USPS-T-31-1:

The allocation methodology...was not intended to determine the *precise* volume variable cost of the commercial and nonprofit subclasses in isolation. *The allocation assisted in executing the rate design formula and producing the statutory revenue-per-piece relationship between commercial and nonprofit subclasses, which is described in my testimony on page 35, lines 1 – 7. [emphasis added]*

- b. Confirmed.
- c. Confirmed.
- d. See response to subpart (a). While the volume mix between commercial and nonprofit is not constant between the Test Year After Rates (TYAR)

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estimates in Docket No. R2000-1 and the Test Year Before Rates (TYBR) estimates in this proceeding, that fact is irrelevant in the rate design. The cost allocations used in the rate design are reasonable, given that an actual split of costs between ECR and NECR was not available.

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NAA/USPS-T31-24:

Please refer to your responses to NAA/USPS-T31-6 and 7. Can you also confirm that the postage rate is one factor that a newspaper mailing a Total Market Coverage program takes into account in setting its price to advertisers. Please explain any negative response.

RESPONSE:

Presumably, the newspaper would consider its options for distribution of the Total Market Coverage (TMC) program. If the Postal Service is chosen, postage would likely be considered when the newspaper develops its prices to advertisers. (Postage rates may also be a factor in whether the Postal Service is selected over other options for a TMC program.)

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VP/USPS-T31-1:

May Detached Address Labels ("DALs") be used with enveloped Standard ECR flats?

RESPONSE:

Yes. See DMM A060.1.2.

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VP/USPS-T31-2:

- a. For pieces known as "wraps," what are the minimum dimensions for the outer host piece in a Standard ECR DAL flat mailing?
- b. What terminology is used to describe such pieces (i) in the DMM and (ii) conversationally?
- c. What provisions in the DMM describe or govern such pieces?
- d. Can the dimensions of inserts exceed the dimensions of the host piece? If so, (i) by how much and (ii) what determines the dimension of the entire mailpiece?

RESPONSE:

- a. See DMM C600.1.2 and C820.6.2.
- b. These are referred to as "covers," "short covers," or "protective covers" in the DMM. Conversationally, these pieces may be referred to by mailers as "wraps," "half covers," or other terms.
- c. DMM C050 discusses basic sizes for flats. DMM C600 specifies the maximum dimensions for ECR flats. DMM C820.6.2 provides the standards for all short covers, including covers for ECR pieces.
- d. It is my understanding that, in the DMM, "inserts" refer to pieces placed in envelopes. Enclosures may be placed in a host ECR piece. The enclosures may exceed the dimensions of the outer cover or "host piece," provided that the overall dimensions of the piece do not exceed the limits specified in DMM C600.1.1d.

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VP/USPS-T31-3:

- a. In a Standard ECR DAL flat mailing consisting of wraps, is there any limit on the number of inserts contained within a host piece? If so, what is that limit?
- b. In a Standard ECR DAL flat mailing consisting of wraps, are there any limitations on the thickness, nature, form, or content of the inserts contained within a host piece? If so, what are those limitations?
- c. Are there any minimum dimensions for inserts within a host piece?
- d. May an insert consist of an enveloped letter?
- e. May an insert consist of an enveloped flat?

RESPONSE:

- a. It is my understanding that the DMM does not specify a limit on the number of attachments and enclosures.
- b. See DMM C600, which specifies the maximum thickness of an ECR flat. ECR flats are subject to general guidelines for mailability (*i.e.*, they must not contain content or items that are prohibited from being mailed) and cannot carry content that is required to be mailed at First-Class Mail rates.
- c. It is my understanding that the DMM does not specify limits.
- d. Yes, as long as the contents in the enveloped letter are eligible to be mailed at the appropriate Standard Mail ECR rate.
- e. Yes, as long as the contents in the enveloped flat are eligible to be mailed at the appropriate Standard Mail ECR rate.

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VP/USPS-T31-4:

Do local acceptance clerks verify DALs prepared with flats to ensure that they meet applicable mail processing category requirements as presented by the mailer?

RESPONSE:

It is my understanding that they do.

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VP/USPS-T31-5:

In a flat-shaped Standard ECR DAL mailing consisting of wraps, what are the minimum dimensions of the host piece?

RESPONSE:

See response to VP/USPS-T31-2a.

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VP/USPS-T31-6:

Do acceptance clerks ever collect additional postage (surcharge) or disqualify a mailing for exceeding the maximum flat dimensions? Please explain.

RESPONSE:

Yes, acceptance clerks are responsible for collecting additional postage in the event that it is determined that an ECR flat-size mailing exceeds the size limits in DMM C600.1.1. No data are collected on the extent to which flat mailings are determined to be ineligible for mailing or a particular rate category due to excess dimensions.

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VP/USPS-T31-7:

Your testimony at page 9, lines 15-17 states that Standard ECR High Density and Saturation letters must bear delivery point barcodes and meet other Postal Service requirements for automation compatibility.

- a. Will High Density and Saturation Standard ECR letters be required to pass the MERLIN test?
- b. Aside from MERLIN, what other requirements must such letters meet in order to qualify for your proposed Standard ECR letter rates?

RESPONSE:

- a. If the classification proposal is implemented, Standard Mail ECR High Density and Saturation letters will be subject to the verification process for automation mailings. It is my understanding that MERLIN is part of the verification process for automation mailings. If MERLIN is not available, automation mailings are subject to manual verification.
- b. See DMM C810.1.0 – 7.0 for automation requirements for letters.

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VP/USPS-T31-8:

Your testimony at page 13 states that "[i]f a goal of rate design were to have equal implicit coverage..."

- a. In your opinion, to what extent is a rate design goal of implicit coverage appropriate?
- b. Under what conditions or circumstances is a rate design goal of equal implicit coverage either inappropriate or ripe for being over-riden by other considerations?
- c. Please state clearly whether it is your goal, or the Postal Service's goal, to have equal implicit coverage for lighter weight and heavier weight parcels within Standard ECR.
- d. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) letters, (ii) flats and (iii) parcels?
- e. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) Basic, (ii) High Density and (iii) Saturation letters?
- f. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) Basic, (ii) High Density and (iii) Saturation flats?
- g. Within the Standard ECR flat-shaped mailstream, for your proposed rates, what is the implicit coverage for (i) piece-rated flats and (ii) pound-rated flats?

RESPONSE:

- a. As noted in my testimony, on page 12, footnote 11, cost coverage is a measure used primarily at the subclass level; in each commercial subclass, there is a rate design goal of meeting the cost coverage specified by the rates level witness (who, in this Docket, is Witness Moeller (USPS-T-28)). At the subcategory of subclass level, estimates of implicit coverage can on occasion be used for illustrative purposes, as in

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the reference cited in the interrogatory. *Estimates of implicit coverage* are not used by all witnesses, however. The use of implicit cost coverage in my testimony is not intended to imply that other rate design witnesses should incorporate evaluation of implicit coverage(s) into their testimony.

- b. In some instances, implicit coverage can be an indicator of a potential misalignment of costs and rates. A more detailed answer to this question would depend on the subcategory or subcategories of subclass being considered, because often an analysis of implicit coverage requires making some simplifying assumptions. Therefore, when used, it can be a guide, or tool, in the ratemaking process. In the case of Standard Mail ECR, the analysis of *implicit coverage* for piece-and pound-rated pieces in my testimony represents updated data from Docket No. R2000-1, where Witness Moeller (USPS-T-35) presented data supporting a proposed lower pound rate.
- c. That was and is not a goal of in the proposal at issue in this proceeding.
- d. ~~As described above, analyses of implicit coverages may be useful under certain circumstances when performed with a specific illustrative purpose. While some of the particular data requested here may be calculated, their value as an illustrative tool may be limited: The calculation can be~~

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performed for ECR letters and nonletters. Implicit coverage for letters, using test year after rates revenue and test year unit costs, is 225.9 percent for ECR letters and 232.5 percent for ECR nonletters.

- e. Cost data are not available by density tier, so the implicit coverages cannot be calculated. See also response to subpart (d).
- f. Cost data are not available by density tier, so the implicit coverages cannot be calculated. See also response to subpart (d).
- g. This calculation can be performed for piece-and pound-rated nonletters, using test year after rates revenue. Because data are not available at the 3.3 ounce breakpoint, the following are figures using a 3.0 ounce breakpoint and 3.5 ounce breakpoint.

The implicit coverage for piece-rated ECR nonletters under 3.0 ounces is 217.2 percent. The implicit coverage for pound rated ECR nonletters greater than or equal to 3.0 ounces is 256.3 percent. The implicit coverage for piece-rated ECR nonletters under 3.5 ounces is 214.1 percent. The implicit coverage for pound-rated ECR nonletters greater than or equal to 3.5 ounces is 252.6 percent.

See also response to subpart (d).

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VP/USPS-T31-8:

Your testimony at page 13 states that "[i]f a goal of rate design were to have equal implicit coverage..."

* * * * *

- d. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) letters, (ii) flats and (iii) parcels?

* * * * *

- g. Within the Standard ECR flat-shaped mailstream, for your proposed rates, what is the implicit coverage for (i) piece-rated flats and (ii) pound-rated flats?

REVISED RESPONSE:

Because of minor changes in costs that witness Schenk filed in her revised USPS-LR-J-58 (see errata of November 20, 2001), there are slight changes in the implicit coverage calculations provided in the responses to ValPak 8(d) and 8 (g). Results of the revised calculations are presented below.

- d. As described above, analyses of implicit coverages may be useful under certain circumstances when performed with a specific illustrative purpose. While some of the particular data requested here may be calculated, their value as an illustrative tool may be limited: The calculation can be performed for ECR letters and nonletters. Implicit coverage for letters, using test year after rates revenue and test year unit costs, is 226.0 percent for ECR letters and 232.7 percent for ECR nonletters.

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- g. This calculation can be performed for piece-and pound-rated nonletters, using test year after rates revenue. Because data are not available at the 3.3 ounce breakpoint, the following are figures using a 3.0 ounce breakpoint and 3.5 ounce breakpoint.

The implicit coverage for piece-rated ECR nonletters under 3.0 ounces is 217.2 percent. The implicit coverage for pound rated ECR nonletters greater than or equal to 3.0 ounces is 256.6 percent. The implicit coverage for piece-rated ECR nonletters under 3.5 ounces is 214.4 percent. The implicit coverage for pound-rated ECR nonletters greater than or equal to 3.5 ounces is 252.8 percent.

See also response to subpart (d).

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VP/USPS-T31-8:

Your testimony at page 13 states that "[i]f a goal of rate design were to have equal implicit coverage..."

- d. Within the Standard ECR subclass, for your proposed rates, what is the implicit coverage for (i) letters, (ii) flats and (iii) parcels?
- g. Within the Standard ECR flat-shaped mailstream, for your proposed rates, what is the implicit coverage for (i) piece-rated flats and (ii) pound-rated flats?

SUPPLEMENTAL RESPONSE TO SUBPARTS (d) and (g):

The issue of consistency in the figures used to calculate implicit coverages has been raised in several interrogatories, including VP/USPS-T31-32, VP/USPS-T31-39, and VP/USPS-T31- 40. (Implicit coverages are calculated by dividing unit revenue by unit cost.) VP/USPS-T31-8(d) and 8(g) requested implicit coverages using the proposed rates, beyond those provided in my testimony in Table #3 on page 13, which were for piece-rated pieces and pound-rated pieces. Before providing those figures, in response to VP/USPS-T31-8(b), I stated that:

In some instances, implicit coverage can be an indicator of a potential misalignment of costs and rate...often an analysis of implicit coverage requires making some simplifying assumptions. Therefore, when used, it can be a guide, or tool, in the ratemaking process.

In my response to VP/USPS-T31-8(d), above, implicit coverages were presented for letters and nonletters, using the best available information. (For example, although the revenues are projected on a Test Year After Rates basis, as requested in the interrogatory, the only cost estimates available are Test Year

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Before Rates costs.) Likewise, in my response to VP/USPS-T31-8(g), implicit coverages were calculated for piece-rated and pound-rated nonletters, at both the 3.0 ounce and 3.5 ounce *breakpoints*, because data are not available at the actual 3.3 ounce breakpoint. In both responses, the categories of "letters" and "nonletters" used in the costs provided by witness Schenk (USPS-T-41) were based on the DMM-definitions of letters and nonletters – *i.e.*, based on shape. For revenues, the categories of "letters" and "nonletters" were based on rate category, and derived from USPS-LR-J-131, WP1. (For further discussion of the shape versus rate definitions of letters and nonletters, see my response to NAA/USPS-T31-20.)

The issue of determining implicit coverages for both letters and nonletters is complicated by the breakpoint of 3.3 ounces. This is why, in Table #3 of my testimony, and in response to VP/USPS-T31-8(g), implicit coverages were provided at both the 3.0 and 3.5 ounce dividing lines. The pattern demonstrated at each was consistent and supported the proposed reduction of 4.0 cents in the ECR pound rate.

The following is a comparison of the implicit coverages presented in my revised response to VP/USPS-T-31-8(d) – which reflect the minimal cost changes filed on November 20, 2001 by witness Schenk in her errata to USPS-LR-J-58 and under the alternative method, which defines letter-shaped pieces

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above the breakpoint as nonletters, along with flat-shaped and parcel-shaped pieces.

	Revised Response to VP/USPS-T31- 8(d)*	Alternative Method**
Total ECR Letters	226.0%	
Total ECR Nonletters	232.7%	
Total ECR Letters Below 3.0 ounces (<i>piece-rated</i>)		230.7%
Total ECR Nonletters Above or equal to 3.0 ounces (<i>piece-and pound-rated</i>) OR		230.6% OR
Total ECR Letters Below 3.5 ounces (<i>piece-and pound-rated</i>)		229.3%
Total ECR Nonletters Above or equal to 3.5 ounces (<i>piece-and pound-rated</i>)		231.3%

* In the initial response to 8(d), the costs in the implicit coverage calculation for total ECR letters includes all letter-shaped pieces regardless of weight; the costs in the implicit coverage calculation for total ECR nonletters exclude letter-shaped pieces exceeding the maximum weight limit for letters, regardless of weight.

** In the alternative method presented in this supplemental response, the term "letters" for purposes of the costs in the cost coverage calculation includes letters defined by shape and also letters below the specified weight threshold; letters above the specified weight threshold are included within nonletters.

Under the alternative method, the gap between ECR letters and nonletters is smaller when presented in these categories, which combine piece-rated and pound-rated pieces.

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When the response to VP/USPS-T31-8(g), which asked for the implicit coverage for piece-rated and pound-rated flats, is compared to the results from using the alternative method, a gap between piece-rated and pound-rated pieces is still very evident, even under the proposed rates, at both the 3.0 ounce and 3.5 ounce breakpoints. (Note that the figures for the response to VP/USPS-T31-8(g)) include the minimal cost changes presented in the errata to USPS-LR-J-58.) In fact, the gap increases somewhat, although not materially, further illustrating the point that pound-rated pieces have a higher implicit coverage than piece-rated pieces, providing additional support for a decreased ECR pound rate.

	Revised Response to VP/USPS-T31-8(g)	Alternative Method
ECR Nonletters		
Below 3.0 ounces* (piece-rated)	217.2%	217.2%
Above or equal to 3.0 ounces**, *** (pound-rated)	256.6%	252.9%
OR	OR	OR
ECR Nonletters		
Below 3.5 ounces* (piece-rated)	214.4%	214.4%
Above or equal to 3.5 ounces**, *** (pound-rated)	252.8%	249.3%

* In both the initial response to VP/USPS-T31-8(g) and the alternative method presented in this supplemental response, the costs in the implicit coverage calculation for "ECR Nonletters below 3.0 or 3.5 ounces" include flat-shaped and parcel-shaped pieces below the two respective weight dividing lines.

** In the initial response to VP/USPS-T31-8(g), the costs in the implicit coverage calculation for "ECR Nonletters above 3.0 or 3.5 ounces" include flat-shaped and parcel-shaped pieces above or equal to each weight dividing line.

*** In the alternative method, the costs in the implicit coverage calculation for "ECR Nonletters above 3.0 or 3.5 ounces" include flat-shaped and parcel-shaped

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pieces above or equal to each weight dividing line, *plus* letter-shaped pieces above or equal to each weight dividing line.

Cost data supporting the alternative method coverages are detailed in a supplemental response to witness Schenk's response to VP/USPS-T43-10.

It may be helpful to briefly review the role of implicit coverage analysis in rate design. My response to VP/USPS-T31-8(a) and (b) clarifies the purpose of calculating implicit coverages at the subclass level. Specifically, I explained:

At the subcategory of subclass level, estimates of implicit coverage can on occasion be used for illustrative purposes, as in the reference cited in the interrogatory [*i.e.*, testimony, page 13]....often an analysis of implicit coverage requires making some simplifying assumptions.

Rates are not designed on implicit cost coverages. Instead, the coverages can be used as a tool, among several, to evaluate rate design. As I have pointed out in the calculation of these implicit coverages – in Table #3 of my testimony, in response to VP/USPS-T31-8, and in the alternate coverages discussed above – a variety of assumptions must be made. These necessary assumptions could lead to a lack of precision, in some instances. As such, I have emphasized that implicit coverages can be a useful evaluation tool, rather than the prime determinant of rate design.

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VP/USPS-T31-9:

In your testimony, USPS-T-31, page 23, lines 6-7, you state that "merchandise samples with DALs are the only surcharged pieces in ECR" (i.e., subject to the residual shape surcharge). You also state at lines 7-8 that, "[s]ome merchandise samples are mailed as flats and therefore are not surcharged."

- a. Please confirm that:
 - (i) Merchandise samples may be mailed as Standard ECR flats. If you do not confirm, please explain.
 - (ii) Merchandise samples sent as Standard ECR flats may use DALs but are not required to do so. If you do not confirm, please explain.
 - (iii) Merchandise samples sent as Standard ECR parcels must use DALs. If you do not confirm, please explain.
- b. If some merchandise samples can be entered as addressed ECR flats without a DAL, why are merchandise sample ECR flats treated differently with respect to the requirement of a DAL than merchandise sample ECR parcels?
- c. Is any effort made by Postal Service personnel to determine whether the contents of a given mailing of ECR flats are merchandise samples? If so, what procedures are used? Is this information recorded, and, if so, where and by whom?
- d. Has any analysis been made of costs incurred by merchandise samples mailed as ECR flats? If so, please provide a copy of the study as a library reference.
- e. Could the cost difference between the average ECR flat (most of which are not mailed with DALs) and the average ECR parcel (all of which are mailed with DALs) be due to the additional costs caused by DALs, rather than costs incurred by the shape or weight of ECR parcels? Please explain your answer.
- f. In Docket No. R2000-1, Postal Service witness Crum (USPS-T-27) observed that the high costs attributed to ECR parcels (\$0.746 in FY 1998) may reflect the costs of DAL mailings. Response to PSA/USPS-T27-5(a), Tr. 8/3427, Docket No. R2000-1.

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- (i) Do you believe that the high costs attributed to ECR parcels in this docket are due, at least in part, to the higher costs incurred in processing and delivering DAL mailings? Please explain your answer.
- (ii) What other reason(s) would you suggest that explain the high costs attributed to ECR parcels in this docket?
- g. (i) Has the Postal Service considered imposing a surcharge on all DAL ECR mailings, instead of on all ECR parcels?
- (ii) Do you agree such an idea would have merit? Please explain why or why not. Under what conditions would such an idea have merit?

RESPONSE:

- a. (i) Confirmed.
- (ii) See DMM A060.1.3 for what must be sent with DALs.
- (iii) Confirmed.
- b. Parcels have different cost characteristics than flats. It is my understanding that a flat is considered a flat based on physical size and shape, not on whether it is a merchandise sample. For a merchandise sample to be mailed as an ECR flat, it must meet the criteria outlined in DMM C600.1.1d.
- c. It is my understanding that Business Mail Entry Unit (BMEU) employees are required to open and examine one piece from each Standard Mail mailing to verify that the contents are eligible for the rate claimed.

Information about each piece examined is not kept.
- d. No.

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- e. Redirected to Witness Schenk (USPS-T-43).
- f. Redirected to Witness Schenk (USPS-T-43).
- g. (i) No.
 - (ii) In this particular instance, I cannot say whether the idea has merit or not. DALs are intended to facilitate the casing and delivery of flats and parcels. In general, if a potential rate element makes business sense and could be shown to be consistent with the classification criteria, it could have merit.

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VP/USPS-T31-10:

Why are not special services, such as delivery confirmation or insurance, available for Standard ECR parcels when they are available for Standard Regular parcels? What differences, if any, between Standard ECR parcels and Standard Regular parcels dictate this distinction?

RESPONSE:

These are two separate subclasses. Standard ECR parcels must bear detached address labels (DALs), which renders them ineligible for special services, as specified in DMM E610.9.2.

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VP/USPS-T31-11:

Has the Postal Service ever considered establishing a distinct rate or separate surcharge for ECR DAL mailings? Please explain your answer.

RESPONSE:

Not to my knowledge. See response to VP/USPS-T31-9g.(ii), above.

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VP/USPS-T31-12:

- a. Is the volume of ECR parcels - which you state is "less than 0.07 percent of total ECR nonletters" (USPS-T-31, p. 23, ll. 1-2, emphasis added) - so small that the cost of separately identifying ECR parcels greatly outweighs any benefit to the Postal Service? Please explain your answer.
- b. Please state the volume of ECR parcels sent with DALs.
- c. Would you agree that it makes more sense to have an ECR nonletter DAL rate category than an ECR parcel rate category? Please explain your answer.

RESPONSE:

- a. If the question of "separately identifying ECR parcels" refers to a separate rate treatment, then I do not feel that the Postal Service should ignore parcels. There are substantial cost differences in processing parcels, and the rate design for Standard Mail ECR needs to recognize these cost differences, even though parcels' percentage of overall ECR volume is low, relative to letters and flats.
- b. See LR-USPS-J-131, page I (RES SHAPE REV), cell reference E12. This is a calculation of ECR nonletters in the test year that are subject to the residual shape surcharge. Since all ECR parcels are subject to the residual shape surcharge and all ECR parcels are required to bear detached address labels (DALs), 100% of this figure - 15,879,000 - should represent the volume of ECR parcels sent with DALs.
- c. No. The parcel category distinction is shape-based, and thus is consistent with the way the Postal Service sorts and delivers mail. Parcels are a

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separate component of the mail stream; thus, a rate design that recognizes ECR parcels as a separate mail stream, with a distinct rate, is very reasonable and logical. Also see response to VP/USPS-T31-9(g).

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VP/USPS-T31-13:

Please refer to LR-J-131, WP1 , page H, Mail Processing and Delivery Costs Per Piece Test Year.

- a. Are the figures shown the estimated total volume variable costs for each rate cell? If not, what other costs need to be included to arrive at Test Year estimates of total volume variable costs?
- b. Have the estimated per piece costs shown here been "reconciled" to the CRA estimate of total volume variable costs for Standard ECR mail in the Test Year? That is, when the unit costs are multiplied by the appropriate volumes, do they equal total Test Year volume variable costs as developed by the roll-forward model? If not, by what percentage, or how much, do they differ?

RESPONSE:

- a. No. The Mail Processing and Delivery Costs Per Piece Test Year shown on page H are part of volume variable costs. The "other" volume variable costs include: window service, vehicle service, and associated indirect cost segments in addition to air/water/highway/rail transportation.

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- b. No, it is my understanding from witness Schenk (USPS-T-43) that the mail processing and delivery costs reported in USPS-LR-J-131, WP1, page H are developed by tying base year CRA costs to test year CRA costs, as shown in USPS-LR-J-59 and -117. As such, although they are not reconciled to the total costs, they should roll up to the total rollforward costs for those cost segments. Therefore, no reconciliation to the CRA is needed.

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VP/USPS-T31-14:

Please refer to your testimony at pages 11-21, where you discuss the pound rate for Standard ECR Mail.

- a. At page 12, lines 5-6, you state that witness Schenk's study and analysis suggest that, strictly on a cost basis, "a lower ECR pound rate would be appropriate." Please provide specific references to her testimony, her study, or any other document sponsored by witness Schenk in this docket here she states that which you assert; i.e., that a lower ECR pound rate would be appropriate.
- b. Aside from the unit cost data presented in your Table #3 and the distribution of pieces by weight in Table #4, on pages 13 and 15, respectively, please indicate all other data, analyses, regressions, conclusions, etc. found in or derived from witness Schenk on which you rely to support your assertion that her study and analysis indicate that "a lower ECR pound rate would be appropriate."
- c. Has witness Schenk indicated to you, whether orally or in writing or otherwise, what she considers to be the best or most reliable estimate of the weight-cost relationship for ECR mail that weighs in excess of 3.3 ounce breakpoint? If so, please state what she provided you and indicate the source.
- d. Did witness Schenk provide you with the implicit coverages shown in your Table #3?
- e.
 - (i) To the extent that you have analyzed witness Schenk's data yourself and drawn your own conclusions concerning the weight-cost relationship for Standard ECR Mail or the appropriate level of the pound rate, please indicate which data you analyzed, provide copies of your analyses, including any regressions or other statistical studies, and your results and conclusions.
 - (ii) If you have independently determined what you believe to be the best estimate of the weight-cost relationship for ECR mail that weighs in excess of 3.3 ounce breakpoint, please indicate what that is.
 - (iii) If you have not done any separate analysis or study using witness Schenk's data, and if you have not developed any independent estimate of the weight-cost relationship for ECR mail, please so state explicitly.

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RESPONSE:

- a. My testimony does not state what the interrogatory implies, *i.e.*, that witness Schenk states a lower pound rate would be appropriate. Rather, this passage of my testimony is my explanation of the results of her study.
- b. See tables #5A, #5B, and #5C (on pages 17, 18, and 19, respectively, of my testimony).
- c. Witness Schenk has not given me an opinion, either orally or in writing, of the weight-cost relationship for ECR mail, other than providing the updated study presented in USPS LR-J-58.
- d. I computed the implicit coverages and compiled Table #3. The cost data included in the table were provided by witness Schenk.
- e. (i) - (iii) I have not analyzed witness Schenk's data from a cost perspective or independently determined the best estimate of the weight-cost relationship for ECR mail.

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VP/USPS-T31-15:

At page 20, lines 1-3, you state that "the proposed reduction in the pound rate of 4 cents is eminently reasonable, in terms of bringing the piece and pound implicit coverages closer in line..."

- a. Would you agree that other changes in rate design that bring implicit coverages of different rate categories within Standard ECR closer in line would also be eminently reasonable? Unless your answer is an unqualified affirmative, please state every reason upon which you rely to disagree and explain the basis for such disagreement.
- b. Is it your opinion that bringing the piece and pound implicit coverages closer in line for Standard ECR Mail is more reasonable, or more desirable, than bringing the implicit coverages of other rate categories closer in line? Unless your answer is an unqualified negative, please state and explain every reason upon which you rely to support your position.
- c. In your opinion, would the implicit coverage test which you apply to Standard ECR Mail, as exemplified by your Table #3 (p. 13), also be a valid test to apply to Standard Regular Mail? Unless your answer is an unqualified affirmative, please explain why you think your implicit coverage test should be limited to Standard ECR Mail.

RESPONSE:

- a. *It depends on the specific changes in question. For example, I would try to preserve current rate relationships, limit increases by rate cells so that no cells bear disproportionate increases, and maintain support of automation programs. I might include other factors, too, depending on the specific change(s) under consideration.*

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- b. It depends what changes and what other rate categories are involved.

With respect to ECR implicit coverages, my analysis has been confined to the information presented in Table #3.

- c. Please see my response to VP/USPS-T31-8a and 8d.

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VP/USPS-T31-16:

Please refer to your testimony at page 20, lines 5-6. There you note that the Commission recommended a 2.5-cent reduction in the pound rate in Docket No. R2000-1. Is it your view that the Commission's reduction of the pound rate in Docket No. R2000-1 in and of itself justifies a further reduction of the pound rate in this docket? If so, please explain your reasoning in detail.

RESPONSE:

No, I do not feel that – “in and of itself” – the Commission's reduction of the pound rate justifies a further reduction. The proposal in this docket takes into account other factors as discussed in my testimony. However, the Commission's rationale in its decision is a guide in the rate design.

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VP/USPS-T31-17:

Your testimony, at page 13, Table #3, contains data on the unit cost of piece-rated and pound-rated pieces (i) at a 3.0 ounce dividing line, and (ii) at a 3.5 ounce dividing line. In Docket No. R2001, Postal Service witness Moeller (USPS-T-35) presented data for Standard ECR Mail on a similar basis. Commenting on those data, the Commission stated at paragraph 5541 of its *Opinion and Recommended Decision*:

Witness Moeller's implicit markups reflect the mix of mail on either side of the break point. However, pieces above and below the break point have different worksharing profiles and different shape profiles. The Commission believes that implicit markups comparison should be adjusted for these differences.

- a. To your knowledge, did the unit cost data which you received from witness Schenk make any or all of the adjustments for different worksharing and shape profiles called for by the Commission?
- b. Were any adjustments made to the unit revenue figures to account for the different worksharing and shape profiles described by the Commission?
- c. In your opinion, do the implicit coverages shown in your Table #3 reflect any or all of the adjustments called for by the Commission?
- d. Unless your answers to the preceding parts of this interrogatory are an unqualified negative, please indicate which adjustments were made, where they are described, and where they can be found in your testimony, any library references, or other documents sponsored by you in this docket.
- e. If you in fact made any of the adjustments called for by the Commission, but did not document or describe them adequately, please do so in response to this interrogatory.

RESPONSE:

- a. No. It is my understanding from witness Schenk (USPS-T-43) that no changes were made in the costing methodology which was used in Docket No. R2000-1, which develops costs by shape and weight increment but does not make adjustments for worksharing differences.

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b-e. No changes were made from the way the revenue was calculated in Docket No. R2000-1 by witness Moeller (USPS-T-35). Also, the data in the Before and After Unit Revenue columns do reflect revenue consistent with the worksharing profile. Data were taken from Page Y, ECR TYBR TYAR REV in Library Reference USPS-LR-J-131, WP1. The net revenue columns on page W, TYBR VOL CAT (column AA) and Page X, TYAR VOL CAT (column AA) feed into Page Y; the net revenue columns on pages W and X are adjusted for dropship discounts.

As stated in subpart (a), it is my understanding from witness Schenk that no changes were made in costing methodology for the costs used in the implicit coverages. However, the cost data used as the basis for the costs for nonletters are derived from costs by shape and weight increment.

Thus, the revenues and costs used for the calculations in Table #3 both consistently represent the mix of mail on either side of the dividing line at 3.0 and 3.5 ounces. It is my understanding that the comparison of implicit coverage of piece-rated and pound-rated pieces does not require isolating the impact of weight.

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VP/USPS-T31-18:

Please confirm that:

- a. The current letter-flat cost differential for ECR Saturation is 1.14 cents. If you do not confirm, please explain.
- b. Under your proposed rates, the ECR Saturation letter rate will be 0.7 cents lower than the ECR Saturation flat rate. If you do not confirm, please explain.
- c. In your workpapers, LR-J-131, folder ECR PASS, page M, worktable 3, you identify the percentage passthrough of the ECR Saturation letter-flat cost differential in your rates as being 65 percent. If you do not confirm, please explain.
- d. 0.7 is actually 61.4 percent of 1.14. If you do not confirm, please explain.
- e. The Commission's letter-flat cost differential passthrough for ECR Saturation in Docket No. R2000-1 was 100 percent. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed. Due to rounding, a range of passthroughs produces the same differential.
- e. Confirmed. The Commission's passthrough was 100 percent of 0.447 cent, or 0.4 cent. (Some observers may view this as a passthrough of 89.5 percent.)

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VP/USPS-T31-19:

- a. Where do you discuss the amount of your proposed ECR Saturation letter-flat cost differential passthrough in your testimony? If you do not discuss this passthrough, *explain why*.
- b. Please reconcile the notation in your workpapers that your proposed rates reflect a 65.0 percent passthrough of the ECR Saturation letter-flat cost differential, with the calculation that the actual passthrough is 61.4 percent.
- c. Please explain why you adopted a 61.4 percent passthrough of the ECR Saturation letter-flat cost differential, when the current passthrough is 100 percent.
- d. In your testimony, at USPS-T-31, page 24, line 9, you suggest that additional information regarding the letter-flat cost differential, and the passthrough thereof, is found in the discussion under Section 6, "Density Tiers." Where do you discuss the letter-flat cost differentials and the ensuring passthroughs in that section?

RESPONSE:

- a. This is not discussed in detail in my text, except in the context of the proposed classification change, where I discuss the gaps between High Density letters and nonletters and Saturation letters and nonletters (page 10, lines 17 – 23). The letter/nonletter passthroughs are included on page M of WP1, library reference USPS-LR-J-131, which is incorporated by reference into the testimony (page 1, lines 6 – 8), and allusion to the letter/nonletter differential is made in several places, including page 37 in the Nonprofit ECR section. Any omission of discussion in the ECR section of the text was not intentional. See response to subsection (d), below.

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- b. In fact, in WP1, Page M, Worktable C, cell E35 – the cell in which the passthrough is selected – could have any passthrough ranging from 58 percent to 65 percent, and the rate differential would be 0.7 cent, because of the rounding element.
- c. The current Saturation letter/flat passthrough is 100 percent from a base of 0.447 cent, or, rounded down to the nearest tenth of a cent, to 0.4 cent. (See Docket No. R2000-1, GOVS-LR-8, WP1, page 18.) My testimony in this docket strives to balance various rate design issues while maintaining or increasing the rate differences. In the case of the Saturation letter/nonletter rate difference, the amount has been increased from 0.4 cent to 0.7 cent, which is a 75 percent increase. Another factor that was taken into account in this rate design, as discussed in VP/USPS-T31-19(a), is the proposed classification change, requiring barcoding for ECR High Density and Saturation letters.
- d. I assume the question refers to “ensuing” passthroughs rather than “ensuring” passthroughs. As noted in subpart (a), above, the reference to the letter/nonletter differential is not specific. I employed the general theme, which is discussed in several places in my testimony, including page 25, lines 14 –16, of maintaining or increasing the absolute discounts,

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if feasible. This is indeed the case with the letter/nonletter passthroughs, in addition to other passthroughs. The following passage on page 27, lines 1 – 5, of my testimony discusses Density Tier discounts, and is also relevant to the letter/nonletter discounts:

In summary, the proposed passthroughs...remain sensitive to the rate increases for individual rate categories and preserve relevant rate relationships as recommended by the Commission in Docket No. R2000-1. Where possible, savings to mailers using the High Density and Saturation tiers have been increased, without unduly raising the basic rates.

Following is a comparison of the current letter/nonletter rate differentials, as recommended by the Commission in R2000-1, and the rate differentials proposed in my testimony:

LETTER/NONLETTER COST PASSTHROUGHS

	<i>Basic</i>	<i>High Density</i>	<i>Saturation</i>
R2001-1 USPS Proposed	0 →	0.5 cent →	0.7 cent
PRC Op., R2000-1	0	0.3 cent	0.4 cent
R2000-1 USPS Proposed	0	0.2 cent	0.5 cent

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The proposed increase in absolute savings to mailers shown above and detailed in WP1 on Page M, Table D, is consistent with the design for automation, density tier, and destination entry monetary passthroughs in this docket. As discussed in my testimony on page 8, lines 1-6, in Docket No. R-97, the Postal Service proposed the elimination of a rate differential (*i.e.*, a zero per cent passthrough) for letters in the basic tier to facilitate rate design. This has been a structural part of the ECR rate design since that time, and as such, is incorporated into this docket.

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VP/USPS-T31-20:

Please confirm that:

- a. The letter-flat cost differential for ECR High Density is 0.661 cents. If you do not confirm, please explain.
- b. Under your proposed rates, the ECR High Density letter rate will be 0.5 cents lower than the ECR High Density flat rate. If you do not confirm, please explain.
- c. In your workpapers, LR-J-131, folder ECR PASS, page M, worktable 3, you identify the percentage passthrough of the ECR High Density letter-flat cost differential in your rates as being 82 percent. If you do not confirm, please explain.
- d. 0.5 is actually 75.6 percent of 0.661. If you do not confirm, please explain.
- e. The Commission's letter-flat cost differential passthrough for ECR High Density in Docket No. R2000-1 was 100 percent. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Confirmed. The Commission's passthrough in Docket No. R2000-1 was 100 percent of 0.273 cent, which rounds to 0.3 cent. (Some observers may view this as a passthrough of 109.9 percent.) In the Commission's model, a broad range starting from 91.6 percent would net a 0.3 cent rate differential. See also response to 18(d).

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VP/USPS-T31-21:

- a. Please reconcile the notation in your workpapers that your proposed rates reflect an 82.0 percent passthrough of the ECR High Density letter-flat cost differential, with the calculation that the actual passthrough is 75.6 percent.
- b. Please explain why you adopted a 75.6 percent passthrough of the ECR High Density letter-flat cost differential, when the current passthrough is 100 percent.

RESPONSE:

- a. In fact, in WP 1, Page M, Worktable E, the passthrough could range from 69 percent to 83 percent, and the rate differential would be 0.5 cent, because of the rounding element.
- b. In this docket, as noted in my testimony on pages 25, lines 14 - 16; page 37, lines 11 - 15; and elsewhere, emphasis was placed on measured cost savings – *i.e.*, the absolute discount in monetary terms – rather than the passthrough percentage. Where feasible, the rate design maintains or increases rate differentials. For the high density letter/nonletter differential, the amount of the passthrough was increased from 0.3 cent to 0.5 cent, which represents a 66.7 percent increase in the differential.

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VP/USPS-T31-22:

- a. Please confirm that your proposed rates pass through 108.3 percent of the High Density/Saturation density nonletter cost differential. If you do not confirm, please explain.
- b. Please confirm that, if you were to raise Saturation nonletters rates by 0.2 cents, and decrease Saturation letters rates by 0.2 cents, the passthroughs for the Saturation/High Density letter cost differential, the Saturation/High Density nonletter cost differential, and the Saturation letter/nonletter cost differential would all be close to, but below, 100 percent. If you do not confirm, please explain.
- c. Would you agree that setting passthroughs at close to, yet under, 100 percent results in rates that more nearly reflect actual costs, than having some passthroughs over 100 percent, and other passthroughs at nearly 60 percent? Please explain your answer.
- d. Did you consider setting Saturation nonletter rates at 0.2 cents higher, and letter rates at 0.2 cents lower? If so, please explain your proposed rates. If not, why not?

RESPONSE:

- a. Confirmed.
- b. The passthroughs cannot be viewed as isolated inputs, because the Standard ECR formula is dynamic. This question presupposes that the rates determine the passthroughs, whereas in fact, the passthroughs are an element of determining the rates. There are several variables in the rate design formula, including the three passthroughs cited above, which work interactively and with other inputs in the spreadsheet model that is incorporated by reference into my testimony as USPS-LR-J-131. (For more detail on the relationship of the shape and density passthroughs, also see Appendix #1 of my testimony, which is a description of the ECR

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Presort Tree.) A change in the passthroughs to increase the Saturation nonletter average rate by 0.2 cent and decrease the Saturation letter average rate by 0.2 cent would impact other rates as well as the overall ECR average per piece increase. In addition, this change could impact the projected Test Year After Rates volumes; commensurate changes in the passthroughs or other "soft" inputs would have to be made to meet the ECR revenue requirement as set by the rate level witness. Passthroughs are only a part of rate design and they are not the only consideration in setting rates. Also, they are not set independently of these other considerations.

- c. In general, I agree. However, the rate relationships must be taken into account, as well as the overall subclass revenue requirement and other rate design considerations, including the resulting percentage changes by rate cell.
- d. No. This would not be consistent with elements of the rate design outlined in the proposal overview included in my testimony (page 2, lines 8 - 15).

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VP/USPS-T31-23:

Please refer to USPS-LR-J-131, WP1, Page H, COST. For the mail processing unit costs shown there, have you or the Postal Service computed a breakdown of the mail processing unit cost by different entry points such as BMC, SCF, and DDU? If so, please explain.

RESPONSE:

No, the costs in USPS-LR-131, WP1, Page H do not include detail by different entry points. In WP1, mail processing and delivery savings due to dropship are shown on page G, and derived from USPS-LR-J-68.

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VP/USPS-T31-24:

Please refer to USPS-LR-J-131, WP1, Pages P and W, TYAR VOL and TYAR VOL CAT, respectively. For ECR pound-rated non-letters, Page P shows total TYAR pounds equal to 3,010.225 (col F, row 53), and Page W shows total TYAR pounds equal to 3,074.348 (col G, row 22). Please explain the difference between the total TYAR pounds for ECR pound-rated non-letters, and indicate which of the two figures is the final, correct figure.

RESPONSE:

The worksheet TYAR VOL (Page P) uses the Test Year After Rates volume forecast. The worksheet TYAR VOL CAT (Page X), applies the before rates volume forecast to the proposed rates. This parallels TYBR VOL CAT (Page W), which applies the before rates volume forecast to current rates. Both TYBR VOL CAT and TYAR VOL CAT feed into ECR TYBR TYAR REV (Page Y), which is the basis for computing the average revenue per piece before and after rates.

The total ECR pound-rated pounds are calculated correctly in both TYAR VOL (Page P) and (TYAR VOL CAT Page X). For example, if one wishes to project the total TYAR pounds for ECR pound-rated non-letters, using the after rates volume forecast and proposed rates, TYAR VOL (Page P) would be the appropriate reference.

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VP/USPS-T31-25:

Please refer to USPS-LR-J-131, WP1, page H, tab COST. For the mail processing unit costs shown there, have you or the Postal Service computed a breakdown of the mail processing unit cost by different entry points such as BMC, SCF, and DDU? If so, please provide those data and indicate how they were derived.

RESPONSE:

Please see response to VP/USPS-T31-23.

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VP/USPS-T31-26:

Please refer to USPS-LR-J-131, WP1, pages P and W, TYAR VOL and TYAR VOL CAT, respectively. For ECR pound-rated nonletters, page P shows total TYAR pounds equal to 3,010.225 (column F, row 53) and page W shows total TYAR pounds equal to 3,074.348 (column F, row 22). Please explain the difference between the total TYAR pounds for ECR pound-rated nonletters, and indicate which of the two figures is the final, correct figure.

RESPONSE:

I assume that the question refers to the TYAR pounds in column G, row 22.

Please see response to VP/USPS-T31-24.

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VP/USPS-T31-27:

Please refer to USPS-LR-J-131, WP1, page H, tab COST.

- a. The reference for the data found in column 1 is indicated simply as "USPS-T-43 and USPS-LR-J-59." With respect to this testimony and library reference, please provide precise references (e.g., page number and, if to a spreadsheet, cell references) indicating where the data in column 1 can be found.
- b. The reference for the data found in column 2 is indicated simply as "USPS-LR-J-59." Please provide a precise reference (e.g., page number and, if to a spreadsheet, cell references) indicating where the data in column 2 can be found.

RESPONSE:

- a. See USPS-LR-J-59, Workbook LR-J-59.xls, Spreadsheet "Table 1", cells C5, C6, C7, C8, C12, and C16.
- b. See USPS-LR-J-58, Workbook LR58ADJ.xls, Spreadsheet "Summary", Columns A to G, Rows 56 to 59, or USPS-LR-J-117, Workbook LR-J-117.xls, Spreadsheet "Table 1", Columns A to G, Rows 60 to 63.

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VP/USPS-T31-28:

Please refer to USPS-LR-J-131, WP1, page F, tab TYBR SUM, spreadsheet column C, row 8. What is the source of the NECR revenues shown in the indicated cell?

RESPONSE:

The source is USPS-LR-J-131, WP2, Page E, Line 27.

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VP/USPS-T31-29:

Please refer to USPS-LR-J-131, WP1, page G, tab DROP DIS. For footnote (1), please provide a precise reference to USPS-LR-J-68 (e.g. page number and, if to a spreadsheet, cell references).

RESPONSE:

See USPS-LR-J-68, Workbook Appendix B.xls, Spreadsheet "RESULTS", Table 9, cells F41, F42, and F 43 and Workbook Appendix C.xls, spreadsheet "RESULTS", Table 1, cells E41, E42, and E43. Dropship discounts are also discussed on pages 1, line 12 to 5 of witness Mayes' testimony (USPS-T-23).

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VP/USPS-T31-30:

Please refer to USPS-LR-J-131, WP1, page R, tab FIN SUM, spreadsheet column B, row 10. What is the source of the NECR revenues shown in the indicated cell?

RESPONSE:

The source is USPS-LR-J-131, WP 2, Page Q, Line 31.

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VP/USPS-T[31]-31:

- a. For Base Year 2000 or FY 2001 to date, does the Postal Service have any performance data for Standard ECR mail?
- b. If your answer to part a is anything other than an unqualified negative, please provide copies of all available data.
- c. If your answer to part a is that no data are available, when does the Postal Service expect to implement data gathering that will produce performance data for Standard ECR Mail?

RESPONSE:

I assume that this question is directed specifically to me, as witness T-31, rather than to witness Moeller (USPS-T32) as indicated.

- a. No.
- b. Not applicable.
- c. There currently are no plans to gather nationally representative, randomly sampled, externally validated data. Internal systems such as Advance and CONFIRM may provide an indication of performance on a mailing by mailing basis, but are dependent upon mailer participation.

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VP/USPS-T31-32:

Please refer to your response to VP/USPS-T31-8, part d.

- a. Please provide the cost and revenue data which you used to compute the implicit coverages for letters and nonletters.
- b. Please indicate the sources from which you obtained the cost and revenue data.
- c. Please confirm that you computed the implicit coverages by dividing each category's revenues by its respective costs. If you do not confirm, please explain.
- d. Do the revenue data which you used to compute your implicit coverages include all revenues derived from Standard ECR letters and nonletters, respectively? If not, please explain in full.
- e. Do the cost data which you used to compute your implicit coverages include all volume variable costs attributed to Standard ECR letters and nonletters, respectively, or just some portion of total costs? If just some portion, please list which costs and explain.
- f. Please assume that some of the costs attributed to letters were in fact caused by items whose revenues were attributed to nonletters. Would such a circumstance reduce whatever value implicit coverages may have as an "illustrative" tool? Please explain any negative answer.

RESPONSE:

- a. The average unit cost for letters is \$0.0669; the average unit cost for nonletters is \$0.0748. The average unit revenue for letters is \$0.1511; the average unit revenue for nonletters is \$0.1739.
- b. I understand from witness Schenk that the unit cost data are in cells E12 and E30 of Spreadsheet 'Table 3' in Workbook LR58AECD(revised).xls, which she has indicated will be filed shortly as errata to USPS-LR-J-58. The source for the unit revenue data for letters is USPS-LR-J-131, page Y, column L, row 22. The source for the unit revenue data for nonletters is USPS-LR-J-131, Page Y ("ECR TYBR TYAR REV"), and is the sum of

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cells K13 to K19 divided by the sum of cells F13 to F19. It can also be derived from page W ("TYAR VOL CAT").

- c. Confirmed.
- d. An estimate of revenue from the residual shape surcharge and fees is not included in this calculation. Revenue derived from fees is only 0.25 percent of total Test Year Before Rates revenue and revenue derived from the residual shape surcharge is 0.04 percent of total revenue. If this relatively small amount of revenue were included, it would accrue primarily to nonletters, because only nonletters pay the residual shape surcharge, and fees would be apportioned by volume (nonletter volume is greater than letter volume).
- e. Redirected to witness Schenk (USPS-T-43).
- f. This may generally be the case, although the impact could be minimal, depending on the degree of misattribution.

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VP/USPS-T31-33:

Please refer to your response to VP/USPS-T31-15.

- a. Please define the phrase "preserve current rate relationships" as you use it in response to part a of the above-referenced interrogatory. In your response, please indicate whether you intended the phrase to have any quantitative or quantifiable meaning. For instance, should the relationship of one rate cell to another fall within some pre-specified range? If your definition of "preserving current rate relationships" has quantitative implications, please be as explicit and precise as possible concerning what you intended.
- b. Please define the phrase "disproportionate increases" as you use it in response to part a of the above-referenced interrogatory. Please indicate whether you intend this phrase to have any quantitative interpretation or meaning.
 - (i) Please indicate the rate cell or cells in your proposed rate design for Standard ECR Mail that have the highest percentage rate increases, and specify what those percentage rate increases are.
 - (ii) Please indicate what, in your opinion, the rate cell (or cells) with the highest percentage increase(s) should be compared to as a basis for judging whether the proposed increase represents a "disproportionate" increase.
 - (iii) Regardless of how you respond to preceding part (ii), please comment on the appropriateness of comparing the rate cell (or cells) with the highest proposed percentage increase(s) to the average percentage increase proposed for the entire subclass as a basis for judging whether the highest percentage increases are "disproportionate." With respect to this benchmark, please indicate whether you perceive any threshold as indicative of "disproportionate."
 - (iv) Regardless of how you respond to preceding part (ii), please comment on the appropriateness of comparing the rate cell (or cells) with the highest proposed percentage increases to the rate cell (or cells) with the lowest percentage rate change proposed for the entire subclass as a basis for judging whether the highest percentage increases are "disproportionate." With respect to this benchmark, please indicate whether you perceive any threshold as indicative of "disproportionate."

RESPONSE:

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- a. Rate relationships within the Standard Mail ECR subclass are complex, involving links among density tiers, shape, and destination entries. The phrase "preserve current rate relationships" is primarily a qualitative, rather than quantitative, guideline, although some general quantitative rate relationships are inherent in the structure of ECR rates. As witness Moeller stated in Docket No. R2000-1:

Some rate relationships, such as saturation being at least as low-priced as high-density, are relationships that should be maintained. Absolute relationships, in terms of cents-per-piece or comparable percentage increases need not be maintained, however. Tr. 10/3972-73.

In essence, logical rate relationships should be preserved. For instance, all other things being equal, items that are dropshipped closer to their destination should have lower rates than those that are not. Shapes that are more costly to process should pay more. The relative differences may change based on costs and other factors. At the same time, the basic rate design hierarchy is preserved.

See also response to subpart (b), below.

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b. As noted in my testimony:

The [ECR and NECR] proposals build on current rate design elements and maintain current rate relationships, while limiting individual cell increases to less than 10 percent. Limiting rate cell increases to less than 10 percent allows the rates to vary around the average cost coverage in a manner that reflects costs and maintains current rate relationships, while not disproportionately affecting any single category. (USPS-T-31, page 2, lines 10 to 15).

- (i) See USPS-LR-J-131, Page T ("SUM") for "Percentage Change by Rate Cell."
- (ii) Several factors can be considered. For instance, the cells with the greatest change can be compared with the average for the classification. These cells can also be compared to the changes with other rate cells to see if they are unique in their impact.
- (iii) In general, these issues are resolved on a case-by-case basis. As stated in subpart (ii), above, comparing the percentage increase of a given cell to the subclass average is one way to evaluate whether the cell is incurring a disproportionate increase. There is no rigid threshold that would be indicative of what is disproportionate, since such an evaluation is made on a case-by-case basis. For example, if the proposal includes classification changes (such as when the residual shape surcharge was introduced), a higher "threshold" may be appropriate.

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- (iv) As stated in subpart (ii), above, individual rate changes can be compared to changes in other rate cells. In general, efforts to temper increases for some cells will limit how low the lowest percentage changes can be for other cells. Also, as stated in subpart (iii), each evaluation should be made on a case-by-case basis. For example, if a long-standing misalignment of costs is being addressed, a change significantly different from the average might be more appropriate than it would be if there were not a misalignment of costs.

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VP/USPS-T31-35:

Please refer to your response to VP/USPS-T31-14, especially part d.

- a. From what witness did you obtain the revenue data included in your Table #3?
- b. Do the revenues reflect all revenues derived from items above and below the indicated breakpoints?
- c. Do the costs reflect all costs attributed to items above and below the indicated breakpoints? Please explain any answer that is not an unqualified affirmative.

RESPONSE:

- a. The revenue data were derived from USPS-LR-J-131, WP1, page Y ("ECR TYAR VOL REV"), column 3 for Before Rates revenue and column 5 for After Rates revenue.
- b. An estimate of revenue from the residual shape surcharge and fees is not included in this calculation. This is a relatively insignificant amount; see response to USPS/VP-T31-32(d).
- c. See response to VP/USPS-T31-32(e), redirected to witness Schenk (USPS-T-43).

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VP/USPS-T31-36:

Please refer to your testimony, page 13, Table #3.

- a. The source note under Table #3 refers to "W1, page Y for Revenue." Please provide the precise cell references on page Y of WP1 where both the Before Rates and After Rates unit revenue figures shown in your Table #3 can be found.
- b. If the unit revenue figures shown in your Table #3 are not contained on page Y of WP1, please provide all data necessary to replicate the unit revenue figures shown in your Table #3, and cite the source for each datum. Specifically, for the numerator and denominator of the unit revenue figures in your Table #3, please provide:
 - (i) Before rates total revenues for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (ii) Before rates volumes for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (iii) Before rates total revenues for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.
 - (iv) Before rates volumes for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.
 - (v) After rates total revenues for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (vi) After rates volumes for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (vii) After rates total revenues for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.
 - (viii) After rates volumes for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.

RESPONSE:

- a. The figure used for Before Rates piece-rated pieces, 0.14245, can be found in USPS-LR-J-131, WP1, page Y ("ECR TYBR TYAR REV"), column 4, line 15 (spreadsheet column I, row 23). The figure used for Before Rates pound-rated pieces is 0.20655, can be found in USPS-LR-J-

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131, WP1, page Y ("ECR TYBR TYAR REV"), column 4, line 16
(spreadsheet column I, row 24).

The figure used for After Rates unit revenue for piece-rated pieces, 0.15074, can be found in USPS-LR-J-131, WP1, page Y ("ECR TYBR TYAR REV") column 6, line 15 (spreadsheet column L, row 23). The figure used for After Rates unit revenue for pound-rated pieces, 0.20887, can be found in USPS-LR-J-131, WP1, Page Y ("ECR TYBR TYAR REV"), column 6, row 16 (spreadsheet column L, row 24).

Incidentally, the heading on Table #3 of my testimony, "Comparison of Cost Coverages for Piece-Rated vs. Pound-Rated ECR Nonletters" is imprecisely labeled, as the table provides unit revenue and unit cost for *total ECR volume*, including letters. The testimony text on page 12, lines 7 to 11 and on page 13, lines 1 to 9 discusses comparison of piece-rated pieces to pound-rated pieces, which is an accurate description of both the intent and content of Table #3.

b. Not applicable.

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VP/USPS-T31-37:

Please refer to your testimony, page 13, Table #3.

- a. The source note under Table #3 refers to "USPS-LR-J-59 for Estimated Test Year Costs." Library reference USPS-LR-J-59 contains six files, and each file contains a number of spreadsheets. Please provide the precise files, spreadsheets and cell references in USPS-LR-J-59 where both the piece-rated and pound-rated unit cost figures shown in your Table #3 can be found.
- b. If the unit cost figures shown in your Table #3 are not explicitly contained in any of the files and spreadsheets in USPS-LR-J-59, please provide all data necessary to replicate the unit cost figures shown in your Table #3, and cite the source for each datum. Specifically, for the numerator and denominator of the unit cost figures in your Table #3, please provide:
 - (i) Total costs for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (ii) Volumes used to compute unit costs for piece-rated and pound-rated pieces above and below the 3.0 ounce dividing line.
 - (iii) Total costs for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.
 - (iv) Volumes used to compute unit costs for piece-rated and pound-rated pieces above and below the 3.5 ounce dividing line.

RESPONSE:

- a. The unit costs provided in Table #3 were provided by witness Schenk. Those costs, as revised, are presented in USPS-LR-J-58, Workbook LR58AECR_revised.xls, Spreadsheet "ECR all (detailed)", cells B25 and B26, respectively, for piece-rated and pound-rated pieces using the 3.0 ounce dividing line, and cells E25 and E26, respectively, for piece-rated and pound-rated pieces using the 3.5 ounce dividing line. I understand from witness Schenk that errata to LR-J-58 containing the Workbook

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LR58AECR_revised.xls will be filed shortly. The changes are minor and do not affect my conclusions.

- b. See response to subpart (a), above.

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VP/USPS-T31-39:

Please refer to your response to VP/USPS-T31-8. In part d, you indicated that you computed the implicit coverages for letters and nonletters "using test year after rates revenue and test year unit costs."

- a. What were (i) the amounts, and (ii) the source of the test year after rates ("TYAR") revenues for letters and nonletters which you used to compute the implicit coverages in your response?
- b. Did you compute unit revenues to compare with unit costs, or did you compare total revenues with total costs for letters and nonletters, respectively? If you computed unit revenues to compare with unit costs, please answer questions c. through i.
- c. When computing unit revenues, please specify the volumes that you used for letters and nonletters, and state whether the volume which you used for nonletters either (i) counted and included both detached address labels ("DALs") and the accompanying nonletter (i.e., covers or parcels), or (ii) omitted DALs from the volume used to compute unit revenues.
- d. If DALs were counted as part of the volume used to compute unit revenues:
 - (i) Were they counted as letters or nonletters?
 - (ii) How much of the revenue was attributed to the DALs?
- e. In your computation of TYAR unit cost for letters, did you include any costs, including but not limited to city carrier and rural carrier costs, that were attributable to the handling of DALs?
 - (i) If not, please indicate how you excluded the volumes of DALs, and the associated costs thereof, from the city carrier and rural carrier database.
 - (ii) If your computation of unit costs did include any costs that were attributable to DALs, please explain whether in your opinion the revenues in the denominator of your implicit coverage calculation for letters is fully consistent with the costs used in the denominator. That is, if the revenues from DAL mailings are never recorded as being from letters, why should any costs attributable to such mailings be distributed to and included in the unit cost of letters?
- f. In your computation of TYAR unit cost for letters, did the mail processing costs, and/or city carrier costs, and/or rural carrier costs include or exclude any costs from letter-shaped pieces that weighed more than 3.3 ounces?
- g. If your response to the preceding interrogatory is to the effect that you included any costs attributable to letter-shaped pieces that weighed more than 3.3 ounces, then please explain whether you consider the inclusion of such costs to be consistent with revenues in the numerator of your

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- implicit coverage calculation; i.e., with revenues based only on letters that weighed less than 3.3 ounces.
- h. When you computed the TYAR unit cost for nonletters, did you include in those costs all mail processing costs, and/or all city carrier costs, and/or all rural carrier costs that were recorded as being attributable to the cost of handling DALs?
- (i) If so, please indicate how you estimated the volumes of DALs, and the associated costs thereof, in the city carrier and rural carrier database, and transferred those costs from letters to nonletters. Also, please indicate the amount of the costs of DALs that you transferred from letters to nonletters.
 - (ii) If your computation of unit costs for nonletters did not include any costs that were attributable to handling of DALs, please explain whether in your opinion the revenues in the numerator of your implicit coverage calculation for nonletters is fully consistent with the costs used in the denominator. That is, if all revenues derived from DAL mailings are recorded as being from nonletters, shouldn't all of the costs attributable to such mailings - including the costs of DALs - be distributed to nonletters?
- i. If you consider your calculations of implicit coverages for letters and nonletters to contain any inconsistencies as between your revenue figure in the numerator and your costs in the denominator, please provide recomputed implicit coverages which eliminate all such inconsistencies. If the data are insufficient to eliminate all such inconsistencies, please recompute and provide improved implicit coverages eliminating or reducing inconsistencies to the extent that the available data allow, and indicate what additional data or information you would need to develop implicit coverages for letters and nonletters on a fully consistent basis.

RESPONSE:

- a. See response to VP/USPS-T31-32a.
- b. See response to VP/USPS-T31-32a.
- c. Regarding volumes, as indicated in my workpapers (USPS-LR-J-131), the source for the volumes used in the ECR rate design is USPS-LR-J-125.

Regarding the counting of DALs, it is my understanding that a piece with a

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detached address label (DAL) is counted as either a flat or a parcel. The DAL is not counted separately.

- d. Not applicable.
- e-h. Redirected to witness Schenk (USPS-T-43).
- i. I used the best available data in my calculations of implicit coverages in two instances: Table #3 in my testimony, and in response to VP/USPS-T31-8.

The figures in Table #3 of my testimony make use of available data to provide the implicit coverages for piece-rated pieces and pound-rated pieces. While, as discussed in my testimony on page 12 in footnote 12, the fact that the breakpoint weight of 3.3 ounces is not clearly delineated in the cost data, certain assumptions are made regarding the cost and revenue data. I would not describe the effect of such assumptions as "inconsistencies." The patterns demonstrated in table #3 are remarkably similar, at both the 3.0 and 3.5 ounce breakpoints, which are the closest cost demarcations that can be used in lieu of the actual breakpoint of 3.3 ounces.

The figures provided in response to VP/USPS-T31-8 made use of available data to provide the implicit coverages requested for letters and nonletters. The question above refers to the implicit coverages provided in response to that interrogatory, and presumably, by "your calculations of

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implicit coverages *for letters and nonletters*" [emphasis added], the question posed in this interrogatory is referring solely to that interrogatory (i.e., VP/USPS-T31—8). As discussed in my response to NAA/USPS-T31-20, for cost purposes, some letter-shaped pieces above the breakpoint of 3.3 ounces may be categorized as letters, while in the revenue calculation, categories are defined solely by rate. My response to subpart (b) of VP/USPS-T31-8 cautioned that "often an analysis of implicit coverages *requires making some simplifying assumptions*" [emphasis added]. In subpart (d) to VP/USPS-T31—8, in specifically discussing the implicit coverages requested, I stated that:

analyses of implicit coverages may be useful under certain circumstances when performed with a specific illustrative purpose. While some of the particular data requested here may be calculated, their value as an illustrative tool may be limited.

Fortunately, the analysis I use in my testimony compares piece-rated pieces vs. pound-rated pieces, *regardless of shape*, so it is not limited in this regard. Also see response to VP/USPS-T31-40, below.

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VP/USPS-T31-40:

Would you agree that, when computing implicit coverages, the revenue data used in the numerator and the cost data used in denominator should be as fully consistent as possible if the Commission is to rely on such implicit coverages for rate design purposes? If you do not agree fully, please explain any reservations or disagreement that you might have concerning the desirability of such consistency.

RESPONSE:

Yes, and in the implicit coverages cited in my testimony, the numerators and denominators are consistent. Consistency is desirable, if possible; in any event, the best available data should be used.

It should be noted that implicit coverages as described in my testimony in Table #3 are merely one tool in the ECR rate design, and deal with all piece-rated and all pound-rated pieces, *regardless of shape*. Because cost data are not available at precisely 3.3 ounces, the coverages are given at two distinct breakpoints: 3.0 and 3.5 ounces. The pattern in Table #3 was consistent at both the 3.0 and 3.5 breakpoints, which helps to illustrate that even under the proposed pound rate decrease, the implicit coverage of pound-rated pieces would still be higher than that of piece-rated pieces. It supports the proposal to lower the ECR pound rate to \$0.598 by showing that the proposal is reasonable and moderate. (USPS-T-31, page 13 line 1 to page 14, line 5.)

As noted above, my response to interrogatory VP/USPS-T31-8 used the best available data for determining implicit coverages by shape and gave several

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caveats in the response. This interrogatory appears to be highlighting the limitations mentioned in my response to VP/USPS-T31-8, which are not limitations in Table #3 of my testimony.

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VP/USPS-T31-41:

In your response to VP/USPS/T31-10, you stated that "Standard ECR parcels must bear detached address labels (DALs), which renders them ineligible for special services, as specified in DMM E610.9.2." What is there about DALs which renders Standard ECR parcels ineligible for special services?

RESPONSE:

As noted in my earlier response, DMM E610.9.2 outlines the types of Standard Mail that are not eligible for any special services. This includes pieces mailed with detached address labels (DALs), as outlined in DMM A060. Given that the contents of ECR parcels consist of merchandise samples, the contents are generally not that valuable, and hence there has been no groundswell of interest among mailers for the provision of special services with this category of mail.

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VP/USPS-T31-42:

In your response to VP/USPS-T31-12c, you stated that the ECR parcel rate category "is shape-based, and thus is consistent with the way the Postal Service sorts and delivers mail. Parcels are a separate component of the mail stream; thus, a rate design that recognizes ECR parcels as a separate mail stream, with a distinct rate, is very reasonable and logical."

- a. Please describe all differences between "the way the Postal Service sorts and delivers" ECR flats accompanied by DALs, and "the way the Postal Service sorts and delivers" ECR parcels, which are always accompanied by DALs.
- b. Please refer to the response to VP/USPS-T39-42. Would you agree that any unaddressed ECR flats accompanied by DALs are almost always handled separately from other flat-shaped mail that carriers case in DDUs? Please explain any disagreement.
- c. Please describe why ECR flats accompanied by DALs would not also constitute a separate component of the mailstream, similar to ECR parcels, which are always accompanied by DALs.

RESPONSE:

- a. Redirected to witness Kingsley (USPS-T-39).
- b. I have no basis to conclude otherwise.
- c. Redirected to witness Kingsley (USPS-T-39).

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VP/USPS-T31-43:

In your response to VP/USPS-T31-22b, you stated that "[a] change in the passthroughs to increase the Saturation nonletter average rate by 0.2 cent and decrease the Saturation letter average rate by 0.2 cent would impact other rates as well as the overall ECR average per piece increase."

- a. What "other rates" would such a change impact, and by how much?
- b. How would such a change affect the "overall ECR average per piece increase"?
- c. How would such a change affect the contribution to institutional costs from Standard ECR?

RESPONSE:

- a. One can use the rate design spreadsheet to test various rate designs. In this instance, there are different ways to achieve the average rate changes mentioned in the above interrogatory. For example, one could change the passthroughs in USPS-LR-J-131, WP1 ("ECR PASS"), Worktable C, cell C34, from 85 percent to 90 percent and cell E35 from 65 percent to 95 percent.

Since the rate design formula is designed to meet the given revenue requirement, regardless of the specific approach taken to achieve the rate relationship specified in this interrogatory, other rate changes may occur. The results from the new passthroughs – or any other rate design changes – would have to be evaluated to determine if the resulting rates meet specific rate design objectives. After an analysis of ECR rate changes, to reflect the change in the commercial ECR average revenue per piece, some minor adjustments would have to be made in the rate

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.
AND VAL-PAK DEALERS' ASSOCIATION, INC.**

design for the Nonprofit ECR subclass. (This is because the average revenue per piece in NECR is mandated to be as close to 60 percent as possible to the average revenue per piece in commercial ECR, which would change.) The resulting ECR and NECR rates would then have to be evaluated along with the proposed rates for other subclasses to determine if, together, they would generate volumes that meet the revenue requirement.

- b-c. The average revenue per piece and the contribution would change somewhat with different rates, although the rate design formula is geared to meet the desired revenue requirement. The precise change would not be known without a revised volume forecast and cost roll-forward.

1 CHAIRMAN OMAS: Is there any additional written
2 cross-examination for Witness Hope?

3 (No response.)

4 CHAIRMAN OMAS: This brings us to oral cross-
5 examination. Two parties have requested oral cross-
6 examination, including Newspaper Association of America,
7 Val-Pak Directing Marketing System, Inc. and Val-Pak Dealers
8 Association, Inc.

9 Is there any other party who wants to cross-
10 examine Witness Hope?

11 (No response.)

12 CHAIRMAN OMAS: Mr. Baker, would you please begin?

13 MR. BAKER: Before I do, Mr. Omas, there is a line
14 of cross the Mr. Olson is prepared to do which I would
15 rather follow up on. If it's all right with you, if we
16 could switch the order and allow him to go first, that would
17 be acceptable with me.

18 CHAIRMAN OMAS: I have no problem with that. Mr.
19 Olson?

20 MR. OLSON: Thank you, Mr. Chairman. It's nice to
21 have the Vs go first.

22 CROSS-EXAMINATION

23 BY MR. OLSON:

24 Q Mrs. Hope, my name is William Olson, and I'm
25 representing Val-Pak in these proceedings. I'd like to ask

1 you to begin by opening your testimony to page 4, Roman IV
2 that is, your autobiographical sketch.

3 A Yes. I'm there.

4 Q Okay. I see that you've had a couple of prior
5 jobs at the Postal Service prior to being an economist in
6 the pricing office. One of them was marketing specialist
7 and customer relations program management. When did you
8 have that? 1998 through when?

9 A I had that in 1998 really through a reorganization
10 of that department where the job turned into program manager
11 and strategic marketing, so essentially I was in that
12 department from November, 1998, until I moved to the pricing
13 group in March of 2001.

14 Q So by virtue of the reorganization it was
15 basically the same type job, but in different organizational
16 structures?

17 A No. It was actually a slightly different job,
18 although I reported to the same person and had the same
19 colleagues. We were under the same vice-president, et
20 cetera.

21 The first job I was hired at, customer relations
22 program management, was an analytical job. For example, one
23 of my first projects was a study of the printing industry.
24 I examined various customer programs and helped to analyze
25 them. In strategic marketing, I was in more of a management

1 position.

2 Q Well, it says that you were involved with
3 strategic marketing initiatives.

4 A That's correct.

5 Q Would the printing industry be one of those?

6 A No.

7 Q What would examples of the strategic marketing
8 initiatives you worked on include?

9 A Well, there were many. For example, I worked on a
10 survey of postal customer councils, or PCCs as they're
11 known, and conducted a survey of postal customer councils
12 and helped to supervise the analyzing of that data.

13 I also was the point person for a large scale
14 research project on the National Postal Forum.

15 Q What was the general purpose of those? I mean, I
16 take it that wasn't anything to do with sales, correct? Not
17 necessarily sales as such, but rather marketing more
18 broadly.

19 Were you involved in eliciting customer
20 preferences about products, for example, for the Postal
21 Service?

22 A No, I wasn't. The customer preferences that I was
23 looking at were preferences with regard to the Postal Forum.
24 Should it be in Denver? Should it be in Orlando? Should it
25 be twice a year? Once a year? What sort of officers of the

1 Postal Service did people want to hear speaking in the
2 general sessions? Issues such as that.

3 Q So did any of that work involve products that the
4 Postal Service offers of any class or any type of special
5 service?

6 A We were looking primarily at marketing initiatives
7 that dealt with customers. The postal customer councils
8 would be an example.

9 Some of the sessions perhaps that were held by
10 individual postal customer councils might have to do with
11 issues by subclass, but I was not involved with those.
12 Those decisions were made at the local level by the local
13 PCC.

14 Q Okay. So your work was more connected with the
15 method by which customers provide input to the Postal
16 Service through PCCs or through National Postal Forum, as
17 opposed to the substance of their preferences on mail
18 products?

19 A Yes.

20 Q Okay. Nonetheless, did you draw any conclusions
21 or come to any views about the need to develop customer
22 friendly products and to hear the customers and to try to
23 meet their needs? Was that at all part of what you did?

24 A Well, certainly that's a goal of marketing in
25 general. Marketing programs should take the views of the

1 customers into account.

2 Q Okay. Let me ask you to take a look at your
3 response to Val-Pak-T-31-7. Do you have that?

4 A Yes, I do.

5 Q Okay. I guess it might be good to turn to your
6 testimony at pages 9 and 10 because I want to ask you some
7 questions about your proposed classification change to
8 require that ECR saturation and high density letters are
9 automatable, which is to say they are pre-bar coded by the
10 mailer and they meet other Postal Service automation
11 requirements such as MERLIN. Is that a fair description of
12 your proposal?

13 A Could you break your question down? I think there
14 were several questions that I heard.

15 Q Just give me this mail classification change
16 described in a nutshell.

17 A Could you hold on just a second? I think it's
18 described in a nutshell on page 4 of my testimony, which
19 says, "In this docket, the Postal Service proposes a
20 requirement that ECR and NECR high density and saturation
21 letters bear bar codes."

22 Q It is true that the requirement is not just that
23 they bear bar codes, but that they meet MERLIN standards and
24 are considered fully automatable by the Postal Service.
25 Isn't that true?

1 A In my answer to Val-Pak 7 I say that, "If the
2 classification proposal is implemented, standard mail ECR
3 high density and saturation letters will be subject to the
4 verification process for automation mailings. It is my
5 understanding that MERLIN is part of the verification
6 process for automation mailings. If MERLIN is not
7 available, automation mailings are subject to manual
8 verification."

9 Q Okay. So these standard ECR letters would have to
10 be not only bar coded, but would have to be prepared as
11 other, for example, standard regular automation letters, is
12 that not correct, and meet the same standards?

13 A As my testimony says on page 9, line 17, "High
14 density and saturation letters under this proposal would
15 have to meet other Postal Service requirements for
16 automation compatibility."

17 The details, the proposed rule and so forth is
18 currently in development by our mail preparation and
19 standards group, and it's my understanding that there's a
20 review process that goes along with that which lasts about a
21 month, so I can't really comment on the precise automation
22 requirements at this point because they're not set. My
23 testimony really indicates the level to which I can discuss
24 the automation compatibility.

25 Q Okay. At the moment, within standard regular mail

1 we have a rate category called automation, correct?

2 A Basic auto letter.

3 Q And to qualify for that automation rate category
4 the mailer has to bar code the letters and, as you put it,
5 meet other Postal Service requirements for automation
6 compatibility, correct?

7 A And you are referring to ECR basic auto letter?

8 Q No. I'm asking you about the existing standard
9 regular automation rate class.

10 A Oh, I'm sorry. I misunderstood your previous
11 question. I thought you were talking about the ECR
12 subclass. I'm actually --

13 Q Well, I was. I was then, but I've changed the
14 question.

15 What I'm trying to get at, and I don't mean to
16 make this difficult. I'm just trying to say we know what
17 the Postal Service requires for standard regular letters in
18 the automation rate category, and what I'm asking you I
19 guess is whether you have some reasons to believe that the
20 requirements that you're seeking to impose on standard ECR
21 letters, high density and saturation, whether they would be
22 the same automation requirements or different.

23 The implication from your testimony as I take it,
24 if you don't mind my saying so, is that they're the same
25 Postal Service requirements.

1 A Line 17 where I discuss automation compatibility
2 doesn't go into the details of what would be required for
3 the ECR subclass.

4 The mail characteristics of ECR mail versus
5 standard regular mail are different, and for that reason I
6 wouldn't necessarily assume that everything would be
7 identical, but, as I said earlier, I can't comment on that
8 beyond what I've said in my testimony because the final rule
9 has not been developed yet, or indeed the draft has not been
10 finalized for circulation.

11 Q Well, the Commission has faced this issue before
12 when the Postal Service has made mail classification
13 proposals and it has not had the rule written. The
14 regulation very often is written after the Commission acts
15 and the governors act.

16 I'm trying to get some guidance from you as to
17 whether you could amplify the record here as to what the
18 requirements for automation compatibility will be. Do you
19 think they might be higher than the requirements for
20 standard regular automation letters?

21 A As I had said before, I can't really comment --

22 Q Okay.

23 A -- beyond the line that's in my testimony. The
24 rule has not been developed. The draft has not been
25 finalized.

1 Q Okay. But the goal, is it not, is to have the
2 standard ECR saturation and high density letters prepared by
3 mailers so that the Postal Service has, as I think you said,
4 the option to run those pieces over letter automation
5 machinery? Is that not the goal of your classification
6 proposal?

7 A Yes, that's the goal, and Witness Kingsley
8 elaborates on that, as I discuss on page 10, lines 1 through
9 3, of my testimony.

10 Q I appreciate the reference to the testimony, but
11 I'm just trying to get an answer to this.

12 The concept is that you would like the Postal
13 Service to have the option to run standard ECR letters,
14 saturation and high density letters; to run those over
15 automation just the way you run standard regular automation
16 letters over letter automation, correct?

17 A I'm not the operations expert, and I can't comment
18 on exactly how standard regular mail is run through
19 automation, but certainly the goal of my proposal is to
20 enhance the options that postal operations have for
21 processing the mail.

22 Q Right.

23 A So what that means is that they might like to --
24 operations would like to DPS the ECR high density and
25 saturation letters, so that would be the goal. It would

1 save manual casing of those letters at the DDUs.

2 Q And that's the point, is it not? I mean, those
3 letters could be DPS'd now, but they would have to be bar
4 coded by the Postal Service, correct?

5 A Well, not necessarily. There may in fact be some
6 mailers that are currently bar coding, --

7 Q Right.

8 A -- but mailers who are not currently bar coding
9 would indeed be required to bar code to qualify for those
10 rates.

11 As I said in my testimony, if they chose not to
12 use the bar codes they would be subject to the appropriate
13 non-letter rate in that category or to the basic ECR letter
14 rate.

15 Q Right. Of course, mailers would want to try to
16 qualify for the lower saturation and high density rates if
17 they had adequate volumes to meet those requirements. I
18 appreciate your description that this is an effort to
19 enhance the Postal Service's option to run this mail over
20 letter machinery. I think that's helpful.

21 Let me move on then if you don't have any problem
22 with my characterization there of what you said.

23 A I'm sorry. Which characterization?

24 Q What I just said; that the concept is to increase
25 the Postal Service's option to run standard ECR high density

1 and saturation letters over automation in more cases than it
2 can now and easier than it can now because mailers have pre-
3 bar coded the mail, and mailers have made it automation
4 compatible.

5 A I agree with the basic thrust of your statement.
6 I'm just not sure what easier means in that sentence.

7 Yes, the general thrust is certainly that the
8 Postal Service wants to increase the mail processing
9 options, and being able to DPS these letters makes a lot of
10 sense in terms of the way the Postal Service is set up in
11 operations. Witness Kingsley goes into more detail on that
12 in her testimony.

13 Q Are you offering any rate incentive to mailers to
14 do this? It's simply the fact that they continue to pay the
15 rates for the same rate categories they're in now, which is
16 to say saturation and high density, correct? There's no
17 rate benefit to do this. It's not an option. It's a new
18 requirement, correct?

19 A Well, there is benefit in the rates that I propose
20 because I increase the gap between letters and non-letters
21 in both the high density and saturation tiers, so the
22 proposal does incent mailers to bar code.

23 Q It does in the aggregate for ECR letters,
24 saturation and high density. For mailers who -- well,
25 strike that. I understand your answer. I'm going to try to

1 move on here.

2 Do you have any idea of the number or percentage
3 of ECR high density and saturation letters that are already
4 bar coded? You mentioned that there were some that were.

5 A No. I don't have a figure on that.

6 Q Do you have any idea of either the number or the
7 percentage of ECR high density and saturation letters that
8 are currently DPS'd on automation equipment?

9 A No. I don't have a figure.

10 Q If these ECR saturation and high density letters
11 are not run over automation, the option the Postal Service
12 has, I take it, is to sort them manually, correct? That's
13 the way they would at a DDU handle this mail, correct?

14 If you couldn't DPS it and intermingle it or if
15 you chose not to DPS it, you'd have to sort it and case it
16 manually, correct?

17 A Again, I'm not the operations witness or expert,
18 but I recall that Witness Kingsley in her testimony said
19 something to the effect that the DDUs work closely with the
20 plants, and in fact the Postal Service does apply bar codes
21 on some of the mail. It may be a local decision.

22 Q Right. But if they don't apply bar codes and the
23 mailers don't apply bar codes and it couldn't be DPS'd, they
24 have to case it manually, correct?

25 A If there are no bar codes on the mail, it has to

1 be cased manually.

2 Q Now, ECR high density and saturation letters are
3 already required to be pre-sorted to line of travel, are
4 they not?

5 A I'm sorry. Could you repeat the question?

6 Q Sure. The same mail that you're proposing a
7 classification change for, standard ECR letters which are
8 high density and saturation, they're already required to be
9 pre-sorted to line of travel, are they not?

10 A It's my understanding that high density and
11 saturation letters have to be pre-sorted to walk sequence
12 and that line of travel only applies to the basic rate.

13 Q Okay. I stand corrected. Then I should say that
14 ECR high density and saturation are pre-sorted to walk
15 sequence, and with that you would agree with me?

16 A Yes, they are pre-sorted to walk sequence.

17 Q Okay. And that walk sequenced mail, if it was
18 manually sorted, manually cased, that's a fairly efficient
19 type of mail to case, is it not?

20 A Are you referring to letters?

21 Q Yes.

22 A What do you mean by efficient?

23 Q Pieces per minute, cost per minute.

24 A That's something more in terms of the details.
25 It's not included in my testimony. That's something that

1 Witness Kingsley has covered in terms of, you know, relative
2 efficiencies of sorting.

3 Q Well, you're proposing that these pieces be bar
4 coded so the Postal Service would have the option to DPS
5 them. You don't have the view that DPSing these letters
6 would be less expensive, more efficient, than manual casing?

7 A In a general sense they would. It would certainly
8 be more efficient. I can't give you the figures on that.

9 Q No. I wasn't seeking figures. Just relatively.

10 A That's the point of doing it basically, and we
11 would anticipate possible cost savings down the road if this
12 were implemented.

13 Q Other than having these letters prepared in such a
14 way to give the Postal Service the option of running them on
15 letter automation, which we're assuming is more efficient
16 than manual casing, are there any other possible advantages
17 to the Postal Service of your classification proposal?

18 A Another advantage that I discuss is that mailers
19 at the moment, and this is page 10, lines 11 through 16. I
20 say, "Under the current system, mailers must update their
21 software at least three months before the mailing. As
22 Witness Kingsley, USPS-T-39, explains, carrier assignments
23 change on a regular basis. Witness Kingsley describes the
24 operational advantages and potential cost savings in this
25 proposed change in her testimony."

1 Actually, I should have started up a little bit
2 higher because I explain starting on line 8 that bar coding
3 has the potential, besides decreasing handling and sortation
4 for DPS mail. "In addition, bar coded pieces will allow
5 automation equipment to catch carrier assignments earlier,"
6 so that's certainly another advantage. The mail would be
7 delivered more efficiently and more accurately if the
8 carrier assignments are caught earlier in the process.

9 Q Okay. I do not understand this, and I wonder if
10 you can just go through this one more time, as to what they
11 have to do three months before and why they wouldn't have to
12 do it now. Can you explain that for me again?

13 A I think the detail of that is in Witness
14 Kingsley's testimony, as I referred to, but the basic
15 concept is that rather than having someone at a DDU go
16 around and update the -- actually, strike that.

17 If I start to get into detail on that, I won't be
18 able to provide you the appropriate response that you
19 deserve. You deserve the authoritative response on that,
20 and that would be Witness Kingsley.

21 Q That's fine, but on lines 11 and 12 you say,
22 "Under the current system, mailers must update their
23 software at least three months before the mailing."

24 A Yes.

25 Q Are you talking about ECR high density and

1 saturation letters which are not bar coded? Are you talking
2 about putting them in walk sequence?

3 A I can't give you the precise postal term, the
4 precise acronym, but the concept is that the software has
5 the carrier route addresses and assignments. Address
6 changes or perhaps new addresses are introduced to the
7 carrier route. That's the type of thing that's in the
8 software. I honestly don't know the technical term for the
9 software.

10 Q Well, I don't need the technical term for the
11 software. I'm just trying to see why mailers who do not make
12 their letters automation compatible would need to update
13 their software three months before and how somehow that
14 improves if they have to make their mail automation
15 compatible.

16 A Well, as I say here, "Bar coded pieces will allow
17 the automation equipment to 'catch' carrier assignment
18 updates earlier."

19 The detail of this again is something that Witness
20 Kingsley goes into in her testimony, and I believe that she
21 also answered some interrogatory responses on this, some in
22 fact from you. Beyond the general concept of the
23 classification change, the operational details are something
24 that I'm unfortunately not the authority on.

25 Q Okay. But that's the answer, is it not, that the

1 automation equipment is smart, and the automation equipment,
2 when it's running bar coded pieces, knows when there has
3 been a change in carrier assignment, and it takes that piece
4 over automation and puts it in the right bin to the new
5 carrier route? Is that not what you're saying?

6 A I don't know exactly what the machinery does. You
7 know, I don't know about the bins. I can't really explain
8 the operational processes, --

9 Q Okay.

10 A -- but the concept certainly is that the
11 automation equipment and the bar coding will allow more
12 frequent -- will really allow more current updating than 90
13 days, so there will be a vast improvement for address
14 changes and for new addresses under the automation system.

15 I think that's an advantage. You had asked before
16 are there other advantages to my proposal. This certainly
17 seems like an advantage.

18 Q Okay. Good. I'm happy to get this on the record.
19 I think you are adequately explaining that for my purposes,
20 and I appreciate that.

21 Let me get at this issue of efficiency and just
22 nail this down. Are you saying that you cannot today tell
23 us how much more efficient it is or how much less costly it
24 is to run these letters over automation as compared to
25 manually hand sorting them? That's not your function? You

1 don't know that at that level?

2 A Right. I haven't seen figures on that.

3 Q Okay. You didn't ask Witness Kingsley for data
4 like that before you made your proposal?

5 A I have investigated to see if I could find data
6 like that because I think that would certainly be useful,
7 but, to the best of my knowledge, the data, the specific
8 cost data for these density tiers and really to answer your
9 question, that specific data from my understanding is not
10 available, so I asked Witness Kingsley.

11 I asked spoke with Witness Schenk. She's the
12 costing witness for ECR. I tried to dig up the figures.

13 Q Did someone tell you that it is more efficient to
14 and less costly to run these over automation equipment than
15 to manually case them?

16 In other words, if you said there was no data
17 available and you don't know that of your own knowledge, did
18 someone tell that to you?

19 A I think what I had said was there's no cost data
20 available. In terms of general, in terms of looking at your
21 question generally, certainly Witness Kingsley goes into the
22 fact that, you know, automation is more efficient than
23 manual casing. That's common sense really.

24 Q Are you putting forth that proposition then before
25 the Commission that that is your testimony that it is

1 cheaper and more efficient to do it over automation than
2 manually?

3 A I'm saying that it is more efficient, and it
4 likely is cheaper. I don't have the figures, but certainly
5 down the road --

6 Q Okay.

7 A -- it is likely that that will be cheaper. I
8 would have figures if I were sitting here then for the high
9 density and saturation letters.

10 Q So there will be an effort, you're saying, that
11 you know of to collect data in the future that is not
12 currently available to show these new efficiencies or the
13 efficiencies of your classification change?

14 A Well, assuming that this classification change
15 goes through, certainly cost data will be collected.

16 Q All right. Let me ask you this. In prior
17 dockets, as I recall, the Postal Service has put forward one
18 standard rate design witness who has done both regular and
19 ECR. Is that your understanding?

20 A Yes, it is.

21 Q And in this case they split it, and you got ECR
22 and Mr. Moeller got regular, correct?

23 A That's correct.

24 Q Okay. Did you work with Mr. Moeller on the
25 proposals that you were making in your case and the

1 proposals he was making in his case to have some consistency
2 as between ECR and regular?

3 A If you turn to page 2 of my testimony, starting at
4 line 16 I say that, "Rate design between the regular and
5 enhanced carrier route commercial and non-profit subclasses
6 has been coordinated to assure structural consistency where
7 appropriate and to maintain appropriate rate relationships.

8 "An example of structural consistency between the
9 two commercial subclasses is that the proposed definition
10 entry discounts are identical. An example of an appropriate
11 rate relationship is that the proposed ECR basic letter rate
12 is slightly higher than the five digit automation letter
13 rate in the regular subclass. This maintains the current
14 rate relationship and encourages the use of automation by
15 mailers."

16 Q Okay. Are you aware of a proposal that Witness
17 Moeller is making in this docket to offer special rate
18 treatment to standard regular automation letter shaped
19 pieces that are between 3.3 and 3.5 ounces?

20 A I'm aware that there's a proposal. In terms of
21 the special rate treatment, could you elaborate?

22 Q Well, as I understand it, not being the expert on
23 this, but I understand that the piece rates are being
24 charged for those pieces plus a pound rate applicable to the
25 weight of the piece over 3.3 ounces and under 3.5 ounces.

1 In other words, to the extent that the weight of
2 the letter exceeds 3.3 ounces a pound rate is paid, and
3 there's a rate developed based on those two factors. Does
4 that sound right to you?

5 A I certainly have studied his proposal, and the
6 math may work out the same as what I recall because I know
7 there are various ways with the formula of arriving at the
8 rate.

9 At least for me an easier way and the way that I
10 recall is that for pieces between 3.3 and 3.5 ounces the
11 appropriate rate, the appropriate non-letter rate, would be
12 calculated, and a letter flat differential would be
13 subtracted. That may work out the same in terms of the math
14 as what you described.

15 Q Okay. Do you have Witness Moeller's testimony
16 with you?

17 A No, I don't.

18 Q Some of this came out in answers to
19 interrogatories, I believe, but his testimony, just to give
20 you one sentence, said, "The Postal Service is proposing,"
21 and this is at page 4 of USPS-T-32.

22 "The Postal Service is proposing that heavy
23 automation letters be eligible for letter piece rates
24 combined with the pound rate for pound rated flats. The
25 additional weight above 3.3 ounces, but less than 3.5

1 ounces, will be charged additional postage."

2 Really how that postage charge is calculated is
3 not the thrust of my questions, but would you accept that
4 I've accurately described Witness Moeller's testimony so
5 far?

6 A Yes. Subject to check, but it sounds fine.

7 Q It sounds familiar?

8 A It sounds familiar. I think the reason actually
9 that I recalled the other way of calculating the proposed
10 rate is that the letter flat differential in standard
11 regular was a key reason for that proposal in standard
12 regular, and the letter flat differential in ECR is much
13 smaller. It's a fractional part of what we see in standard
14 regular. Indeed, you know, that's what occurred to me in
15 terms of setting the rate.

16 Q I think you did a much better job of explaining
17 the applicable rate than I did, and I defer to your
18 description. I mean, you had discussions with Witness
19 Moeller about this proposal, did you not?

20 A Yes, I did.

21 Q And did you have discussions with any other postal
22 witnesses about his proposal for standard regular?

23 A I don't recall having discussions with other
24 postal witnesses about this.

25 Q Other than postal counsel, is there anyone else at

1 the Postal Service who you recall discussing his proposal
2 for standard regular automation letters, heavyweight
3 letters?

4 A Yes. His proposal was discussed with management,
5 with Mr. Lyons, I believe with Ms. Bazzoto.

6 Q And did you or they ever consider extending the
7 same treatment to letter shape pieces within standard ECR
8 that weigh between 3.3 and 3.5 ounces?

9 A Well, I asked about that since I'm the standard
10 ECR witness, and that's when the issue of the letter flat
11 differential was -- that's when I realized that that was why
12 the proposal only applied to standard regular.

13 Q Someone told you that because of there being a
14 smaller letter flat differential within ECR, that's why
15 there would be no comparable proposal for standard ECR to
16 Witness Moeller's proposal for standard regular? Is that
17 what you're saying?

18 A The difference in the letter flat differentials
19 was discussed. I wouldn't really characterize it as someone
20 told me that. It was a discussion that we had, and it was
21 in response to a question that I had about ECR because it
22 does seem like a logical question.

23 In terms of being told, I think that that might be
24 misinterpreted in some way. I mean, I looked at the data
25 I'd say constantly through the rate iteration process and

1 kept an eye on that. The proposal is one that I put
2 forward, although certainly it's been discussed with the
3 appropriate postal management.

4 Q Was it your decision not to include a comparable
5 proposal for standard ECR in your testimony, or was that
6 something that postal management like Mr. Lyons and Ms.
7 Bazzoto decided, or maybe even Mr. Moeller?

8 A Well, we certainly discussed it as a group, and I
9 would characterize it as a group decision and one which I
10 agree with and certainly feel comfortable with.

11 Q So then if that's the case, so far you've told us
12 that the reason for the decision to give disparate treatment
13 to standard regular and standard ECR heavyweight letters was
14 the difference in the letter flat differential between ECR
15 and regular, correct? You've said that?

16 A That was one reason, yes.

17 Q Can you tell us the rest of the reasons, the
18 remainder of the reasons?

19 A There may be different mail characteristics
20 between standard regular and standard ECR, but I honestly
21 can't recall the specifics of that.

22 I think the fact certainly that there are two
23 separate subclasses, there are separate subclasses for a
24 reason. They serve distinctly different markets. I should
25 say there are distinct market characteristics, to be a

1 little bit more precise.

2 Since the classification change case and the
3 decision in MC95, they have been treated as separate
4 subclasses along with their respective non-profit
5 categories, so I don't think it's inappropriate to have a
6 classification change or a proposal in one subclass that may
7 not carry over to the other. I think the Postal Rate
8 Commission distinguished those subclasses for a reason.

9 Q Which of the mail characteristics that were
10 different between standard ECR and standard regular that
11 caused the Commission to create separate subclasses are you
12 referring to when you say that differences in mail
13 characteristics would drive a decision to offer this rate
14 treatment to regular and not to ECR?

15 A I think what I said was that the Commission
16 recommended the split of ECR and regular due to different
17 market characteristics.

18 I don't recall if in that decision the different
19 mail piece characteristics came into play or if it was more
20 the fact that one is more targeted than the other, for
21 example. Different types of mailers might use standard
22 regular as opposed to standard enhanced carrier route, so
23 it's quite possible that mail characteristics were part of
24 the Commission's decision, but I don't recall the details of
25 that.

1 What I had said was, I think, that the mail
2 characteristics between standard regular and ECR are
3 different, and I can't cite a lot of the specifics on that
4 right here, but certainly those differences could be part of
5 the reason for Witness Moeller's proposal.

6 Q Were they part of the reason for your proposal not
7 to include a special rate for heavyweight letters in ECR?

8 A No.

9 Q A second ago you said that standard regular and
10 ECR were different in that I believe you said one was
11 targeted.

12 Wouldn't it be more accurate to say that ECR mail
13 has generally been described by the Commission as
14 geographically targeted, and standard regular has been
15 identified as being individually targeted?

16 A Yes. I think that that sounds -- I think that's a
17 valid characterization.

18 Q Okay. I think you've already said that -- you've
19 already made a complete answer.

20 I just want to get a complete list of reasons why
21 this heavyweight letter treatment was excluded from ECR. We
22 know that the letter flat differential being greater for
23 regular than ECR was a factor, and we know that no specific
24 market characteristic was a factor. Is there anything else
25 that was a factor in your decision not to include it?

1 A Taking the letter flat differential situation one
2 step further, which is that the letter flat differential in
3 ECR is a fraction of what it is in standard regular, and
4 actually I did not receive interrogatories on this, but I
5 believe Witness Moeller went into the details of that. What
6 that indicates is that it would make a much smaller
7 difference in the enhanced carrier route subclass.

8 I think that the rate criteria of simplicity came
9 into play because we really -- my understanding is that for
10 a relatively small change like that we may not propose a
11 classification change.

12 Q So another one of your reasons was the statutory
13 requirement of simplicity of structure?

14 A Was? I'm sorry. Which requirement?

15 Q The statutory requirement that the Commission
16 consider simplicity of structure.

17 A Yes.

18 Q Anything else?

19 A Not that I recall offhand. I think the letter
20 flat differential in itself is a compelling reason, along
21 with the fact that there are two separate subclasses.

22 Q What I don't understand, Ms. Hope, is let me just
23 think through Witness Moeller's proposal with you for a
24 second and see if you agree.

25 He had a situation where standard regular

1 heavyweight letters, although they were letter shape, they
2 were too heavy to be charged letter postage rates. Isn't
3 that correct? Those 3.3 to 3.5 ounce pieces were charged
4 significantly more because they were treated as non-letters.

5 A Yes. Above the break point they're treated as
6 non-letters.

7 Q Okay. And so he had a situation where I suspect
8 he wanted to provide mailers with an incentive to prepare
9 those pieces with bar coding and meeting MERLIN standards so
10 they could be run over automation and save money for the
11 Postal Service, too. Isn't that correct?

12 A I don't have a copy of the exact wording of
13 Witness Moeller's proposal and his reasons in front of me.
14 I wouldn't necessarily characterize each of those reasons as
15 correct from my viewpoint, but it wasn't my proposal. It
16 was Witness Moeller's proposal, and it's not in my
17 testimony.

18 Q That's the problem. I mean, that's what I'm
19 trying to get at, which is --

20 A Right.

21 Q -- why it's not there because what I'm trying to
22 do is get you to draw a parallel between the problem of
23 heavyweight letters in ECR and the problem of heavyweight
24 letters in regular. Admittedly, his rate differential is
25 much larger than it would be in ECR if the same proposal

1 were adopted, but aren't you trying to get these pieces to
2 be automatable? Isn't part of your proposal here?

3 We just talked about heavyweight letters, for
4 example. I'm sorry. Excuse me. About high density and
5 saturation ECR letters and requiring them to be automatable
6 to give the Postal Service the option to run these on
7 automation. Isn't that a good thing to prepare mail to run
8 on automation?

9 A Well, I fully support my proposed classification
10 change, and that's what my classification change suggests
11 for ECR high density and saturation letters. It would allow
12 letters to be DPS'd because they're going through the Postal
13 Service automation equipment.

14 Q Okay. Let me ask you this. Would your proposed
15 new requirement for standard ECR letters require that 3.3,
16 3.4 and 3.5 ounce letters be bar coded and meet automation
17 requirements?

18 A In the rate structure, above 3.3 ounces would not
19 be considered a letter.

20 Q So your classification change would not impose any
21 new burdens on mailers of 3.3 to 3.5 ounce letters, correct,
22 because they're not really letters? They're charged at the
23 non-letter rate.

24 A They're letter shaped pieces, --

25 Q Letter shaped pieces.

1 A -- but they're not letter rated pieces.

2 Q Right.

3 A And we said to qualify for the letter rate they
4 would need to be bar coded at the high density and
5 saturation tiers, so if they're letter shaped above 3.3
6 ounces, they would not qualify for those letter rates anyway
7 so it wouldn't apply.

8 Q Unless you acquiesce to Mr. Moeller's idea and
9 make a similar proposal for ECR.

10 I'm trying to figure out why the logic does not
11 carry over. Your proposal that requires standard ECR
12 letters, which are high density and saturation, to be bar
13 coded and be automatable you've just said does not apply to
14 letter shaped pieces which are over 3.3 ounces and less than
15 3.5 ounces, correct?

16 A Yes, that's correct.

17 Q Why not provide some incentive to mailers to
18 prepare those pieces so that they can be run over
19 automation, as you say, to give the Postal Service the
20 option to do it? Why not give the Postal Service the option
21 to run those over automation because right now there's no
22 incentive for the mailer to prepare the pieces in that way.
23 Isn't that correct?

24 A That proposal is not in my testimony.

25 Q I know. You don't see the logic? This is my last

1 question, and I say it at some risk. You don't see the
2 logic of Witness Moeller's proposal carrying over to ECR?

3 A Well, as I said, they're distinct subclasses.

4 Q You bet.

5 A They are separate subclasses, and the letter flat
6 differential is much, much smaller. Witness Moeller gives
7 the figures in I believe it was his answer to questions in
8 his oral cross-examination. He may have in fact had
9 interrogatories on that as well.

10 In my opinion, the letter flat differential
11 alone --

12 Q Justifies your decision to exclude it, correct?

13 A It wasn't a decision to exclude it. It was not in
14 my testimony.

15 Q Okay. Did there ever come a time, based on your
16 background of being involved with strategic marketing
17 initiatives, that you sought input from mailers as to
18 whether they thought it would be a good idea to offer the
19 same type of rate treatment for standard ECR that Witness
20 Moeller offers to standard regular?

21 A No.

22 Q Okay. Let me ask you to turn to your response to
23 our Interrogatory 14. While you're at it, if you could turn
24 to page 12 of your testimony because we'll go back and forth
25 here. Do you have those?

1 A Yes, I do.

2 Q Okay. In our Question 14-A, we asked you about
3 your testimony at page 12 where you say that Witness
4 Schenk's study suggests a lower ECR pound rate. We asked
5 you to provide references, and you took exception to our
6 characterization of your testimony. Is that correct?

7 A I think in your Question 14-A you've asked,
8 "Please provide references to her testimony...", referring
9 to Witness Schenk, "...her study or any other document
10 sponsored by Witness Schenk where she states that which you
11 assert, i.e., that a lower ECR pound rate would be
12 appropriate," so the question was in reference to statements
13 of Witness Schenk.

14 My response is that, "My testimony...", on page
15 12, "...does not state what the interrogatory implies, i.e.,
16 that Witness Schenk states a lower pound rate would be
17 appropriate. Rather, this passage of my testimony is my
18 explanation of the results of her study."

19 Q All right. So you took exception to our
20 characterization of your testimony?

21 A Yes, I did.

22 Q Okay. Let's go to your testimony. Would you read
23 us just two lines there at the top of page 12?

24 A The first three lines?

25 Q Let me just look here. I guess the middle two

1 sentences. Start at the end of line 1 with the word
2 witness, if you would, please, and read those two sentences.

3 A Well, since it's the beginning of the paragraph
4 could I start at the beginning?

5 Q Sure.

6 A I say, "Multiple factors support the proposed
7 pound rate reduction. Witness Schenk presents a cost study
8 that provides detailed data regarding the weight/cost
9 relationship of pound and piece rated pieces."

10 Do you want me to keep going?

11 Q Please.

12 A "Witness Schenk's study provides unit cost
13 estimates for each grouping by ounce increment. This
14 analysis suggests that strictly on a cost basis a lower ECR
15 pound rate would be appropriate."

16 Q Okay. The second and third sentences of that
17 paragraph begin with the words Witness Schenk, do they not?

18 A Yes, they do.

19 Q Okay. And then in the very next sentence, the
20 fourth sentence in that paragraph, you say, "This analysis
21 suggests that strictly on a cost basis a lower ECR pound
22 rate would be appropriate."

23 I'm asking you now what is the antecedent to that
24 relative pronoun, if that's what it is, and I can't
25 remember, this?

1 A Yes. The antecedent is the study, which is
2 Library Reference 58.

3 Q Do you reference Library Reference 58 in your
4 testimony there on page 12?

5 A It's not specifically referenced on page 12. It's
6 referenced on page 13.

7 Q So that this on page 12 references the library
8 reference that's referenced on the next page?

9 A Yes. It may also reference several other library
10 references that Witness Schenk sponsored because, as I
11 recall, some of her data in Library Reference 117 fed into
12 Library Reference 58.

13 Although she got some costs from Library Reference
14 59, I don't believe that I needed those for the chart that's
15 on page 13.

16 Q Okay. Go to page 13 and tell me where you
17 reference Library Reference 58, as you just said.

18 A It's in the footnote to Table 3.

19 Q Was that one of the revisions?

20 A Yes.

21 Q Because this one I have says 59.

22 A Yes. That was in the December 28 errata.

23 Q Okay. So your testimony on page 12 using the word
24 this referenced the library reference on page 13, which was
25 at the time you filed it the wrong number?

1 A I'm just looking for an interrogatory response
2 that I think covers that. Just a moment.

3 Q Well, it's a simple question. I just want to make
4 sure I accurately describe what you're saying.

5 A Yes. On page 13, Library Reference 59 was
6 inaccurate.

7 Q Okay.

8 A I believe I received an interrogatory response or
9 an interrogatory question fairly soon after the filing, so I
10 believe it's on the record that it was Library Reference 58
11 prior to December 28.

12 Q Okay. I'll accept that. I'll accept that. I
13 didn't have it marked on mine, but I'm sure you're correct.

14 What I'm trying to get at is the proposal to
15 decrease the ECR pound rate from the current 63.8 cents to
16 your proposal of 59.8 cents and the reasons for it. I
17 appreciate your beginning on page 12 reading from the top of
18 the page because you say, "Multiple factors support the
19 proposed pound rate reduction," and then you reference
20 Witness Schenk, and now we know it's Library Reference 58.

21 My question is are you talking about an analysis
22 that you did of the data in 58 and maybe 117, or are you
23 drawing your conclusion that Schenk believes that the ECR
24 pound rate is too high? Is it your analysis or her
25 analysis? That's what I'm trying to get at.

1 A I believe the interrogatory response I read in
2 answer to your first question about that covered the fact
3 that Witness Schenk did not state to me her opinion.
4 Witness Schenk provided data, which I looked at. I did not
5 perform an independent analysis, but I certainly looked at
6 the data.

7 Q So Witness Schenk did not tell you that a lower
8 pound rate would be appropriate, correct?

9 A That's correct. I in fact had no discussions with
10 Witness Schenk on the rates.

11 Q Okay. And rather your conclusion and your
12 recommendation that a lower pound rate is appropriate
13 emanates from your analysis of her Library Reference 58 and
14 perhaps 117?

15 A That's correct.

16 Q Okay.

17 A And possibly 59. I don't recall offhand. She had
18 several library references that were interrelated.

19 Q I remember 58, and I remember 117. I don't
20 remember 59. Do you recall what bearing that had on it?
21 Development of ECR Mail Processing Saturation Savings. Does
22 that sound like it's relevant?

23 A Actually, it doesn't. I don't know if she took
24 anything from Library Reference 59 or not. It sounds like
25 she probably did not. I would say certainly 58 and 117 are

1 the main references.

2 Q Fifty-nine just comes to mind because that's what
3 you originally referenced in Table 3?

4 A I think so, yes.

5 Q Okay. I think it's just 58 and 117 from her
6 testimony. If there's anything else, please let me know,
7 but I think that's all she did.

8 Let's focus on what information in Library
9 Reference 58 or 117 that you looked at, what data you looked
10 at to lead you to the conclusion that the current ECR pound
11 rate was too high.

12 A I don't have her library reference in front of me
13 so I can't cite the exact spreadsheet, et cetera, but she
14 did a table, a table of cost by weight increment.

15 Q Indeed she did. Is that the section of her
16 Library Reference 58 that you're referring to in terms of
17 what led you to this conclusion that the pound rate was too
18 high?

19 A Yes, it is.

20 Q Nothing in her Library Reference 58 or 117 that
21 you can identify for us at the moment other than that
22 distribution to weight increment?

23 A That's correct. That's what I looked at.

24 Q You didn't do any regression analysis? You didn't
25 look at any trend lines? You didn't do any other type of

1 analysis, correct?

2 A As I stated in my response to the interrogatory, I
3 did not perform an independent analysis.

4 Q Okay. Let's go to --

5 A There may be other spreadsheets or other parts of
6 Library Reference 58 that feed into the table that I looked
7 at, so I wouldn't say it's necessarily this single table.
8 That's what I recall as I'm sitting here because I don't
9 have the document in front of me.

10 Q There's never been a table that doesn't feed into
11 another table, so I understand that, but it is Schenk's
12 distribution to weight increment that you looked at?

13 A Yes.

14 Q Let's go to 14-B. You were asked in 14-B, and, by
15 the way, just before I get off that issue of the unit
16 increments, I mean, those costs by unit increments went into
17 your Table No. 3 in your testimony, correct? Schenk's unit
18 costs by weight increment.

19 A Table 3 is a summary, a summary of the 3.0 and 3.5
20 ounce dividing lines, so aggregate data was put together
21 from that. I didn't need as much detail as was in her
22 table.

23 Q Well, you took her table, didn't you, and
24 aggregated, as you say, above and below 3.0 ounces and above
25 and below 3.5 ounces?

1 A Does your question refer to the unit costs?

2 Q Unit costs only. You didn't get unit revenues
3 from Schenk, did you?

4 A No. The unit revenues are from my work table, but
5 you're asking about unit costs, as I understand it, in Table
6 3.

7 Q Right.

8 A I had an interrogatory. Perhaps you could help me
9 with this. There was an interrogatory question asking about
10 the source of the costs, and the source in fact was Witness
11 Schenk.

12 Q The unit cost. Yes. I recall it, too.

13 A I actually can't find it. If you know what it is,
14 perhaps that would save us some time.

15 Q Frankly, I didn't write it down, and we asked you
16 more than a few interrogatories so finding it is not that
17 helpful I think.

18 There's absolutely no question that you got your
19 unit costs from Witness Schenk that you used in Table 3,
20 correct?

21 A The costs that I received for this table I didn't
22 take directly from Table 3. Witness Schenk provided the
23 costs to me at these dividing lines, so it's highly likely
24 that she aggregated the data that was in Table 3, but you
25 don't need the detail.

1 Q Not in Table 3 you don't mean, do you?

2 A I'm sorry. In her --

3 Q In Library Reference 58?

4 A Correct. In Library Reference 58.

5 Q Okay.

6 A That's correct.

7 Q And particularly Work Paper 1, page Y, I guess?

8 That's a reference you have in Table 3. Maybe that was

9 corrected, too. I've got the old one. Is that the same?

10 A The source of Work Paper 1, page Y, states that

11 that's for the revenue.

12 Q Oh, I'm sorry.

13 A That's from my work paper.

14 Q I'm sorry. I'm sorry. I stand corrected. That

15 is the revenue.

16 A I think it said that in the original.

17 Q Yes.

18 A That was not an errata.

19 Q No. You're right. You're absolutely right.

20 Let me just nail this down. Unit costs were given

21 to you then not in Library Reference 58, but Witness Schenk

22 computed them from her costs by weight increment in Library

23 Reference 58 and gave you the numbers above and below 3.0

24 and 3.5 ounces? That's what you're saying?

25 A Yes, that's correct.

1 Q Okay.

2 A In addition, I believe there may be summaries of
3 those points in the table in Library Reference 58 that
4 you're referring to, but again it's not in front of me --

5 Q I understand.

6 A -- so I'm not sure.

7 Q I understand. Let's go back to where we started
8 here, 14-B. Interrogatory 14-B. We asked you, and let me
9 read you this question.

10 "Aside from the unit cost data presented in your
11 Table No. 3 and the distribution of pieces by weight in
12 Table No. 4 on pages 13 and 15 respectively, please indicate
13 all other data, analyses, regressions, conclusions, et
14 cetera, found in or derived from Witness Schenk on which you
15 rely to support your assertion that her study and analysis
16 indicate that a lower ECR pound rate would be appropriate."

17 You say, do you not, "See Tables 5-A, 5-B and 5-C
18 on pages 17, 18 and 19 respectively of my testimony,"
19 correct?

20 A That's correct.

21 Q Okay. Let's take a look at 5-A, which is on page
22 17 of your testimony. Correct me if I'm wrong because I
23 guess I'm working from the old testimony, and I'm sorry, but
24 the footnote to Table 5-A on page 17 references Library
25 Reference 58 again. Is that correct in the current version?

1 A Yes. That's what it says.

2 Q Okay. So the footnote to the table cites Library
3 Reference J-58 sponsored by Witness Schenk, but let me ask
4 you. Am I correct in assuming that the numbers in that
5 table compare the percentage change by ounce increment
6 between current rates and proposed rates for ECR basic
7 letters? I'm sorry. ECR basic non-letters.

8 A Could you repeat your question, please?

9 Q Sure. I'm looking at the percentages that are in
10 your Table 5-A, and I'm trying to get at what they are. My
11 reading of your testimony indicates to me that they are a
12 comparison of the percentage change by ounce increments from
13 four to 16 between current rates and your proposed rates for
14 basic.

15 A That's correct.

16 Q Okay. In order to compute the percentages then in
17 Table 5-A, what numbers did you use other than current rates
18 and your proposed rates?

19 A I used the current rates, the proposed rates and
20 the figures that are in my Exhibit USPS-31A, which are the
21 volume figures that I derived from Witness Schenk's Library
22 Reference 58, and really those are from figures that feed in
23 from 117.

24 Q Okay. What I don't understand then is a second
25 ago you agreed with me that the percentages in this table

1 are the percentage change from current rates of your
2 proposed rates. What does volume have to do with it when
3 you're comparing rates?

4 A I'd like to read from line 4 of my testimony.
5 "Based on the analysis of ECR test year volume presented by
6 Witness Schenk, only 0.8 percent of total ECR volume will be
7 affected by this decrease at the high density percent of
8 total." Am I on the right page?

9 Q You sure are.

10 A Are you looking at high density?

11 Q Yes.

12 A Only 0.8 percent of total ECR volume will be
13 affected by this decrease at the high density tier.

14 Q Okay. I'm talking about not the narrative at the
15 top of the page. I'm talking about Table 5-A. Aren't the
16 percentages in Table 5-A a comparison of current rates to
17 your proposed rates?

18 A No.

19 Q You just a moment ago said they were. You agreed
20 with me I thought.

21 A Actually, if I could take a minute to look at it?
22 I'd like to explain a little bit more clearly how I arrived
23 at these figures because the sources that I give are
24 accurate, but it was a multi-step process.

25 Q Well, I'm going to give you every opportunity to

1 answer this, believe me, but I just want to get to this
2 basic issue. Let me make it as simple as I can. For four
3 ounce pieces, no destination entry, basic tier, it says 7.3
4 percent.

5 A That's correct.

6 Q Does the 7.3 percent tell me, as I thought you
7 just agreed with me, that your rates are proposing an
8 increase of 7.3 percent over current rates? That's what you
9 just agreed with me, I think.

10 A Yes. That's what the table says, but the
11 narrative -- you had asked me before why I used Witness
12 Schenk's volume study, and the reason is that the table has
13 certain highlights there.

14 Q Okay. For highlighting purposes, bolding
15 purposes, you used volumes. What does the bolding mean
16 then? I don't see any note explaining that. I do see some
17 are bolded now that I look at it.

18 A If you turn to page 16 of my testimony, I describe
19 the tables because it is a little bit complex to look at
20 them.

21 "The series of tables below, Tables 5-A through
22 5-C, detail the percentage change by ounce increment for all
23 shapes at four ounces and above at all density tiers with
24 all destination entry options. The shaded areas show the
25 cells where the percentage increase in the proposed rate at

1 that ounce increment is negative.

2 "For example, a piece at the basic level and no
3 destination entry would have to weigh over ten ounces to
4 realize a net reduction in price. According to Witness
5 Schenk, USPS-T-43, the percentage of ECR volume that is ten
6 ounces and above is projected to be less than 0.7 percent in
7 the test year, which is very small."

8 Then I go on to explain that the following charts
9 illustrate how I arrived at the figures for each of the
10 density tiers when I discuss the percentage of ECR test year
11 volume that will be affected by a rate decrease. In every
12 case it's very small, and the shadings note the ounce
13 increment and the designation entry level where the rates
14 start to decrease.

15 I applied that figure to the volume figures that
16 are in my exhibit, which I actually also discuss in the
17 testimony, so the source for the table, and I understand
18 your question. The source for the table basically is my
19 work paper, but I use the volume for the source of the
20 discussion above the table, as was explained on the prior
21 page.

22 Q So volumes in no way composed or played a role in
23 the calculation of the percentages set out in Table 5-A?

24 A That's correct. As I said on page 16, the tables
25 show the percent change by ounce increment of the rate.

1 Q Of the rates?

2 A Right.

3 Q So in order to get 7.3 percent, you had to do some
4 division. You had to create a ratio. You had to compare
5 current rates to proposed rates, did you not?

6 A Yes, I did, and I did that at each ounce
7 increment.

8 Q Absolutely. And at each type of destination entry
9 and eventually for each level of pre-sort, correct?

10 A That's correct.

11 Q Okay. So all I'm trying to get at is now we're
12 back at what I thought you said to begin with, and I'm glad
13 to clarify this, that Table 5-A sets out percentages, and
14 the percentages are the amount by which your proposed rates
15 deviate from current rates either going up or, if there's a
16 negative sign, going down. Is that correct?

17 A That's correct.

18 CHAIRMAN OMAS: Mr. Olson, could I ask you about
19 how much longer do you have for this witness?

20 MR. OLSON: Certainly not less than an hour. I'd
21 rather not answer it on the other side.

22 CHAIRMAN OMAS: All right. Well, I think with
23 that answer why don't we take our mid-morning break for
24 about ten minutes and come back at 11:10.

25 (Whereupon, a short recess was taken.)

1 CHAIRMAN OMAS: Mr. Olson, would you like to
2 proceed?

3 MR. OLSON: Thank you, Mr. Chairman.

4 BY MR. OLSON:

5 Q Ms. Hope, I want to go back after the break here
6 right to the point we were at before the break and your
7 response to, just to get our bearings again or my bearings,
8 14-B.

9 We asked you, just to refresh our recollection,
10 aside from the unit cost data in Table 3 and the
11 distribution by weight in Table 4 what other data, analyses,
12 regressions, et cetera, from Witness Schenk did you rely to
13 support your assertion that her study indicates a lower
14 pound rate would be appropriate. You say see 5-A, 5-B, 5-C.
15 We've been dealing with 5-A, correct?

16 A Yes. We've been dealing with the table.

17 I'd just like to clarify the source that I give at
18 the bottom of the table. As I had said I think before the
19 break, the calculations utilize rates from Work Paper 1, as
20 it says. I used Witness Schenk stated in the explanatory
21 note about the table, not in preparation of the table
22 itself, so I think my response probably could more
23 accurately be described as page 17 through page 19, the
24 discussion of the basic high density and saturation tiers.
25 The tables illustrate the point on those pages.

1 Q Okay. So when we asked you this question of what
2 else you relied on, you said Tables 5-A, 5-B and 5-C. Now
3 you say not the tables, but the narrative on pages 17, 18
4 and 19. Is that what you're saying?

5 A Well, I believe the question was, "Please indicate
6 all other data, analyses, regressions, conclusions, et
7 cetera, found in or derived from Witness Schenk on which you
8 rely to support your assertion that her study and analysis
9 indicate that 'a lower ECR pound rate would be
10 appropriate'."

11 I certainly did rely on the volume figures in my
12 density tier analysis, which is on pages 17 through 19. The
13 tables are merely part of that. I realize that the response
14 in that sense may be a bit confusing.

15 Q Well, it was confusing because we asked you what
16 else you relied on from Schenk to justify a conclusion that
17 the ECR pound rate was too high, and you said these three
18 tables, which are nothing more than percentage rate changes,
19 correct?

20 A I think they're a little bit more than that
21 because of the bolding that we discussed earlier and which
22 is discussed in my testimony. I've highlighted where the
23 rates start to change negatively by ounce increment. Those
24 are highlighted in those tables for a point, and the point
25 at each of the tiers is that the percentage volume affected

1 is very small by the rate decrease.

2 In order to determine that the percentage volume
3 is small, I first had to calculate which ounce increments
4 would have a percentage change that was negative under the
5 proposed rates.

6 Q But even with the bolding there isn't a single
7 thing in Table 5-A that deals with anything other than rate
8 changes, correct?

9 A That's correct, and that's why I had said earlier
10 that a better response I think would have been to include
11 the entire density tier analysis, which the explanation
12 starts on page 16, and it runs through the saturation tier
13 on page 19. I did in fact use Witness Schenk's volumes as
14 are shown in my exhibit which accompanies my testimony.

15 Q You used her volumes to see whether there was a
16 significant amount of volume that would be affected by
17 decreases in your proposed rates, correct?

18 A That's correct.

19 Q No other purpose on these pages?

20 A No.

21 Q And nothing in Table 5-A tells us anything about
22 volumes? It's just a rate comparison of current rates to
23 your proposed rates, correct?

24 A It illustrates where the percentage change starts
25 to go do, and I used that in the density tier analysis which

1 is included above.

2 Q Okay. Well, all you did was bold the rate cell
3 where the first negative number appeared, right, in each
4 row?

5 A Yes, that's true.

6 Q Okay. And your reference to Library Reference
7 LR-J-58 had nothing to do with any of the numbers in that
8 Table 5-A, correct?

9 A Yes. I think I explained earlier that that really
10 accompanies the text which is above the table.

11 Q Okay.

12 A And that would apply to the other pages as well,
13 so it's page 17, page 18 and page 19. The calculations are
14 based on the rates, and I've shaded where the rates start to
15 run negative. Then I applied that to the volumes, and I
16 discussed that in the paragraph above each table
17 respectively.

18 Q And insofar as it is stated to be or Library
19 Reference J-58 is cited to be a source for the data in the
20 table, that would be erroneous, correct?

21 A Yes. I've just indicated that's a source for the
22 explanation in the paragraph above.

23 Q Right. And not the table. Looking just at the
24 table and not your narrative as to the volume that could be
25 affected by your proposal, would it be fair to say that

1 there's nothing in Table 5A that provides analytic support
2 as we were asking for your proposition that a lower ECR
3 pound rate would be appropriate?

4 A As I said before, the discussion on pages 17
5 through 19 which really starts at the introduction on page
6 16 does in fact show why, it supports why an ECR pound rate
7 lower than the current rate --

8 MR. OLSON: Mr. Chairman. Could I ask for an
9 answer to this question? I keep asking a simple question
10 and I keep getting a speech. If I could restate the
11 question, Mr. Chairman.

12 BY MR. OLSON:

13 Q Would you not agree that the table 5A does nothing
14 more in the numbers there, the percentages there, than
15 compare current rates to proposed rates, and therefore in
16 the numbers provides absolutely no analytical support for
17 your proposition as you say that a lower ECR pound rate
18 would be appropriate? Yes or no.

19 A Mr. Chairman, I'll rephrase my answer.

20 The volume analysis attribution should have been
21 included in the explanatory paragraph. The table itself
22 does not indicate that but the entire paragraph with respect
23 to each density here does.

24 MR. OLSON: Mr. Chairman, I'm just asking about
25 the table. I think I'm entitled to get a clear answer.

1 CHAIRMAN OMAS: Would you try to direct your
2 answer?

3 THE WITNESS: Okay.

4 MR. OLSON: Without the speech, without the
5 narrative.

6 THE WITNESS: Well the table is --

7 MR. OLSON: Thank you, Mr. Chairman.

8 THE WITNESS: -- part of the narrative.

9 BY MR. OLSON:

10 Q It's certainly the introduction to the narrative,
11 but you'll agree that the numbers in the table provide no
12 analytical support whatsoever for your proposition that a
13 lower ECR pound rate would be appropriate. Is this not
14 correct?

15 A Yes, that's my response.

16 Q Thank you.

17 Let me ask you to look at Part D of that same
18 interrogatory. Now we said there, "Did Witness Schenk
19 provide you with the implicit coverages shown in your Table
20 3?"

21 You said, "I computed the implicit coverages. The
22 cost data in the table were provided by Witness Schenk."

23 Maybe that's the answer --

24 A Yes.

25 Q -- that you were searching for before that I

1 couldn't help you with.

2 When you say the cost data included in the table
3 were provided by Witness Schenk, are you saying that the
4 unit cost data were provided by Witness Schenk?

5 A Yes. The unit cost data at the 3.0, 3.5 ounce
6 dividing lines were provided by Witness Schenk.

7 Q Because your development of implicit cost
8 coverages was based on a ratio of unit revenues and unit
9 costs and you divided unit revenues by unit costs, did you
10 not?

11 A Yes, I did.

12 Q Let me ask you to look at interrogatory 40. Our
13 interrogatory 40. We asked you about the process of
14 computing implicit cost coverages, and in the second
15 sentence of the first paragraph you say, "Consistency is
16 desirable if possible. In any event the best available data
17 should be used."

18 Is that correct?

19 A Yes.

20 Q How would you define consistency in that context?
21 Developing implicit cost coverages.

22 A I would define it as to the greatest degree
23 possible having the unit revenues and unit costs represent
24 the same set of mail.

25 Q Reference the same volume, in other words,

1 correct? The unit revenues would apply to a particular
2 volume of mail. The unit costs would apply to that exact
3 same unit, volume of mail, to the extent possible, correct?

4 A To the extent possible. Otherwise I think to the
5 same set of mail.

6 Q And in the first sentence you actually say the
7 numerators and denominators be consistent, and the numerator
8 is unit revenues, correct?

9 A Yes, that's correct.

10 Q And the denominator is unit cost, right?

11 A Yes.

12 Q And you to the extent possible want those to apply
13 to the same volume set.

14 A I'd say the same set of mail, yes.

15 Q Is there a distinction between the way I said it
16 and the way you said it?

17 A There may be, it depends on what else you ask me.

18 (Laughter)

19 Q We'll leave that open for the moment.

20 Let's I take it is your view, and I think you say
21 in this interrogatory response or another that you believe
22 that the unit revenues and the unit costs are consistent or
23 sufficiently consistent to draw conclusions from, to meet
24 your standards.

25 A Yes, that's correct.

1 Q Now is that your conclusion based on your
2 analysis? Or is that a team decision at the Postal Service?
3 Or were you told someone else analyzed this and the unit
4 revenues and the unit costs were consistent?

5 A That was my decision. I did however talk with
6 cost witnesses, or I spoke with Witness Schenk who is a cost
7 witness for this docket. I also conferred with Witness
8 Daniel, I wanted to make sure I was on the right track, and
9 I spoke with Witness Daniel as well as with Witness Schenk.
10 I also consulted with Witness Moeller.

11 Q Witness Moeller?

12 A Yes.

13 Q But it was your analysis of all those inputs from
14 all those other people that the numerators and denominators
15 were sufficiently consistent to be reliable for the purposes
16 you employ the implicit cost ratios.

17 A Yes, the implicit cost ratios in my Table 3 which
18 I think is what you're referring to.

19 A Yes, it is.

20 Q Ms. Hope, I'd like to show you a Postal Service
21 institutional response to an interrogatory, it's not one
22 that was directed to you but it deals with this issue. It's
23 Val-Pak/USPS-T-39-24, and I have copies for you and for
24 counsel.

25 MR. OLSON: Mr. Chairman, if you'd like I could

1 mark these as Cross-Examination exhibits, but they actually
2 appear elsewhere in the record so I'm not sure if it's
3 necessary.

4 CHAIRMAN OMAS: I think we can let it go at that.

5 MR. OLSON: Thank you.

6 BY MR. OLSON:

7 Q Ms. Hope, I'd like to ask you to take a look at
8 that response, particularly Section D, where, let me give
9 you a second to just get oriented to that.

10 A I think I'll need a few minutes to read through
11 this.

12 Q Sure. Absolutely.

13 (Pause)

14 CHAIRMAN OMAS: And for the record, I said that it
15 would be okay to proceed with this since it was in, it's
16 already been made part of the record.

17 MR. OLSON: I guess it's been designated but not
18 yet --

19 CHAIRMAN OMAS: Designated.

20 MR. OLSON: -- put into the --

21 (Pause)

22 MR. BAKER: Mr. Omas, while the witness is reading
23 I would like to make a procedural note that I've been
24 advised and have confirmed that yesterday when we intended
25 to file a designation to written Cross and oral -- written

1 Cross and oral Cross for Witness Moeller, T-28, who appears
2 tomorrow, we actually filed it for T-32 and that's wrong.
3 He's long since testified on that.

4 We are at -- I'd like to state that the request is
5 intended to be for his testimony T-28, and we are currently
6 trying to identify whether there are any interrogatories
7 that were not designated by other parties that we will try
8 to get in tomorrow and when he appears.

9 CHAIRMAN OMAS: Thank you.

10 MR. OLSON: Mr. Chairman, while we're doing
11 housekeeping, I wanted to say that on behalf of Amazon.com
12 we are withdrawing our request for oral Cross-Examination of
13 Susan Mayo later this afternoon. I so advised Mr. Fouchet
14 and Mr. Rubin and Ms. Mayo, and will not have any oral
15 questions whatsoever for her.

16 CHAIRMAN OMAS: Thank you.

17 BY MR. OLSON:

18 Q Can you take a look at Part D of that? Let me
19 characterize just generally this question.

20 We said "Detached address label mailings involve
21 the delivery of two mail pieces, one being a flat or a
22 parcel and the other being the address card for a single
23 rate as though they constituted a single mail piece."

24 Then in subsection D we asked to Witness Kingsley,
25 if your answers to Part A through C, and I'm not going to

1 read those, but simply we talk about whether the DAL has
2 different handling than the associated mail piece. We say
3 "If the answers A through C reflect any difference in
4 handling, why does it make sense to treat the address card
5 and the flat/parcel as a single mail piece?"

6 Would you just read the Postal Service's
7 institutional response to D, knowing this is not your
8 response?

9 A Yes, this is not my response and I'm not the
10 operations or the cost expert actually. But the response to
11 D says, "The DAL and host mail piece are considered as a
12 single piece for rate and delivery purposes but are
13 considered two pieces for costing purposes. The DAL and
14 host pieces go together and would be incomplete to have one
15 without the other."

16 Q Do you understand the question and the answer? Do
17 you understand what we're getting at and what the Postal
18 Service institutional response is?

19 A I can read them to you for the record but the
20 costing of, the cost treatment of DALs is not something that
21 is in my testimony or in response to interrogatories. I'm
22 not the costing witness so I wouldn't feel comfortable going
23 into this in detail.

24 Q I certainly don't want to go into the cost aspects
25 of this at all in detail with you. I'm just asking you to

1 read that response. The line of my questions emanates from
2 your analysis and your conclusion that the unit costs and
3 unit revenues that you used to compute your implicit cost
4 coverages were sufficiently consistent to rely upon. And
5 I'm challenging your conclusion. That's what this line of
6 Cross-Examination is all about, lest there be any surprise.

7 And my first question is, now that you've read
8 VP/USPS-T-39-24D, the question and answer as the Postal
9 Service as an institution responded, do you have any reason
10 to disagree with this response? Let's ask that question.

11 A With the institutional response?

12 Q Yes.

13 A Again, I'm not the cost witness and I don't know
14 where this was derived from. I would defer answer of this
15 to the appropriate cost witness. Certainly I'm confident in
16 the costs that were provided to me by Witness Schenk, and
17 what she did in terms of DALs which may have, which are
18 separate from the host piece, I honestly don't know.

19 Q I wanted to try to shatter the confidence today,
20 and I'm just asking you to tell us whether you have any
21 better information than this or whether, any reason to
22 believe that this answer is erroneous.

23 A I am not the costing witness. I have no basis to
24 comment on this.

25 Q Can I also conclude from what you just said that

1 in the course of making your analysis that the unit costs
2 and unit revenues were sufficiently consistent, which you
3 said is important, to derive reliable implicit cost ratios,
4 that you didn't, at no time did the issue of costing of DAL
5 mailings enter your analysis or any of the information you
6 had?

7 A The information that I used in my work papers and
8 my testimony was provided by Witness Schenk, and she has
9 many library references, only some of which we've discussed.
10 There are others. Where she rolls up different costs and
11 calculates the cost for my specific subclass. And I'm not
12 prepared, I'm not the costing witness. I don't know what
13 this refers to and I can't speak on behalf of Witness Schenk
14 for the costs that she provided to me.

15 Q So when it says that the DAL and the host mail
16 piece are considered two pieces for costing purposes, that's
17 not the world in which you live at the Postal Service, that
18 would not mean very much to you, I take it? Since you're
19 not a costing witness?

20 A I'm not a cost witness, that's correct.

21 Q Let me ask you to look --

22 MR. OLSON: And Mr. Chairman, I'd like to present
23 the witness with another interrogatory response, this time
24 of Witness Harahush, to interrogatories of Val-Pak, Val-
25 Pak/USPS-T-5-1. And I'd provided a copy to counsel.

1 (Pause)

2 THE WITNESS: Thank you.

3 MR. OLSON: I'd like to give you some time to look
4 at that.

5 Mr. Baker may have more housekeeping.

6 MR. BAKER: No.

7 (Pause)

8 BY MR. OLSON:

9 Q Okay?

10 A Yes.

11 Q This question was directed to Witness Harahush.
12 Do you know Witness Harahush?

13 A I haven't met Witness Harahush.

14 Q He does the, as best as I understand, the carrier
15 data collection systems. I'm not sure if I'm describing
16 this very well. But I Cross-Examined him and asked him
17 questions about this and we directed some interrogatories.
18 These have to do with Handbook F-65 and the way that costs
19 are recorded. When you have a DAL mailing with another
20 separate flat or parcel. Actually, I think this particular
21 question had more to do with the mailing sample which I
22 guess would most likely be a parcel but could be a flat, as
23 I understand it. But that's really not the point.

24 The point is to ask you to focus on Question C.

25 We asked, "What is the significance of counting the two

1 pieces separately when counting the mail for the stop? And
2 this of course has to do with carrier costing. How are the
3 data regarding the number of mail pieces per stop by the
4 Postal Services," it looks like either our question was in
5 error or the typed version was in error there. It doesn't
6 make a sentence, does it?

7 But the answer is -- Can you read the answer there
8 to C into the record please? Knowing this is not your
9 answer. This is Witness Harahush's answer, and you're not a
10 costing witness. But if you could just read C into the
11 record.

12 A Yes. I'm reading the response of Val-Pak/USPS-T-
13 5-1, which is not my response, as you said.

14 The response C, "Each piece of mail handled by the
15 carrier is countered in a sampled stop in the city carrier
16 test. The number of mail pieces per stop are used for cost
17 distribution purposes."

18 Q And do you see in Section A where it says, "Each
19 of the two mail pieces will be counted at the stop," meaning
20 the DAL and the accompanying mail piece?

21 A Would you like me to read the response to A?

22 Q I just asked you if you saw that language that I
23 just read.

24 A When I'm reading the response to --

25 Q If you think I've misrepresented it go right

1 ahead, sure.

2 A Well again, I'm not the costing witness. This is
3 not an area that I'm an expert in so I would prefer to read
4 the entire response.

5 Q Please do.

6 A Thank you.

7 The response --

8 Q Let me read the question first, and then we'll
9 have the whole set.

10 "Does this treatment of DAL mailings" --

11 MR. AVERNO: Mr. Chairman, I'd really like to
12 object to this line of Cross. Because frankly, the witness
13 has already explained that she does not know the nature of
14 this particular testimony, the subject matter isn't part of
15 her testimony. And all we're doing here in this exercise is
16 simply reading the question and reading the answer and
17 there's no substantive merit to what's being asked. She
18 doesn't know the stuff.

19 MR. OLSON: Mr. Chairman, let me speak to this.

20 I established a foundation for this line of
21 questions when I asked Mrs. Hope to describe for me this
22 consistency that she said was important in developing the
23 ratio of the unit costs and unit revenues. She said there
24 had to be consistency.

25 I asked her if she examined whether there was a

1 consistency of using the same volumes or the same set, and
2 she said yes, she did examine it. She talked to Witness
3 Moeller, she talked to other witnesses of the Postal Service
4 and she drew a conclusion. The conclusion was the unit
5 revenues and the unit costs were sufficiently consistent to
6 be able to develop her implicit cost coverages on which she
7 relies in recommending a decrease in the ECR pound rate.

8 So she has made an analysis. I'm challenging that
9 analysis. I believe these responses show the Postal Service
10 disagrees with, or has put in evidence that demonstrates
11 that her conclusion that the cost data is consistent is
12 false. I think I'm entitled to do that.

13 CHAIRMAN OMAS: Okay. I'll allow you to continue,
14 Mr. Olson.

15 MR. OLSON: It's not going to be that much longer.

16 BY MR. OLSON:

17 Q Really my point, Ms. Hope, is not to ask you
18 costing questions, it's to see if you looked at this
19 problem, whether you understand there's a problem now, you
20 may not, you may not care to, but that's the thrust of my
21 question.

22 So let me just ask you to -- I'll read A and you
23 can read the answer to A.

24 "Does this treatment of DAL mailings apply" --
25 excuse me.

1 "Does this treatment of DAL mailings only apply to
2 saturation mailings? If so, how are DAL mailings which are
3 not saturation mailings recorded?"

4 A The response to A, "In city carrier costs if a
5 mailing has a DAL accompanying another mail piece, each of
6 the two mail pieces will be counted at the stop, but only
7 one saturation mailing will be recorded when the saturation
8 mailings are counted."

9 Q With respect to the language, "each of the two
10 mail pieces will be counted at the stop", do you see how
11 that -- If you can draw this conclusion. If you can't, it's
12 fine. But do you see how that's consistent with the answer
13 to C, that each piece of mail handled by the carrier is
14 counted at a sample stop?

15 If you don't know, that's fine.

16 A I'd really prefer not to comment on this. I'm not
17 the costing witness. And I depended on Witness Schenk's
18 costs. I am not the expert on how she developed her costs.

19 Q So if Witness Schenk's unit costs were wrong,
20 let's just assume that for just a moment, then would your --
21 Is it not true that your implicit cost coverages that you
22 develop in Table 3 would be wrong to the degree her unit
23 costs were wrong?

24 A I have no basis on which to think that her unit
25 costs were wrong. We're talking here about different

1 costing studies and handbooks. I am not aware of which
2 specific inputs Witness Schenk used in her costs. I know
3 that she did follow the methodology employed in previous
4 dockets for costing and I confirmed this in fact with
5 Witness Daniel who was the cost witness in the prior docket,
6 R-2000-1. So I have absolutely no basis to think that there
7 is anything wrong with Witness Schenk's costs.

8 Q Okay, I understand that, but that's not what I
9 asked you. Let me ask you again.

10 I'm asking you to make an assumption, not give
11 testimony on this point, but just make an assumption that
12 the unit cost data that were given to you were erroneous.
13 And that they overstated the unit costs of letters, and they
14 understated the unit costs of non-letters. That's an
15 assumption I'm asking you to make.

16 Do you have that assumption in mind?

17 A Could you repeat it please?

18 Q Sure.

19 I'm asking you to assume that the unit cost data
20 that you were given are erroneous. They're erroneous in
21 this respect. Unit costs of letters are overstated and
22 correspondingly, unit costs of non-letters are understated.
23 That's an assumption.

24 Do you have that assumption in mind?

25 A Yes, I understand the assumption.

1 Q To the extent that those unit costs are erroneous,
2 as you put them into your formula to develop Table 3 on page
3 13 of your testimony, is it not true that the implicit cost
4 coverages that you calculate would also be erroneous to the
5 degree the input of unit costs was erroneous?

6 A No, I don't believe that would be the case. My
7 Table 3, as the heading indicates, says comparison of ECR
8 cost coverages for piece rate pieces versus pound rated
9 pieces.

10 My Table 3 does not give cost or revenue data by
11 shape.

12 So we're looking at piece and pound rated pieces,
13 and I stand by my Table 3.

14 Q So it wouldn't bother you if -- Well, let me ask
15 it a little different way. Let's go with your table which
16 has to do with above and below 3.0 ounces and above or below
17 3.5 ounces. And you would get the costs for those groupings
18 mailed by Witness Schenk.

19 I'm asking you to assume now, a slightly different
20 assumption, that she has understated the unit costs of
21 handling pieces over three ounces, and overstated the cost
22 of handling pieces under three ounces. These are non-
23 letters we're dealing with here.

24 Let's just say, the table only has to do with ECR
25 non-letters, correct?

1 A No, the table has to do with piece rated pieces
2 versus pound rated pieces as it says in the heading.

3 Q But does it deal with ECR letters or ECR non-
4 letters? Doesn't the heading say for ECR non-letters?

5 A There was an errata filed on --

6 Q Oh, I'm sorry.

7 A -- December 28th with a revised heading.

8 Q Okay.

9 A I had an interrogatory response about that
10 earlier, but we filed on December 28th.

11 Q So when you deal with pieces that are under and
12 over 3.0 ounces are you dealing with letters and flats
13 mixed? Is that what you're saying?

14 (Pause)

15 A I'm comparing the cost coverages at the 3.0 and
16 3.5 ounce dividing line.

17 The purpose of --

18 Q Is it --

19 A It would help to explain the purpose of my table.

20 Q Let me just ask this one question.

21 Is it for letters and flats combined? Or just
22 letters, or just non-letters?

23 A It's for piece rated pieces versus pound rated
24 pieces. So the question of shape is not relevant.

25 Q So it's piece -- When you have a piece rated piece

1 it's a non-letter by definition, is it not? I'm sorry, I
2 guess a piece rated piece could be a letter or a --

3 Let me ask you rather than me testifying.

4 (Laughter)

5 Q More.

6 (Laughter)

7 Q We talk about under and over 3.0 ounces and we
8 have a unit cost and a unit revenue. Are those for letter
9 shaped or non-letter? Or both?

10 A They're combined. The issue of shape isn't
11 relevant in my table. Because I'm illustrating my argument
12 for lowering the pound rate so I looked at piece versus
13 pound rated pieces to illustrate that with these implicit
14 coverages that the pound rate can be effectively lowered
15 without jeopardizing even the current relationship.

16 Q Okay, then that will work if you say it's
17 combined. Letters plus non-letters.

18 I'm asking you to assume that the information you
19 got from Witness Schenk overestimates the unit costs of
20 light weight pieces under three ounces and overestimates the
21 unit costs of heavy weight pieces over three ounces, and
22 you're saying it makes no difference to you in this table
23 three if you had erroneous data coming in from Witness
24 Schenk? I think that's what you said.

25 A I think I said I stand by this Table 3, both my --

1 the revenue and the cost.

2 Q I'm asking you to make an assumption.

3 A Certainly if the cost figures changed, the
4 implicit coverages would change. But I have no basis for
5 thinking I should change them when I'm looking at the piece
6 rated pieces versus the pound rated pieces.

7 Q I understand, but I've tried to develop a line of
8 questions having to do with why they're wrong at a costing
9 level and you said that wasn't your area. You were taking
10 what Witness Schenk gave you and assuming it to be true. Is
11 that not correct?

12 A Witness Schenk is the cost witness for the ECR
13 subclass, yes.

14 Q I know she's the costing witness for the ECR
15 subclass --

16 A Yes, I used her data. Yes.

17 Q And you assumed them to be true.

18 A Yes, I do.

19 Q And if they misstated unit costs in the way that
20 I've described, they overstated the cost of the lightweight
21 pieces and understated the cost of the heavyweight pieces,
22 then your implicit cost coverages that you calculate would
23 be wrong, would they not?

24 A Certainly if Witness Schenk's costs change, my
25 coverages would change. Yes.

1 Q That's all I need to hear.

2 Let me give you one last response. This is a
3 response of Witness Harahush to Val-Pak/USPS-T-5-8. I have
4 copies.

5 A Thank you.

6 (Pause)

7 MR. OLSON: Mercifully this is a one pager. If
8 you could take a look at that, I'd like to give you all the
9 time you need.

10 (Pause)

11 BY MR. OLSON:

12 Q Ready?

13 A Yes.

14 Q Question B of that interrogatory, knowing this is
15 not your response, knowing this is the response of Witness
16 Harahush, recognizing this is a costing issue, you're not a
17 costing witness.

18 The question was, "Unless your answer to Part A is
19 an unqualified negative, would the DALs be recorded as
20 letter shaped or flat shaped pieces," and I think I can say
21 in the carrier cost system. This is DALs which accompany
22 non-letter shaped pieces and we asked Witness Harahush who
23 knows these things, "Would the DALs be recorded as letter
24 shaped or flat shaped in their costing system."

25 Could you read the response to B?

1 MR. AVERNO: I'm sorry, Mr. Chairman. I don't
2 believe the question asked whether or not the mailing was a
3 non-letter as Mr. Olson's represented, unless I'm missing it
4 here. It just simply says "an ECR saturation mailing" which
5 can be a letter or a non-letter.

6 MR. OLSON: In the next line it says "flat shaped
7 wraps". Would that be okay?

8 MR. AVERNO: All right.

9 CHAIRMAN OMAS: Thank you.

10 MR. OLSON: Perhaps I should have said flat
11 instead of non-letter.

12 THE WITNESS: Are you going to read the question
13 first?

14 MR. OLSON: I did, but I'll do it again.

15 BY MR. OLSON:

16 Q "Unless your answer to Part A is an unqualified
17 negative, would the DALs be recorded as letter shaped or
18 flat shaped pieces?"

19 A The answer which, as you pointed out, is not my
20 answer and I'm not the costing witness, to VP, Val-Pak/USPS-
21 T-5-8, Part B. "Almost invariably the DAL would be counted
22 as a letter in the city carrier system. In the rural
23 carrier cost system almost invariably the DAL would be
24 counted either as an other letter or a boxholder, depending
25 on the address format on the DAL."

1 Q Let's just focus on the first sentence. "Almost
2 invariably the DAL would be counted as a letter in the city
3 carrier system."

4 You're not a cost witness, you're not responsible
5 to know detailed information about costing.

6 Do you have any knowledge or reason to believe
7 that that statement, the first sentence there, is untrue?

8 A I have no basis for commenting on that. I'm not
9 the witness --

10 Q One way or the other?

11 A -- and I don't know how this necessarily feeds
12 into Witness Schenk's cost that I used that had been used in
13 previous dockets. Her methodology was used by Witness
14 Daniel in R-2000 and in prior dockets.

15 Q It was used since the creation of -- Well, it
16 wasn't used in MC-95-1, correct? Because we didn't have
17 actual data the first time the ECR was created, but it was
18 certainly used in R-97-1 and R-2000-1, this approach,
19 correct?

20 A The approach that Witness Schenk used, the costing
21 approach that Witness Schenk used was used in R-2000 and I
22 believe in the prior docket as well, R-97.

23 Q R-97-1, yes.

24 A The ECR subclass was actually created out of MC-
25 95.

1 Q Exactly. And if it was wrong in R-97-1 and wrong
2 in R-2000-1 and not discovered, then what we're going to try
3 to do is get at this in R-2001-1 and ask you this question.

4 Do you draw, can you draw any conclusions, because
5 you did look at unit costs at least to the point where you
6 realized that Witness Schenk was right, and if the answer is
7 no that's fine, but almost invariably the DAL would be
8 counted as a letter in the city carrier system.

9 Does that present any problem to you? Does that
10 cause you to have a red flag go up and say gee, maybe
11 there's a problem here?

12 A I have no basis to comment on that.

13 Q Okay.

14 If I were to ask you to assume that the costs of
15 handling non-letters which are associated with DALs, we're
16 trying to get all the costs of the wrap and the DAL into the
17 non-letter costing, and we just found out that the DAL was
18 considered a letter. That wouldn't be something you would
19 be able to analyze for us? It wouldn't be problematic?

20 A Could you repeat the question please?

21 Q If I were to suggest to you that -- All this goes
22 back to the consistency between unit revenues and unit
23 costs. And if you have a non-letter mailing with a DAL and
24 all the revenues of that mailing in your unit revenue input
25 that you developed in your work paper, all the revenues go

1 to non-letters, but some of the cost of that mailing, which
2 is to say the handling of the DAL goes to letters as opposed
3 to non-letters, don't we have an inconsistency between unit
4 costs and unit revenues?

5 A I don't know how this response feeds into Witness
6 Schenk's costing.

7 Q Do you know if in the RPW system the revenue
8 associated with detached address label mailings is credited
9 to non-letters?

10 A Could you repeat the question please?

11 Q I'm going to the issue of how much you know about
12 the RPW system and how it's --

13 A Very little.

14 Q The rest of us are with you. But I want to see
15 how the RPW system treats a mailing, standard ECR mailing of
16 non-letters which have accompanying DALs.

17 A I don't know.

18 Q You don't know where the revenues are credited?
19 Whether they're credited to non-letters or to letters?

20 A I don't know.

21 Q Okay.

22 When you worked with your, was it Library
23 Reference 131, your workpapers? 131?

24 A Yes.

25 Q When you developed your unit revenues, you did it

1 in that work paper, correct?

2 A Yes, that's correct.

3 Q And you used standard ECR volumes to develop those
4 unit revenues, correct?

5 A Yes, I used the billing determinants.

6 Q Do you know from the billing determinants or any
7 other source, how many detached address label mailings are
8 sent annually within the ECR subclass?

9 A No, I don't.

10 Q Do you have any idea of the order of magnitude?
11 Whether we're talking about millions or billions or many
12 billions? If you don't know, that's fine. I'm just
13 curious.

14 A I don't know.

15 Q Let me ask you --

16 A I would say -- Excuse me.

17 Q Yes.

18 A We would be able to arrive at at least a minimum
19 figure because ECR parcels are required to be shipped with
20 DALs.

21 Q So we absolutely know that --

22 A So we absolutely know that the ECR parcels are
23 shipped with DALs.

24 Q And we don't know how many ECR flats there are
25 from anything you've seen, I take it?

1 A That's correct.

2 Q ECR flats with DALs.

3 A Yes. That's what I thought you meant.

4 Q The problem with the record is that later we may
5 not remember.

6 Let me ask you to agree with me and accept subject
7 to check that RPW data are used to distribute the costs of
8 letters to weight increment. That the RPW volumes are used
9 to allocate the costs of letters to weight increments. Can
10 you accept that for a moment?

11 A No, I can't.

12 Q Is that false?

13 A I don't know if it's false, but I recall in my
14 discussions with Witness Schenk that she used the in-house
15 costing system, IOCS, at least for part of what she did. I
16 don't know how that relates to the other.

17 Q Would you agree that the average weight of ECR
18 non-letters is greater than the average weight of ECR
19 letters?

20 A In aggregate, yes.

21 Q I don't mean in aggregate, I mean average.

22 A Yes, I'd agree with that.

23 Q Let me ask you to turn to your response to 39.
24 Specifically Part I at the end, the last section.

25 (Pause)

1 Q Specifically in the middle of the second paragraph
2 you say "Certain assumptions are made regarding the cost and
3 revenue data." Do you see that phrase?

4 A No, if you could just give me a minute.

5 Q Sure.

6 (Pause)

7 A I'm sorry, which phrase were you referring to?

8 Q Fifth line down in the second paragraph. "Certain
9 assumptions are made regarding cost and revenue data." Do
10 you see that?

11 A Yes, I see that.

12 Q This is in the context of you saying you used the
13 best available data to develop your implicit coverages,
14 correct?

15 A I believe that this interrogatory, Val-Pak T-31-39
16 refers to the implicit coverages I provided in response to
17 Val-Pak 8 which requested them by shape. I can sit here and
18 read through it --

19 Q You referenced Table 3 in I at the beginning. You
20 say both Table 3 and response to Val-Pak 8.

21 A Yes, and then I go on to say the figures in Table
22 3 in my testimony make use of available data to provide the
23 implicit coverages for piece rated and pound rated pieces.

24 So again, my testimony looks at the rates, the
25 piece rates versus the pound rates. Table 3 does not

1 reflect the shape.

2 Q Correct. But you say certain assumptions are made
3 regarding the cost and revenue data, and what I don't know
4 is what those assumptions are. Could you itemize those for
5 us?

6 (Pause)

7 A Yes, I say in my testimony I had to use the 3.0
8 and 3.5 ounce dividing lines because we don't have the
9 information available at the precise break point which is
10 3.3 ounces.

11 So I had to use the assumption that either 3.0 is
12 a break point or 3.5. And that's basically a simplifying
13 assumption. Obviously in an ideal world we would have the
14 data available at the precise break point for my chart, but
15 that data is not available.

16 Q Okay.

17 A This actually updates a chart that was done in R-
18 2000 for piece rate and pound rate pieces. And again, it
19 illustrated that the coverage of pound rated pieces,
20 regardless of shape, is higher than for piece rated pieces.

21 Q I remember this from the last time.

22 Go down another sentence. You said, "The patterns
23 demonstrated in Table 3 are remarkably similar, but at the
24 3.0 and 3.5 ounce break points."

25 You use that, do you not, to give yourself

1 confidence in the quality of the implicit coverage numbers
2 you generate in that table?

3 A Yes, I think that it certainly shows that when I
4 use 3.0 or 3.5, because the patterns are similar, 3.3 is in
5 the middle. It's between 3.0 and 3.5. So it shows me that
6 even if we had the ideal data, the pattern would not be
7 materially different.

8 Q However, if you, going back to my earlier Cross-
9 Examination here. If we were to demonstrate that there is a
10 systematic over-attribution of costs to letters and under-
11 attribution of costs to non-letters, and therefore since
12 you've agreed with me that non-letters have a higher average
13 weight than letters, would it not be true that there would
14 be a systematic under-attribution to heavier weight pieces
15 and pieces which would be pieces over the 3.0 break point or
16 pieces over the 3.5 ounce break point?

17 A I think you may have asked two questions. Could
18 you break it down?

19 Q Before I was trying to show you how in the
20 costing, the cost of detached address labels are actually
21 charged to letters, and they have nothing to do with
22 letters. Letters didn't send the detached address labels,
23 non-letters did.

24 So I'm asking you to assume that there's a costing
25 flaw in what you were given. It's not your fault, but it's

1 been around for awhile, but there's a costing flaw.

2 So you draw some conclusions here about the
3 remarkable similarity of your analysis above and below 3.0
4 ounces and 3.5 ounces and you use that to show a pattern and
5 to give yourself confidence that you have accurate implicit
6 coverages, correct?

7 A I believe I say in my testimony and also in this
8 response that some assumptions are made. The accurate
9 coverage would be at the 3.3 ounce break point. I don't
10 have that, but I have it at the 3.0 and the 3.5 ounce break
11 points.

12 Q And the fact that this remarkable similarity
13 occurs above and below 3.0 and 3.5 leads you to conclude
14 that at the break point it's probably quite similar also,
15 correct?

16 A That's correct.

17 Q I'm asking you to assume that there is a
18 systematic over-attribution of costs of letters, which is to
19 say lighter weight pieces, did you not agree with me that
20 letters on average weigh less than non-letters in ECR?

21 A Yes, I agreed with you.

22 Q I'm asking you to assume there's a systematic
23 over-attribution of the cost of lightweight pieces and
24 under-estimation, systematic under-estimation of the cost of
25 heavy weight pieces. If so, you would have a remarkably

1 similar pattern, but it wouldn't tell you anything
2 meaningful about the proper pound rates that you should
3 recommend. Isn't that true?

4 A As I said before, if Witness Schenk's costs
5 changed, my implicit coverages could change. I don't know
6 if they would change materially or not. But my chart deals
7 with piece and pound rated pieces.

8 Q If you, if there were a systematic over-
9 attribution of costs to letters and letters were lighter
10 weight, would that not mean there was a systematic over-
11 attribution of costs to lighter weight pieces?

12 A Yes. If -- I believe it would. Could you repeat
13 that though just so I'm sure of what I said?

14 Q I don't blame you.

15 The -- If there were systematic over-attribution
16 of costs to letters, which are on average lighter than non-
17 letters, isn't it true there would be a systematic over-
18 attribution of costs to lighter weight pieces in Table 3?

19 A It depends on which costs we're talking about. If
20 you're referring to the costs that I read earlier, I don't
21 know how that feeds into Witness Schenk's.

22 Q I'm asking you to assume that Witness Schenk's
23 wrong. It's an assumption. You don't have to agree with
24 it.

25 A Well certainly if Witness Schenk's costs changed

1 my implicit coverages would changes. They would change one
2 way or the other depending in which direction here costs
3 changed.

4 Q I think this is a self-evident proposition, not
5 tricky. If the cost of letters which are lighter weight on
6 average is excessive, costs are over-attributed letters, and
7 the costs correspondingly of flats are under-attributed,
8 doesn't that mean that when you do this over and under 3.5
9 ounce piece that you have systematically over-attributed
10 costs to lightweight pieces and under-attributed costs to
11 heavyweight pieces, and I think you agreed with me a minute
12 ago.

13 (Pause)

14 A I think it depends on the degree of change if the
15 costs were to change and how that affected piece and pound
16 rated pieces.

17 Q Isn't it true that it doesn't depend on the degree
18 to which there's a change? If there's any change. If there
19 is a systematic over-attribution of costs to letters,
20 letters are on average lighter, that there's a systematic
21 over-attribution of costs to lightweight pieces in your
22 table. It doesn't matter what degree. To the extent there
23 is an over-attribution of costs to letters, there is a
24 systematic over-attribution of costs to lightweight pieces,
25 correct?

1 A Well, I can't agree to that.

2 Q Because?

3 A Because if there were a misattribution it would
4 depend on the size of the misattribution, on the -- It would
5 depend on what was misattributed, how that fed into the
6 costs here. It's a question of degree.

7 I found in dealing with my work papers that --

8 Q Let me rephrase it. This --

9 MR. OLSON: Mr. Chairman, this is my last try.

10 BY MR. OLSON:

11 Q If the amount of the over-attribution to letters
12 was this big -- I'm holding up my fingers one inch apart.
13 And you agreed with me, the letters are lighter than non-
14 letters. Then isn't it true that the costs would be over-
15 attributed systematically to lighter weight pieces and
16 underattributed to heavyweight pieces by this much. It's
17 not a matter of degree. If I held my fingers this far
18 apart, it would still be true. If I held them really close
19 together it would still be true, right?

20 A As I was about to say before, I found in working
21 with some models that the size of volume that I deal with,
22 which is in the billions, means that a lot depends on
23 rounding and on the -- I don't know. I mean --

24 Q If there were six billion DALs in the standard ECR
25 system, and those six billion DALs had half of the cost of

1 handling the DALs went to letters, we're not talking about
2 something that disappears in the rounding, are we?

3 A No, but I have no reason -- It would depend on the
4 materiality of the change that you're talking about.

5 Q This big.

6 A I don't know if that's big or small.

7 Q I don't care --

8 A I just don't know.

9 Q You can make it any size you want.

10 MR. OLSON: Mr. Chairman, you're right. I did say
11 that was going to be my last try.

12 (Laughter)

13 BY MR. OLSON:

14 Q Let me ask you to turn to 18A.

15 CHAIRMAN OMAS: Thank you, Mr. Olson.

16 MR. OLSON: Mr. Chairman, I'm going to work
17 assiduously to try to get through mine in say 15 or 20
18 minutes if the Commission is indulgent this morning, as it
19 always is.

20 CHAIRMAN OMAS: I would prefer to go on if it's
21 15, 20 minutes, then we'll take a break for lunch, then Ms.
22 Baker we'll come back with you.

23 MR. OLSON: Thank you.

24 BY MR. OLSON:

25 Q Ms. Hope, I hope you can cooperate with me to get

1 through this. I'm going to do this as quick as I can.

2 Do you have 18A there?

3 A Yes, I do.

4 Q Would you confirm that the letter flat cost
5 differential of ECR saturation is 1.14 cents? That's what
6 you did in A, correct?

7 A Yes, I confirmed that.

8 Q And you also said in E, some observers may view
9 the Commission's pass-through, which it says was 100
10 percent, as a pass-through of 89.5 percent. Is that
11 correct?

12 A Yes, that's correct.

13 Q If you had applied a pass-through of 89.5 percent,
14 and let's use that number, to a letter flat cost difference
15 of 1.14 cents for the saturation mail, do you know what the
16 rate differential would have been? You probably don't. Let
17 me ask you to accept --

18 A Well --

19 Q Go ahead. Maybe you do.

20 A No, not offhand.

21 Q Let me ask you to accept, subject to check, it was
22 1.0203 cents. What is the letter flat rate differential you
23 recommend for ECR saturation? Seven-tenths?

24 A It's seven-tenths of a cent.

25 Q If I compare the seven-tenths you recommend with

1 the letter flat, with the Postal Service's measured letter
2 flat cost differential of 1.14 cents, you are passing
3 through 61.4 percent of the differential, correct?' Subject
4 to check.

5 A Isn't that my response to B?

6 Q Yes. I'm trying to develop this with you today.
7 I know I might have asked some of these questions but part
8 of the process of Cross-Examine is to lay this foundation.
9 I'll get to where I'm going here.

10 This is where that rounding came in we were
11 talking a minute ago. There is a range of possible pass-
12 throughs that because you have a .1 cent discount, not
13 500ths of a whatever, but it has to be .1 cents, correct?
14 Discounts? Isn't that true? The rates are only in tenths
15 of a cent?

16 A Yes, that's true. There is a range of pass-
17 throughs that would yield the same on the worksheet, and it
18 would yield the same measured cost pass-through.

19 Q I did the math and for a 1.14 cent measured letter
20 flat differential, your seven-tenths of a cent
21 recommendation would equate to a range of pass-throughs from
22 57.9 to 65.8 percent. Would you accept that subject to
23 check?

24 (Pause)

25 A Yes. I accept that.

1 Q And using your phrase in your response to 18E,
2 isn't it fair to say that no observers would view a pass-
3 through of 57 to 66 percent as a 100 percent pass-through?

4 A This is a reference to a prior interrogatory where
5 the pass-through was calculated differently. I can look for
6 that if you like, or you may have it.

7 Q I'm not sure it's necessary to answer my question.
8 My question is since your .7 cent saturation letter flat
9 rate differential equates to a 57 to 66 percent range of
10 pass-through, isn't it true that if you're dealing with 57
11 to 66 percent ranges of pass-throughs that that can't be, as
12 you say, viewed as 100 percent? Can't be viewed by any
13 observers as 100 percent?

14 A Are you asking me if my pass-through is 100
15 percent?

16 Q No, I'm asking if it could be viewed -- You made
17 the point that the Commission had 100 percent pass-through,
18 and you said some may view this as 89.5 percent. I'm trying
19 to say you only recommended 57 to 66 percent. You can't
20 view that as --

21 A No, that's certainly not 100 percent.

22 Q And look at 20. This is the same kind of
23 question. This is for ECR high density. There the letter
24 flat differential measured by the Postal Service is .661
25 cents, correct?

1 A Yes, I confirm that.

2 Q You say in response to E, some observers may view
3 this as a pass-through of 109.9 percent, correct?

4 A Yes. Correct.

5 Q Then you say that in the Commission's model a
6 broad range, starting from 91.6 percent, would net a 0.3
7 cent rate differential, correct?

8 A Yes.

9 Q So if you had applied a pass-through of 91.6
10 percent of the letter cost differential for this high
11 density which is .661, do you know what the rate
12 differential for ECR high density would have been? I can
13 tell you. It's .605 cents. Would you accept that subject
14 to check? If --

15 A The math may be correct but I don't know that
16 we've addressed the fact that the commission's pass-throughs
17 are calculated off of a different base.

18 Q Is that the point you're making when you say some
19 may view it as a different number, because you're talking
20 about the way it's calculated?

21 A I was actually referring to another interrogatory
22 response, but I would have to look for it to tell you what
23 it was.

24 Q Can you take 30 seconds and --

25 A It may take a bit longer, but I'll take a look.

1 Q I only have 20 minutes. Ten minutes.

2 (Laughter)

3 A Maybe I'll take awhile.

4 (Laughter)

5 Q Never let a witness know how long you're going to
6 take.

7 (Pause)

8 A I have a lot to look through.

9 (Pause)

10 Q Okay, I yield.

11 A I was going to say I don't think I can find it
12 very quickly.

13 Q Okay, I give up.

14 Let me ask you this. Isn't it true that any pass-
15 through from, this is the way you run the numbers, that any
16 pass-through from 69 to 83 percent would round to half a
17 cent? Half a cent is what you're recommending, isn't it?

18 A We're talking about the ECR high density letter
19 rates?

20 Q Yes.

21 A I don't know the ranges off-hand. There certainly
22 are a set of ranges and I can accept that subject to check.

23 Q But you are recommending 0.5 cents, correct?

24 A Yes. That's for the rate.

25 Q Yes. Pass-through to develop the rate.

1 So if you do accept subject to check that 0.5
2 cents translates to a 69 to 83 percent pass-through, you
3 wouldn't find some observers who thought that was 100
4 percent, would you?

5 A A hundred percent isn't in the range that I just
6 accepted, but I'm reading B here where you say under your
7 proposed rates the high density letter rate will be 0.5
8 cents lower than ECR high density flat rate. Am I at the
9 correct --

10 Q And you confirmed that, yeah.

11 A And I'm at Val-Pak 20.

12 Q Yes.

13 A That was the rate.

14 Q Exactly. Okay. Thanks.

15 So is it not true that you for both ECR saturation
16 and high density have systematically reduced the
17 Commission's recommended percentage pass-throughs from the
18 last docket?

19 A The pass-throughs are calculated off a different
20 base because the costing, I understand, is different than --
21 Excuse me. The Commission uses a different costing method,
22 especially in terms of treatment of volume variable costs.
23 So frankly, as I explained in my testimony, I find that the
24 percentages comparing one percentage to another when it's
25 off a different base is not as helpful as looking at the

1 measured cost pass-throughs, and in my response to Val-Pak
2 19 I illustrate that the pass-throughs in my proposal are
3 higher.

4 Q I understand that. But are you, have you
5 developed what your pass-throughs would be using Commission
6 methodology?

7 A No, I haven't.

8 Q Take a -- Would you agree as a principle that
9 pass-throughs of 100 percent generally result in rates that
10 are more cost-based than pass-throughs that differ
11 materially from 100 percent above or below?

12 A Certainly if there is a material difference the
13 pass-throughs set at 100 percent would be more cost-based in
14 the long run. One would probably look at a set of data.

15 Q You do what you just said a second ago in 21B.
16 You said in this docket, I guess you mean your emphasis was
17 placed on measured cost savings rather than the pass-through
18 percentage, correct?

19 A That's correct. It seemed to make more sense to
20 me. I thought certainly that it's more meaningful to
21 mailers to look at the changes in terms of the monetary
22 change and not the different percentages off of different
23 bases, so to me it made sense to look at the actual change.

24 Q As a rate design witness and somebody who's sent
25 out prior Commission opinions and recommended decisions,

1 would you agree that one of the Commission's principles of
2 rate design over the years has been to achieve rates that
3 are more cost-based as opposed to rates that could be
4 considered less cost-based?

5 A Yes. Putting that with other criteria, yes.

6 Q And in the last case the Commission, and this was
7 Witness Moeller's testimony I think for ECR, or for both
8 standard regular and ECR, but he stressed in his testimony,
9 I don't know if you read that recently, but that the pass-
10 through percentage rather than the absolute amount should be
11 looked at. Do you -- I don't want you to accept that if you
12 don't believe it.

13 Do you recall him saying that in the last case?

14 A No, I don't. I've read his testimony. I don't
15 recall that passage or the context that it was in.

16 Q If that has been the prior Postal Service and
17 Commission principle, to look at the pass-through
18 percentages, do you have a principle that you're
19 recommending now that the Commission adopt to change the way
20 they analyze pass-throughs and not look at percentages?
21 Rather look at absolute amounts? Is that what you're
22 urging?

23 A No, that's not what I'm urging.

24 Q Did you find a problem with 100 percent pass-
25 throughs in this case? Of this letter, the ECR high density

1 and saturation, the letter flat cost differential?

2 A If the letter flat cost differential had been
3 increased it would have changed the band. It likely, I
4 should say, would have changed the band that I was given in
5 which I discuss in my testimony which is of keeping rates so
6 increase is below 10 percent.

7 Q Let's talk about that. Isn't that at the
8 beginning of your testimony?

9 A I think it is. I'll have to check.

10 Q I think it's one or two, it's right up there.
11 It's page two, line 12. You talk about limiting
12 individual rate cell increases to less than ten percent.

13 A That's correct.

14 Q Is it your testimony here today that if you pass
15 through 100 percent of the letter flat cost differential for
16 ECR saturation and ECR high density that you would exceed 10
17 percent for some rate cell within ECR?

18 A The pass throughs have it's a dynamic -- the
19 method of setting the rate design is very dynamic and
20 different factors come into play, so I believe that it would
21 change the band, as I had said.

22 It would also -- it could also disrupt other rate
23 relationships, and one of my mandates was to maintain the
24 current rate relationship.

25 Q Okay. I'm down to three minutes here. Are you

1 saying that you believe that it would result in I know they
2 are all dynamic rates.

3 A Yes.

4 Q I know they're interrelated. I've played with the
5 numbers.

6 What I'm saying is are you saying to the
7 Commission that if you had a 100 percent pass through of ECR
8 basic and ECR saturation rather than the pass through of the
9 letter flat differential which you are recommending that
10 some rate cells would go up more than ten percent?

11 A I believe that's true based on my model. Again,
12 we're looking at different costing methodologies.

13 Q Let me ask you.

14 A But --

15 Q I'm sorry. Go ahead.

16 A If the pass throughs were changed, it's likely
17 that some other elements, some other rate elements, would
18 have to be looked at. It's unlikely that everything else
19 would stay the same within my guidelines.

20 Q The only guideline my question deals with is the
21 ten percent --

22 A Right.

23 Q -- because that's what is in your testimony, page
24 2, line 12.

25 A Right.

1 Q Last time.

2 A Yes.

3 Q Is it your testimony that if you had 100 percent
4 pass throughs that you've run the numbers, and you can tell
5 the Commission here today that some rate cells would go up
6 over ten percent, violating that principal, if you pass
7 through 100 percent of the letter flat cost differential for
8 ECR high density and ECR saturation?

9 A I would say that it would change the -- I'm trying
10 to think how the model works here. It would likely change
11 other rate relationships, and I'd say that it could increase
12 it above ten percent for some rate cells. I can't say for
13 sure that it would.

14 Q You don't know?

15 A Not sitting here, no.

16 Q Sitting back in your office when you designed
17 this, do you know that you came to that conclusion that it
18 would have been over ten percent?

19 A Well, I looked at various iterations with
20 different variables in the rate elements, and I did actually
21 explore higher pass throughs.

22 Q Do you have a specific recollection of finding a
23 rate cell that went up over ten percent when you did those
24 iterations?

25 A I did a number of iterations, and there are --

1 Q I'm talking about the 100 pass through iteration.

2 A I don't have specific recollections of the number
3 of iterations, --

4 Q That's fine. Okay.

5 A -- but I do believe that this stays within the
6 guidelines that are outlined in my testimony, including
7 maintaining the ten percent ceiling.

8 Q I'm going to almost do this in passing, but in
9 Interrogatory 22-D we asked you about whether you considered
10 setting saturation non-letter rates two-tenths of a cent
11 higher and letter rates two-tenths of a cent lower, and you
12 were concerned about the rate design implications there.

13 Isn't it true that if you increased the cost of
14 non-letters and decreased the cost of letters that because
15 there are more non-letters in the system, ECR non-letters,
16 that you would generate more money for the Postal Service?

17 A Could you repeat the beginning, please?

18 Q Standard ECR letters/non-letters. We asked you a
19 question about increasing by two-tenths of a cent the rate
20 for non-letters and decreasing the cost for letters by two-
21 tenths of a cent.

22 A Right.

23 Q Isn't it true that that would generate more
24 revenue for the Postal Service than ceteris paribus or a
25 hypothetical?

1 A That may be true, but it may not be true also
2 because once we develop the rates our proposed rates are
3 sent to volume forecasters. The volume forecasters then
4 come back with the test year after rates projected volumes.

5 They also take into account the shifts I believe
6 with other subclasses and so forth in Witness Tolley's
7 testimony, so --

8 Q Good answer, but I'm asking you to put that aside
9 for the moment. Assume the letters and non-letters had
10 equal elasticity, same type of response. Isn't it just true
11 that there are more non-letters in the system?

12 A Yes. I think I have a chart, in fact, in my
13 testimony that --

14 MR. OLSON: I don't have time for it, though,
15 because I have just run out of time plus three minutes.

16 I thank you for your indulgence, Ms. Hope and Mr.
17 Chairman. I am done.

18 COMMISSIONER OMAS: Thank you, Mr. Olson, and
19 thank you, Ms. Hope. We will see you all again same time,
20 same place, at 1:45.

21 (Whereupon, at 12:39 p.m. the hearing in the
22 above-entitled matter was recessed, to reconvene at
23 1:45 p.m. on this same day, Thursday, January 10, 2002.)

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A F T E R N O O N S E S S I O N

(1:45 p.m.)

COMMISSIONER OMAS: Mr. Hollies, would you introduce your Postal witness, please?

MR. HOLLIES: This is Mr. Hollies, Ken Hollies, on behalf of the Postal Service. I am here acting for Mr. Rubin.

We're going to be just a moment. I understand the OCA has a couple of additional designations, the accuracy of which we'd like to check before we get going.

COMMISSIONER OMAS: Very well.

(Discussion held off the record.)

MR. HOLLIES: The Postal Service calls Ms. Susan Mayo to the stand.

COMMISSIONER OMAS: Ms. Mayo, would you please stand?

Whereupon,

SUSAN W. MAYO

having been duly sworn, was called as a witness and was examined and testified as follows:

COMMISSIONER OMAS: Please be seated.

THE WITNESS: Thank you.

(The document referred to was marked for identification as Exhibit No. USPS-T-36.)

1 DIRECT EXAMINATION

2 BY MR. HOLLIES:

3 Q Ms. Mayo, do you have two copies of a document
4 designated USPS-T-36 entitled Direct Testimony of Susan W.
5 Mayo on behalf of the United States Postal Service in front
6 of you?

7 A Yes, I do.

8 Q And does this testimony include the corrections
9 that were filed on November 21, 2001?

10 A Yes, it does.

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

13 A Yes, it was.

14 Q Do you have any corrections to make at this time
15 to your testimony?

16 A Actually, yes. I have two corrections to make.
17 The first one is to Exhibit A of my testimony on page 2.
18 The header says page 1 of 2, and it should state page 2 of
19 2.

20 The second correction is to Exhibit B. Under the
21 Express Mail column, the Insurance row, I've placed an X in
22 there that needs to be added. An X needs to be added to
23 indicate that insurance can be purchased with Express Mail.

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

1 A Yes, it would.

2 MR. HOLLIES: With that, the Postal Service moves
3 into the record Ms. Mayo's testimony, USPS-T-36.

4 COMMISSIONER OMAS: Any objections?

5 (No response.)

6 COMMISSIONER OMAS: I will direct counsel to
7 provide the reporter with two copies of the corrected direct
8 testimony of Susan W. Mayo. That testimony is received into
9 evidence. As is our practice, it will not be transcribed.

10 (The document referred to,
11 previously identified as
12 Exhibit No. USPS-T-36, was
13 received in evidence.)

14 COMMISSIONER OMAS: Ms. Mayo, have you had an
15 opportunity to examine the packet of designated written
16 cross-examination that was made available to you in the
17 hearing room today?

18 THE WITNESS: Yes, I have.

19 COMMISSIONER OMAS: If questions contained in that
20 packet were posed to you orally today, would your answers be
21 the same as those previously provided in writing?

22 THE WITNESS: Yes, it would.

23 COMMISSIONER OMAS: Are there any corrections or
24 additions you would like to make at this point?

25 THE WITNESS: No, there aren't.

1 BY MR. HOLLIES:

2 Q Further, Ms. Mayo, are you prepared to sponsor the
3 Category II library references associated with your
4 testimony into evidence?

5 A Yes, I am.

6 Q Are these the library references identified at
7 page 4 of your testimony specifically as Library Reference
8 J-92, J-93 and J-109?

9 A Yes, they are.

10 MR. HOLLIES: I believe at this juncture we're
11 left with the OCA's additional designation.

12 COMMISSIONER OMAS: Right.

13 MS. DREIFUSS: Mr. Chairman, two responses were
14 filed by Ms. Mayo on January 7 following our written
15 designation of her responses. I have given her two copies
16 of them this afternoon. They are DBP/USPS-105 and 113.

17 (The documents referred to
18 were marked for identification
19 as Exhibit Nos. DBP/USPS-105
20 and DBP/USPS-113.)

21 CROSS-EXAMINATION

22 BY MS. DREIFUSS:

23 Q Ms. Mayo do you have those two copies in front of
24 you now?

25 A Yes, I do.

1 Q Have you had a chance to look them over?

2 A Yes, I have.

3 Q Were those written by you or prepared under your
4 direction?

5 A Yes, they were.

6 Q If those questions were asked of you today, would
7 your answers be the same?

8 A Yes, they would.

9 MS. DREIFUSS: Mr. Chairman, I ask that they be
10 entered into evidence.

11 COMMISSIONER OMAS: Without objection.

12 (The documents referred to,
13 previously identified as
14 Exhibit Nos. DBP/USPS-105 and
15 DBP/USPS-113, were received in
16 evidence.)

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-105. Please refer to your response to OCA/USPS 237 subparts b and c. [a] Please advise the one location that set up an operation to automate the completion of the PS Form 3811. [b] Please provide details of the automated system utilized and provide a copy of a sample completed return receipt form. [c] Please provide a listing of those high volume users that hand over certified mail before obtaining signatures on the return receipts. [d] Provide the name of the location that stopped the practice and provide details of the system that is utilized at that location including a copy of a sample completed return receipt form. [e] Please provide details of the "approach of automated printing of receipt information on receipts" that is being considered. [f] Provide the date the USPS anticipates when each problem will be resolved.

RESPONSE:

[a] One location that uses an automated operation for completing the PS Form 3811 is Sacramento, California.

[b] Postal employees modified a Mark II facer canceller machine to stamp the name, date and toll-free number of a state representative on the PS Form 3811 Return Receipts. This expedited method of return receipt stamping/signing made it possible to complete return receipts while the certified mail was still in the possession of the postal employee handing the mail to the state tax agency. A copy of a sample completed return receipt form will be provided if it can be obtained.

[c] A listing of this nature has not been compiled.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-105. (CONTINUED)

RESPONSE:

[d] Sacramento, California. The process is described in (b) above.

[e] See (b) above. The details of this approach are still under consideration.

[f] No specific date has been established.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. In your response to DBP/USPS-25 subparts a and b, you indicate that it is a goal to achieve the signing for all accountable mail and the associated return receipt at the time of delivery regardless of the type of addressee or the number of articles involved. [a] Elaborate what you mean by a goal. [b] Does this goal have the support of management? [c] Does this goal apply to all delivery offices? [d] Do you agree that *this goal should be attempted* to be met by all delivery offices? [e] Explain any negative response to subparts b through d. [f] Are there any instances existing anywhere within the Postal Service where the signing for the accountable mail and the associated return receipt are, by default or by design, not completed at the time of delivery? [g] Provide details of any affirmative response to subpart f including the authority for and the method of delivery. If a detached mail unit is a method of delivery, confirm, or explain if you are unable to do so, that a detached mail unit is an activity which is operated by Postal employees at the addressee's location. [h] Elaborate on your response to the statement in reply to subpart b, "In some cases it is possible that the signature takes place after delivery." [i] In your response to subpart e, you indicated that it would be relatively rare for multiple pieces of articles requesting return receipts to be addressed to a single recipient. Does this apply to various government agencies, such as IRS and the state tax departments, as well as other government agencies and large commercial organizations? [j] Confirm, or explain if you are unable to do so, that DMM Section D042.1.7b would place the requirement for obtaining the signature at the time of delivery from that of being a goal to that of being a regulation. [k] Does DMM Section D042.1.7 apply to all addressees within the service area of the *United States Postal Service*? [l] If not, provide a listing of any exceptions and the authority for doing so.

RESPONSE:

I assume you are referring to witness Plunkett's Docket No. R97-1 response to interrogatory DBP/USPS-32.

[a] A goal in this case refers to a general business objective.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. (CONTINUED)

RESPONSE:

[b] It is not a formal corporate goal but rather a business objective. A goal is a measurable event with a specific time and level of achievement. A general business objective refers to a desired achievement for the organization.

[c] The business objective applies to all delivery offices.

[d] Yes.

[e] I assume that witness Plunkett was considering the entire variety of return receipt deliveries, including deliveries to large organizations.

[f-h] See the responses to OCA/USPS-236 and 237 and DBP/USPS-104 and 105.

[i] There is no part (e) in the response to DBP/USPS-25.

[j] The DMM contains regulations, not goals.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. (CONTINUED)

RESPONSE:

[k] Yes.

[l] Not applicable.

1 COMMISSIONER OMAS: Counsel, would you please
2 provide two copies of the corrected designated written
3 cross-examination of Witness Mayo to the reporter? That
4 material is received into evidence, and it is to be
5 transcribed into the record.

6 (The document referred to was
7 marked for identification as
8 Exhibit No. USPS-T-36 and was
9 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes

Docket No. R2001-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS SUSAN W. MAYO
(USPS-T-36)

Party

Office of the Consumer Advocate

Interrogatories

DBP/USPS-61, 76-79, 104, 106-112 redirected to
T36

DFC/USPS-T36-1-2, 4-5

OCA/USPS-T36-1-7, 9-11, 14, 15b-c, 17-37, 38c-
d, f-k, 39, 41-58

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS SUSAN W. MAYO (T-36)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
DBP/USPS-61 redirected to T36	OCA
DBP/USPS-76 redirected to T36	OCA
DBP/USPS-77 redirected to T36	OCA
DBP/USPS-78 redirected to T36	OCA
DBP/USPS-79 redirected to T36	OCA
DBP/USPS-104 redirected to T36	OCA
DBP/USPS-106 redirected to T36	OCA
DBP/USPS-107 redirected to T36	OCA
DBP/USPS-108 redirected to T36	OCA
DBP/USPS-109 redirected to T36	OCA
DBP/USPS-110 redirected to T36	OCA
DBP/USPS-111 redirected to T36	OCA
DBP/USPS-112 redirected to T36	OCA
DFC/USPS-T36-1	OCA
DFC/USPS-T36-2	OCA
DFC/USPS-T36-4	OCA
DFC/USPS-T36-5	OCA
OCA/USPS-T36-1	OCA
OCA/USPS-T36-2	OCA
OCA/USPS-T36-3	OCA
OCA/USPS-T36-4	OCA
OCA/USPS-T36-5	OCA
OCA/USPS-T36-6	OCA
OCA/USPS-T36-7	OCA
OCA/USPS-T36-9	OCA
OCA/USPS-T36-10	OCA
OCA/USPS-T36-11	OCA
OCA/USPS-T36-14	OCA
OCA/USPS-T36-15b	OCA
OCA/USPS-T36-15c	OCA
OCA/USPS-T36-17	OCA
OCA/USPS-T36-18	OCA
OCA/USPS-T36-19	OCA

OCA/USPS-T36-20	OCA
OCA/USPS-T36-21	OCA
OCA/USPS-T36-22	OCA
OCA/USPS-T36-23	OCA
OCA/USPS-T36-24	OCA
OCA/USPS-T36-25	OCA
OCA/USPS-T36-26	OCA
OCA/USPS-T36-27	OCA
OCA/USPS-T36-28	OCA
OCA/USPS-T36-29	OCA
OCA/USPS-T36-30	OCA
OCA/USPS-T36-31	OCA
OCA/USPS-T36-32	OCA
OCA/USPS-T36-33	OCA
OCA/USPS-T36-34	OCA
OCA/USPS-T36-35	OCA
OCA/USPS-T36-36	OCA
OCA/USPS-T36-37	OCA
OCA/USPS-T36-38c	OCA
OCA/USPS-T36-38d	OCA
OCA/USPS-T36-38f	OCA
OCA/USPS-T36-38g	OCA
OCA/USPS-T36-38h	OCA
OCA/USPS-T36-38i	OCA
OCA/USPS-T36-38j	OCA
OCA/USPS-T36-38k	OCA
OCA/USPS-T36-39	OCA
OCA/USPS-T36-41	OCA
OCA/USPS-T36-42	OCA
OCA/USPS-T36-43	OCA
OCA/USPS-T36-44	OCA
OCA/USPS-T36-45	OCA
OCA/USPS-T36-46	OCA
OCA/USPS-T36-47	OCA
OCA/USPS-T36-48	OCA
OCA/USPS-T36-49	OCA
OCA/USPS-T36-50	OCA
OCA/USPS-T36-51	OCA
OCA/USPS-T36-52	OCA

OCA/USPS-T36-53	OCA
OCA/USPS-T36-54	OCA
OCA/USPS-T36-55	OCA
OCA/USPS-T36-56	OCA
OCA/USPS-T36-57	OCA
OCA/USPS-T36-58	OCA

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-61. The following Interrogatory was asked in Docket R2000-1 as Interrogatories DBP/USPS-131 through 134. Please respond to each of these Interrogatories with respect to the current policies that existed during the 2001 tax filing season.

Subpart a – DBP/USPS-131

Attached to this pleading is a letter dated September 24, 1999, as Attachment A.

[a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

[b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Atlanta Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service and the Georgia Income Tax Division is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-2001.

[c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Atlanta Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service and the Georgia Income Tax Division do not meet the requirements of the Domestic Mail Manual [Section D042.1.71, Postal Operations Manual [Section 822.1 I], and Headquarters Directives.

[d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

Subpart b – DBP/USPS-132

Attached to this pleading is a letter dated September 24, 1999, as Attachment B.

[a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

[b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Memphis Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-2001.

[c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Memphis Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual Section D042.1.71, Postal Operations Manual Section 822.111, and Headquarters Directives.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-61. (CONTINUED)

[d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

Subpart c – DBP/USPS-133

Attached to this pleading is a letter dated October 26, 1999, as Attachment C.

[a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

[b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Philadelphia Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services, USPS-LR-I-2001.

[c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Philadelphia Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual Section D042.1.71, Postal Operations Manual Section 822.111, and Headquarters Directives.

[d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

Subpart d – DBP/USPS-134

Attached to this pleading is a letter dated September 28, 1999, as Attachment D.

[a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

[b] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Cincinnati Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service is similar to the problems that were observed by the Inspection Service at the Andover, Massachusetts Internal Revenue Service as noted in the Inspection Service Area Coordination Audit Report on Special Services, USPS-LR-I-2001.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-61. (CONTINUED)

[c] Please confirm, or explain and discuss if you are not able to confirm, that the procedures utilized by the Cincinnati Post Office to process the completion of the Return Receipts on accountable mail destined to the Internal Revenue Service do not meet the requirements of the Domestic Mail Manual Section D042.1.7], Postal Operations Manual Section 822.111, and Headquarters Directives.

[d] Please confirm, or explain if you are not able to do so, that customers who purchased the referenced Return Receipt service did not receive the service that they paid for.

RESPONSE:

The same responses, DBP/USPS-131, 132, and 134, from Docket No. R2000-1, apply to Atlanta, Memphis, and Cincinnati for the 2001 tax season. See Docket No. R2000-1, Tr. 14/5449-5452, 5455-56 and Tr. 46C/20742-43, 20745.

For DBP/USPS-133:

a. – d. Not confirmed. I have been informed that the Philadelphia Post Office follows the procedures outlined in DMM Section D042.1.7 and Postal Operations Manual Section 822.11.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-76.

[a] Please furnish a copy of the letter that was sent out in March 2001 to in-plant support area managers as a reminder of the proper procedures for handling special services [see page 99 of USPS-T-36].

[b] Please furnish copies of any other letters or directives regarding the proper procedures for handling Certified Mail and/or Return Receipts since the initial Commission concerns in Docket R90-1.

RESPONSE:

a. Copy attached.

b. See attachment for directives since 2000. Also, see response to OCA/USPS-236.

March 2, 2001

MANAGERS, IN-PLANT SUPPORT (AREA)

SUBJECT: Processing IRS Mail

Tax season has arrived. Due to delayed processing of tax returns, the Postal Service received negative publicity last year. Consequently, a great deal of attention will be focused on processing the Internal Revenue Service (IRS) mail this year. Expect the Inspector General's office to examine our work processes this tax season.

Postal employees must provide the appropriate service indicated on each IRS mailpiece. This means scanning all items with Special Services, such as Delivery Confirmation, Signature Confirmation, Certified, and Registered. When preparing holdouts for other plants, use PS Form 3883, *Firm Delivery Receipt for Accountable and Bulk Delivery Mail*. There are only two authorized means to record firm deliveries:

- Manually using the November 1999 barcoded version of PS Form 3833 or
- Electronically using the Firm Print Workstation.

As a reminder, the use of automated equipment other than the Firm Print Workstation to electronically produce firm sheets, such as Delivery Confirmation Receipt System (DCRS) or Electronic Delivery Confirmation Receipt System (EDCRS), must not be used with the signature capture process. DCRS and EDCRS may only record items for Registry dispatch functions.

Please ensure that your standard operating procedures reflect proper scanning activities. Failure to follow these procedures will result in revenue loss and customer dissatisfaction. Make certain that all employees understand and perform the correct work processes. If assistance is needed with the scanning of Special Service items for the IRS, contact the district Delivery Confirmation coordinator.

As a final note, the *Postal Bulletin* of Jan. 11, 2001, listed distribution changes for the IRS' return processing centers. Questions or comments can be directed to Jamie Gallagher from my staff at 202-268-4031. Success is in the details. We can make this tax season a success story with focus on the proper processing of IRS returns.

David N. Goldstein

cc: Mr. O'Tormey

Postal Operations Manual (POM)

6 Delivery Services

61 Conditions of Delivery

612 Delivery of Addressee's Mail to Another

612.13 Procedures for Delivery to CMRA

Mail delivery to a CMRA requires the following:

[Revise item a to add a sentence before the sentence "If the applicant is unable to substantiate..." as follows:]

A document from a governmental entity or recognized financial institution or a utility bill with the applicant's name and current permanent address may be used for such purpose.

c. In delivery of the mail to the CMRA, the addressee and the CMRA agree to the following:

[Add new item c (3) as follows and renumber existing items (3) through (6) as (4) through (7), respectively:]

- (3) If mail is re-mailed by the CMRA to the address of a former customer during the 6-month re-mail period and returned by the Postal Service endorsed "Moved, Left No Address," then the CMRA may return that mail to the Post Office with the approval of the postmaster or station manager. The approval is subject to evidence that the mail was re-mailed with new postage to the former customer at (a) the address provided when the relationship was terminated and/or (b) the verified home or business permanent address provided on the customer's PS Form 1583. Upon approval, the CMRA may return to the Post Office only First-Class Mail, Priority Mail, Express Mail, accountable mail, and Parcel Post received for the former customer. The CMRA must return this mail to the Post Office the next business day after receipt without new postage, and the Post Office will return it to the sender.

— Delivery and
Retail, Consumers and Small Business, 3-8-01

REVISED DEADLINE

Special Services Barcoded Label (2-24-01); Exception for Larger Mailings (5-1-01)

Effective February 24, 2001, any Special Services mailing of 100 pieces or less, without barcoded Special Services labels, will be refused and returned for resubmission with barcoded Postal Service or vendor-produced labels. This compliance deadline applies to any mailing bearing the following forms/labels: PS Form 3800, *Certified Mail Receipt*; PS Form 3813-P, *Insured Mail Receipt*; Label 200, *Registered Mail*; PS Form 3804, *Return Receipt for Merchandise*; and PS Form 8099, *Receipt for Recorded Delivery*.

Larger mailings (more than 100 pieces) using commercially produced (nonpostal) labels bearing the nonbarcoded label format (old alpha/numeric 10-digit format; e.g., P 842 063 223) for any of the above special services will be accepted without barcoded labels until May 1, 2001. Labels that do not have the taggant applied (Certified Mail) or that are rubber stamped, handwritten, short numbered, and so on are excluded from the delivery information capture process and will not be accepted.

Although larger volume mailings will still be accepted until May 1, 2001, customers are encouraged to move forward with their conversion efforts and should contact their local vendor for assistance. A list of vendors that have been certified by the Postal Service to produce commercially printed Special Services labels is available from Headquarters. Customers interested in receiving this list should contact the Special Services office at (703) 292-4172.

— Special Services, Core Business Marketing, 3-8-01

Special Services Barcoded Label Deadline — Internal Revenue Service Exception

The compliance deadline for barcoding Special Services labels is May 1, 2001, for all mailers, except the Internal Revenue Service (IRS). This deadline applies to any mail bearing the following labels:

- PS Form 3800, *Certified Mail Receipt*
- PS Form 3813-P, *Insured Mail Receipt*
- Label 200, *Registered Mail*
- PS Form 3804, *Return Receipt for Merchandise*
- PS Form 8099, *Receipt for Recorded Delivery*

Offices should accept nonbarcoded mail from the IRS until **July 14, 2001**. Although the IRS has an extension until July, they anticipate that 70 percent of their mail volume will be converted to the barcoded format by May 31. The remaining volume will be converted by July 14.

As information, the majority of the IRS's mail is generated out of 10 service centers located in the following areas: Andover, MA; Atlanta, GA; Austin, TX; Brook Haven, NY; Cincinnati, OH; Fresno, CA; Kansas City, MO; Memphis, TN; Ogden, UT; and Philadelphia, PA.

All other mail with nonbarcoded Special Services labels received at retail acceptance points on or after May 1 should be refused and returned for resubmission with barcoded Postal Service or vendor-produced labels. Should any nonbarcoded Special Services mail reach its destination point, offices are instructed to:

- Deliver the mail; do not return it to the sender.
- Manually key in the article number on the scanner.
- Capture the recipient's signature.

The goal is to catch and refuse nonbarcoded mail at the acceptance point, not at the delivery point.

Note: If postage is metered and the denied acceptance results in a new date of acceptance, customers should re-meter at zero postage with a new meter date.

For more information, contact Tandelyia Samuels at 703-292-3803.

— *Special Services,
Core Business Marketing, 5-3-01*

APO/FPO Changes

Make the following changes to the most recent APO/FPO table in *Postal Bulletin* 22048 (4-19-01).

APO/FPO	Action	Effective Date	See Restrictions
09781	Close	Immediately	
09788	Close	Immediately	
09794	Close	Immediately	
96547	Activate	Immediately	B-F-U3

— *International Network Operations, Network Operations Management, 5-3-01*

Fraud Alert**Withholding of Mail Orders**

Withholding of mail orders is enforced by postmasters at the cities listed below:

State/City	Names Covered
IL, Chicago 60626-8410	Any And All Names Excluding The Surname Aina, P.O. Box 268410
NJ, Mystic Island 08087-5538	Armando J. Nunez, P.O. Box 1538
PA, Altoona 16602-7372	Any And All Of Various Names Other Than The Surname Kibe, 1716 E. Pleasant Valley Blvd., Trlr. 14
PA, Bellwood 16617-0305	Any And All Of Various Names Other Than The Surname Kibe, P.O. Box 305

— *Recorder's Office, Judicial Officer, 5-3-01*

818.42 Large-Volume Mailings

When accepting Signature Confirmation service articles submitted under a Manifest Mailing System agreement, follow the acceptance procedures listed in Publication 401, *Guide to the Manifest Mailing System (MMS)*, for insured, COD, certified, and return receipt for merchandise articles, using the Signature Confirmation service package identification code as the article number.

For large-volume mailings that include Signature Confirmation service articles not submitted using an approved Manifest Mailing System agreement, follow the steps below. These steps are in addition to any other acceptance and verification procedures required in Handbook DM109, *Business Mail Acceptance*, for the method of postage payment used or presort discounts claimed:

- a. Randomly select sample pieces from the mailing according to the sample size chart below.

Articles in Mailing	Sampling Size
1-299	10 percent of mailing
300-1,999	30 articles
2,000-3,999	40 articles
4,000-5,999	50 articles
6,000-7,999	60 articles
8,000-9,999	70 articles
10,000-99,999	100 articles

- b. For each sample piece with Signature Confirmation service check the following:

- (1) That the article number is listed on PS Form 3877, *Firm Mailing Book for Accountable Mail*.
- (2) That the postage and fees are correctly paid and entered on PS Form 3877.
- (3) That the article is properly endorsed.

- c. If the postage and/or fees on a sample article are not correct, take an entirely new sample that is the same size as the original sample. If the second sampling is correct, accept the mailing and make a postage and/or fee adjustment for the incorrect postage amount. If the second sampling has an error, return the mailing to the mailer for correction.

- d. Postmark and sign the firm mailing book in ink and give it to the mailer. Enter the time the articles are mailed if requested to do so by the mailer and initial in ink by the entry.

— Information Systems,
Expedited/Package Services, 7-26-01

Special Services Barcoded Label Deadline — IRS Extension

Good News! The IRS has barcoded 95 percent of its certified mail labels. The remaining 5 percent that have not been barcoded will continue to show up in the mailstream until October 15, 2001. Post Offices should continue to accept and deliver the IRS's remaining nonbarcoded mail until that time.

— Special Services,
Core Business Marketing, 7-26-01

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-77.

[a] On page 12 of USPS-T-26 it indicates the new enhancement for users of certified or registered mail to receive delivery information through either the Internet or the CCM system. Will this service also be available to users of Insured Mail over \$50 or COD service?

[b] If not, why not?

RESPONSE:

a. No.

b. A management decision was made to extend this enhancement only to certified and registered mail, as the focus was to enhance the service for First-Class Mail letters.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-78. With respect to the utilization of the electronic return receipt service where the customer provides his or her e-mail address to the Postal Service,

[a] to whom is this e-mail address made available?

[b] Is there a separate form for this service?

[c] If so, provide a copy of the front and back of the form. If not, explain.

[d] Does the customer provide the e-mail address in writing or verbally to the Postal Service?

[e] Describe the process by which this service will be provided starting at the time the article is presented for mailing and ending at the time the e-mail message is sent to the sender.

[f] Must the article be presented at a service window or rural carrier to mail or may it be deposited in a collection box?

[g] What security will be provided for the e-mail address?

[h] Will the addressee obtain knowledge of the sender's e-mail address when the article is delivered?

[i] Who will have access to the e-mail address?

[j] What is the retention period of the e-mail address records?

[k] Will the Postal Service monitor the sending of the e-mail to evaluate any undeliverable messages?

[l] If not, why not?

[m] If so, what action will be taken for undeliverable messages such as ensuring that the e-mail address was entered correctly?

[n] Will a hard copy be mailed to the sender if the e-mail message is undeliverable?

[o] If not, why not?

[p] Confirm that the proposed fee for this service will be \$1.30.

RESPONSE:

a. and i. Only the Postal Service employees entering the address information into the computer or authorized users of the computer files would have access to the email address information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-78. (CONTINUED)

RESPONSE:

b. - d. No. If the service is purchased via the Internet, the customer would provide the email address electronically. How the email address would be provided if the service is purchased via another avenue has not yet been determined.

e. The customer would fill out a return receipt form or file one electronically, providing an email address. The email address is linked with the article number from the associated special service, and the labels are scanned with the resulting data sent to the Product Tracking System. When the mailpiece is scanned at delivery, the delivery information is transmitted to the Product Tracking System. The article number is automatically tagged with the email address and sent to the batch email-sending server with the delivery date and time information. The delivery date and time for the article numbers are then sent to the sender's email address. See also witness Nieto's response to DFC/USPS-T26-4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-78. (CONTINUED)

RESPONSE:

f. *The mailpiece with the electronic return receipt could be presented at a service window, or if the electronic return receipt is purchased via the Internet, the mailpiece could be deposited in a collection box or presented at a service window or to a rural carrier. The specific details for providing this service are being developed.*

g. The email addresses will be stored in a server with the same industry standard used for security of address information. See also witness Nieto's response to DFC/USPS-T26-4.

h. No.

j. The retention period for email address information has not yet been determined.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-78. (CONTINUED)

RESPONSE:

k. Yes.

l. Not applicable.

m., n., and o. If the email address provided is not valid, there would be no way to contact the sender.

____ p. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-1-82)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-79.

[a] Confirm, or explain if you are unable to do so, that it is proposed to have two separate methods to obtain a Return Receipt after mailing. One method will be to go to a post office and complete a form and the other will be to utilize the Internet.

[b] Confirm, or explain if you are unable to do so, that the proposed fee for both of these methods will be \$3.25.

[c] Provide a complete and detailed listing of each of the steps that a mailer and postal employee will do in obtaining and/or rendering the service.

RESPONSE:

a. Confirmed.

b. Confirmed.

c. See Domestic Mail Manual Section S915.2.2 and 2.3 and Postal Operations Manual Section 811.4 attached for the procedures for return receipt after mailing service. The procedures for Internet purchase of return receipt after mailing are currently being determined.

- c. As an option, offices with a large volume of Forms 3849 should consider filing these receipts using a three-digit sort. This greatly speeds search time and may be done in the following way: Offices that file delivery records centrally should request that their stations and branches sort these forms into 10 separations, by the last digit of the article number, before sending them to the central filing location. When these are received at the central filing location, the forms should then be separated in a 100-hole case, using the second- and third-from-last article numbers for each of the original 10 separations made at the station or branch. The forms should then be filed by the three-digit sort for future reference.

811.3 Retention of Delivery Records

Delivery records will be maintained as follows:

- a. Electronic record management: Delivery records maintained electronically will be stored as follows:
 - (1) A delivery record will be maintained in the active database for 6 months after the delivery date. A record in the database may be accessed immediately via a query from the Postal Service Intranet.
 - (2) A delivery record will be maintained in the archive database after 6 months until the end of the retention period (as stated in ASM 351). These records are not immediately accessible. Upon completion of the archive search, a response will be provided to the customer.
- b. Manual record management: Delivery records maintained manually follow retention periods as stated in ASM 351.

811.4 Retrieval of Delivery Records

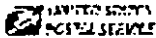
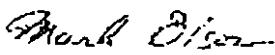
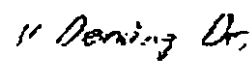
Customers cannot receive delivery information or a delivery receipt for certified, COD, registered, numbered insured, or return receipt for merchandise mail without the assistance of a postal employee. If a customer wishes to receive a copy of the delivery record, the customer must visit a post office and show proof of purchase of a return receipt (to request a duplicate return receipt) or purchase a return receipt after mailing. The postal employee will retrieve the records as follows:

- a. Electronic record management sites: The postal employee will request a copy of the delivery receipt via the Postal Service Intranet or, for non-intranet sites, Form 3811-A. The customer will be either faxed or mailed the electronic delivery record (Form 3819). See [Exhibit 811.4](#). Handbook PO-610 contains specific information on delivery record requests and retrieval.
- b. Manual record management sites: The postal employee will look up the manually filed delivery receipt. Form 3811-A will be used to convey the delivery receipt information to the customer.

There are four possible electronic delivery record responses. They include the response as shown here with signature data; delivery record found with no signature data; no delivery record found; or unable to limit search due to duplicate label IDs.

Exhibit 811.4

Electronic Delivery Record Response

	
<p>Date: March 30, 2000</p>	
<p>JOHN DOE PO BOX 12 ANYTOWN US 55555-5555</p>	
<p>Dear John Doe,</p>	
<p>The following is in response to your March 23, 2000, request for delivery information on your certified mail item number 7009 7155 4043 / 865 2182. The delivery record shows that this item was delivered on March 20, 2000, at 12:31 p.m. The scanned image of the recipient in circulation is provided below.</p>	
Signature of Recipient:	 M Olson
Address of Recipient:	 11 Denning Dr.
<p>Thank you for selecting the Postal Service for your mailing needs. If you require additional assistance, please contact your local area office or Postal Service representative.</p>	
<p>Sincerely,</p>	
<p>United States Postal Service</p>	

812 Registered Mail

812.1 Fees and Liability

See DMM R900.15.0 and S911.

812.2 Sender's Declaration

812.21 Value

The sender must tell the Postal Service clerk (or enter on the firm mailing bill if a firm mailer) the full value of mail matter presented for registration. Private

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-104. Please refer to your response to OCA/USPS-237 subpart a. [a] Please provide details of those instances that have been corrected and the method utilized to provide the service at those location[s]. [b] Please provide an estimate of the percentage of high volume recipients that now have their return receipts processed in accordance with the provisions of the DMM. [c] Please advise the details of any programs that will be utilized to improve the percentage of return receipts that are processed in accordance with the provisions of the DMM. [d] Please advise when the Postal Service expects to have the problem fully corrected and all return receipts that are processed in accordance with the provisions of the DMM.

RESPONSE:

[a] The response was based on general knowledge that problems with return receipt processing have been corrected at some locations, based on the improved management of certified mail during the 2001 tax season. Detailed information on every location and method has not been collected, beyond what has been provided in the Postal Service's response to OCA/USPS-236, and in OIG audits already provided, or mentioned in response to OCA/USPS-236 (a) (ii-iii).

[b] These data have not been collected.

[c] No such program is currently in place. It is possible programs may be developed to prepare for the 2002 tax season. Also see the response to OCA/USPS-236.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-104. (CONTINUED)

RESPONSE:

[d] The Postal Service does not have an expectation as to a particular date to resolve any problems related to return receipts delivered to high-volume locations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-106. Please refer to your response to OCA/USPS 238 subpart g. [a] Please provide a draft copy of the proposed communication and advise the method of dissemination. [b] Please provide copies of any other actions that have been taken over the past three years relating to the proper completion of return receipts.

RESPONSE:

[a] *The communication has not been drafted yet. Dissemination will be through the usual internal communications channels used for window clerks, carriers, and postmasters/supervisors.*

[b] Please see the responses to DBP/USPS-76[b] and OCA/USPS-236.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-107. Please refer to your response to DBP/USPS-61. Please provide specific details that are now being utilized by the Philadelphia post office for processing both the Certified Mail and the associated return receipts including sample copies of any forms that are being utilized and of a sample completed return receipt form.

RESPONSE:

The Postal Service assigns an employee to the mailroom of the IRS facility in Philadelphia. When certified mail with return receipts is delivered, a manifest listing all of the pieces is presented. An IRS employee verifies that the manifest lists the pieces being delivered, and signs the manifest. The return receipt cards are detached, and, in the presence of the postal employee, are completed while the certified mail remains in the mailroom. The postal employee receives the return receipt cards back, and the certified mail is released for transfer to the processing section of the IRS.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-108. Please refer to your response to DBP/USPS-61. [a] Please advise why the Atlanta, Memphis, and Cincinnati Post Offices continue to process return receipts in a manner that does not meet the requirements of the DMM/POM. [b] Please advise the steps being taken to bring these offices into compliance and the estimated date for such action.

RESPONSE:

[a] Their practices probably reflect difficulties in coordination with the IRS to handle high volumes at peak periods. See rebuttal testimony of witness Plunkett (USPS-RT-20) in Docket No. R97-1, at 8-9 (Tr. 32/17124-25), and his responses at the hearing on that testimony, at Tr. 32/17173.

[b] See my response to DBP/USPS-104 (c).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-109. Please refer to your response to DBP/USPS-76 subpart a. [a] Please confirm, or explain if you are not able to do so, that the March 2, 2001 letter does not relate to the processing of return receipts on mail sent to the IRS. [b] Please confirm, or explain if you are not able to do so, that the March 2, 2001 letter relates only to the processing of the mailpiece itself and special services such as, Delivery Confirmation, Signature Confirmation, Certified Mail, and Registered Mail. [c] Please advise why the processing of return receipts was not included in this letter. [d] Please provide complete details of the "delayed processing of tax returns" as related in line 1 of the letter. [e] Please provide complete details of the "negative publicity" as related in line 2 of the letter including copies of any newspaper and other articles that are available. [f] Please provide sample copies of PS Forms 3883 and 3833 as referred to in the letter.

RESPONSE:

[a-c] Not confirmed. The letter specifically states that "[p]ostal employees must provide the appropriate service indicated on each IRS mailpiece." Many of these pieces indicate return receipt service. Moreover, a reference to proper processing of certified mail is generally understood to include proper processing of the return receipt.

[d-e] See the OIG audit report in library reference J-172, and the attachment to interrogatory DFC/USPS-118 in Docket No. R2000-1.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-109. (CONTINUED)

RESPONSE:

[f] The reference to Form 3833 should be to Form 3883. A copy of Form 3883 has been provided previously in this docket, in my response to OCA/USPS-T36-2(f).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-110. Please refer to your response to DBP/USPS-76 subpart b. Please confirm, or explain if you are not able to do so, that the three Postal Bulletin pages provided relate to the proper use of labels that are privately printed by mailers for use on their outgoing mail and provide no information on the delivery procedure of accountable mail or on any phase of return receipts.

RESPONSE:

Not confirmed. Proper barcodes on the accountable mail labels are directly connected to proper delivery procedures and the ability to electronically capture the delivery record. The Postal Bulletin pages do not relate to return receipt procedures, however.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-111. Please refer to your response to DBP/USPS-79 subparts a and b. [a] Please explain at what point an Electronic Return Receipt service obtained over the Internet for \$1.30 gets converted into an Internet request for a Return Receipt after mailing for \$3.25. [b] How late after the mailing of the original mailpiece may a mailer request an Electronic Return Receipt service obtained over the Internet for \$1.30? [c] Please advise the type of information that will be provided by the Postal Service in each of these two services.

RESPONSE:

[a] An electronic return receipt is a separate product from a return receipt after mailing and thus is not "converted" into a different product.

[b] An electronic return receipt can be requested over the Internet within 6 months of mailing.

[c] An electronic return receipt and a return receipt after mailing would provide the same information however via different formats.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS-104-113)
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-112. Please refer to your response to DBP/USPS-79 subpart c. [a] Please provide a draft of the proposed procedures. [b] If the procedures have not been determined yet, please provide the details of how you determined that the service will require a \$3.25 fee. [c] I am looking for a narrative, as opposed to the regulations, of the steps that a mailer and the postal employee will take in providing this service in each of the two methods so that a comparison may be made of the costs involved including those steps that require employee time and an indication of the time spent. Providing a manual return receipt after mailing seems to be far more labor intensive than the same service provided over the Internet and I would like the data to investigate this.

RESPONSE:

[a] Specific operating procedures have not yet been drafted.

[b] Please see my testimony, USPS-T-36, at pages 55-57 for the fee development and pricing criteria for return receipts after mailing.

[c] The detailed cost estimates presented in USPS-LR-J-135, Return Receipts Workbook, Worksheet C-4 allow a comparison of the costs involved for each of the two methods.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T36-1-4)**

1894

DFC/USPS-T36-1. Please provide all facts, information, and documents of which you or the Postal Service are aware that describe problems with the quality of certified mail service. This interrogatory specifically includes problems with delivery of certified mail to large-volume recipients. This interrogatory also specifically includes responsive media reports of which the Postal Service is aware. Documents dated prior to January 1, 1996, do not need to be produced.

RESPONSE:

Please see the Postal Service's response to USPS/DBP-102, Attachment 1 to DFC/USPS-118 (even though it was not accepted as an interrogatory), and USPS-LR-I-200 in Docket No. R2000-1; along with my responses to OCA-USPS-T36-1, 2, and 7, and the Postal Service's responses to DFC/USPS-1 and 2, in this docket. Also see the Notice of United States Postal Service of Review of Responses to Interrogatories DFC/USPS-1 and 2, filed October 12, 2001.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T36-1-4)**

1895

DFC/USPS-T36-2. Please refer to your testimony at page 56, lines 4-5. Please provide all facts, information, and documents that support your statement that "concerns about unreliable service" for return-receipt service "imply a lower cost coverage." Documents dated prior to January 1, 1996, do not need to be produced.

RESPONSE:

Information that formed my opinion includes Docket No. R2000-1, PRC Op. at. 578, my Docket No. R2000-1 responses to DFC/USPS-T39 - 3, 4, and 24, and DBP/USPS-T-39 – 102, 131, 132, 133, 134, 192, and 193, my Docket No. R2000-1 testimony – USPS-T-39 at 135, and Docket No. R97-1, PRC Op. at 577.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-T36-1-4)**

1896

DFC/USPS-T36-4. Please confirm that the proposed change to DMCS § 945.11, which you discuss in your testimony at page 59, suggests that the electronic return receipt will provide the address of delivery, if it is different from the address on the mail piece, while your testimony at page 57-58 states that electronic return receipts will not provide the address information.

RESPONSE:

Confirmed. I will be revising pp. 57-58 of my testimony and this revision will be filed shortly.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORY OF DOUGLAS F. CARLSON (DFC/USPS-T36-5)**

DFC/USPS-T36-5.

- a. Please provide the cost coverage for a return receipt after mailing that a customer purchases by visiting a retail window at a post office.
- b. Please provide the cost coverage for a return receipt after mailing that a customer purchases via the Internet.
- c. Please provide the cost coverage for an electronic return receipt that a customer purchases at the time of mailing at a retail window at a post office.
- d. Please provide the cost coverage for an electronic return receipt that a customer purchases after the time of mailing via the Internet (as witness Nieto described in her response to DFC/USPS-T26-4).
- e. Please confirm that the Postal Service proposes a fee of \$1.30 for an electronic return receipt that a customer purchases subsequent to the time of mailing via the Internet (as witness Nieto described in her response to DFC/USPS-T26-4). If you do not confirm, please explain.

RESPONSE:

a. – b. See my testimony at page 52, line 2, and USPS-LR-J-109, WP-11, page 6 for the proposed implicit return receipt after mailing cost coverage. I do not develop different implicit cost coverages based on the method of purchase for a return receipt after mailing.

c. – d. See my testimony at page 51, lines 16-18, and USPS-LR-J-109, WP-11, page 6 for the proposed implicit electronic return receipt cost coverage. I do not develop different implicit cost coverages based on the method of purchase for an electronic return receipt.

e. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

1898

Revised November 7, 2001

OCA/USPS-T36-1. The following questions refer to a United States Postal Inspection Service Special Services report, Case No. 040-1241887-PA(2) dated May 18, 1999, filed in Docket No. R2000-1 as USPS-LR-I-200.

(a) Since the May 18, 1999, audit, has the Postal Inspection Service or any other entity under Postal Service auspices performed any other audits, studies, or updates on any Postal Service special service? If so, please provide a copy of any report or other document prepared as a result of such audit, study, or update.

(b) Have the problems been resolved at the three District offices and five plants identified in USPS-LR-I-200 as having ongoing problems in their facilities with Certified Mail in relation to callers with direct holdouts receiving their certified letters without signing for receipt of the items? If so, please explain how each problem was resolved. If not, please explain:

- (1) why the problem continues to exist;
- (2) the volume of Certified Mail impacted in FY 2000 and in FY 2001; and
- (3) when each problem will be resolved. Provide specific cites to all source documents referenced in preparing your response and include a copy of each source document if one has not been previously filed in this docket.

(c) As noted in USPS-LR-I-200, customers received certified letters without signing for them. Does this problem continue to exist? If so, please explain why it persists, the conditions under which it occurs and provide the volume of Certified Mail impacted for FY 2000 and FY 2001. If the actual volume of Certified Mail impacted is unknown, please provide an estimate for FY 2000 and FY 2001. If the problem does not continue to exist, please explain when and how the problem was resolved. Provide specific cites to all source documents referenced in preparing your response and include a copy of each source document if one has not been previously filed in this docket.

(d) As noted in USPS-LR-I-200, at 18, "plant managers were concerned that Certified Mail was bypassing the facility and going directly to the federal and state agencies without being documented." Does this situation continue to exist? If so, what volume of Certified Mail was impacted in FY 2000 and FY 2001, and why does the situation persist? If the situation does not continue to exist, please explain what was done to resolve the problem and when the problem was resolved.

OCA/USPS-T36-1 (CONTINUED)

Revised November 7, 2001

RESPONSE:

- a. Yes. The Postal Service has identified three responsive audits. One is attached to the Postal Service's response to interrogatory DFC/USPS-1. A second has been filed as Library Reference J-172. A third concerns Delivery Confirmation service, rather than the subjects of the May 18, 1999 audit referred to in the question, and is the subject of the Postal Service's objection filed October 22, 2001.

- b. To the best of my knowledge, the problems at the three District offices have been fixed. The problems were fixed by instructing the plants on the proper procedures for scanning mail pieces into the computers, and by providing for appropriate staffing during periods leading up to tax filing deadlines.

OCA/USPS-T36-1 (CONTINUED)

Revised November 7, 2001

RESPONSE:

- c. As indicated in my response to (b) above, I have been informed that the problems have been fixed. But, it is possible for a certified letter to be delivered without acquiring a signature. There is a very small chance that the taggant detector on a barcode sorter does not detect and extract the mailpiece from the Delivery Point Sequenced (DPS) letter mail, or the carrier does not see the certified mail letter when fingering the DPS mail to check for certified mail. The Postal Service does not measure how much certified mail is delivered without obtaining a signature.
- d. Not to my knowledge. The problems were addressed by instructing the plants on the proper procedures for scanning mailpieces into the computers, and by providing for appropriate staffing during periods leading up to tax filing deadlines.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-2. The following interrogatory refers to Certified Mail delivered to either a federal, state or local taxing authority.

- (a) When Certified Mail is delivered in bulk to a state, federal or local taxing office, please indicate how the Postal Service currently ensures that the appropriate signatures are obtained.
- (b) If signatures for Certified Mail are not obtained at the time of delivery, please explain why not.
- (c) Please identify and provide a copy of the form or forms used by the Postal Service to obtain a signature for the delivery of a single Certified Mail piece.
- (d) If multiple Certified Mail pieces are delivered to a federal, state or local taxing authority on a given day (i.e. during the annual/quarterly tax return filing season), does the carrier record each Certified Mail piece on a postal service form and obtain the appropriate signature at the time of delivery? If not, please indicate what procedures the carrier currently follows and estimate the volume of Certified Mail delivered in bulk to a taxing authority in FY 2000 and in FY 2001.
- (e) If signatures for Certified Mail are not actually being obtained at the time of delivery, please explain why not.
- (f) Please identify and provide a copy of each form used by the Postal Service to obtain a signature for delivery of multiple Certified Mail pieces.

RESPONSE:

- a. The delivery unit employee first sets the Mobile Data Collection Device (MDCD) scanner to the "create firm sheet" mode. Each certified mail label barcode on each mailpiece is then scanned. When the scanner is placed in the cradle of the print workstation, a Firm Delivery Sheet, Postal Service (PS) Form 3883A, is printed out listing each scanned certified mailpiece.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-2 (CONTINUED)

RESPONSE:

a. (continued)

The Firm Delivery Sheet also has a barcode at the top electronically identifying the listed items. In the event the delivery unit is not equipped with a print workstation, the same scanning is completed in the "create firm sheet" mode and the certified numbers will be manually written on a preprinted PS Form 3883. The PS Form 3883, like the PS Form 3883A, also has a barcode at the top representing the listed items. This barcode is linked to each of the certified mailpieces. The carrier then takes the Forms 3849 and 3883 or 3883A, along with the certified mail, for delivery. During the delivery of the certified mailpieces, the tax office representative verifies that the Forms 3883 or 3883A match the mail being delivered. Because the Forms 3883 or 3883A list the pieces in the order that they are presented, the verification process is easy. The carrier then obtains a signature or an approved signature stamp from the tax office representative on the PS Form 3849, Delivery Notice/Reminder/Receipt.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-2 (CONTINUED)

RESPONSE:

a. (continued)

(The customer is provided a copy, but does not sign either the PS Form 3883 or PS Form 3883A.) After the signature is obtained, the carrier scans the barcode on the PS Form 3849, as well as the barcode on the PS Form 3883, thereby electronically linking the items listed on the PS Form 3883 with the signature on the PS Form 3849.

b. Aside from human errors, there is no reason for not obtaining a signature at the time of delivery for certified mail.

c. PS Form 3849 (attached) is used to capture signatures for up to five certified mailpieces.

d. Yes. See my response to (a).

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**


OCA/USPS-T36-2 (CONTINUED)

RESPONSE:

e. See my response to (b).

f. See PS Form 3883 (attached) and my response to (c).

We will redeliver OR you or your agent can pick up your mail at the post office. (Bring this form and proper ID. If your agent will pick up, sign below in item 2, and enter agent's name here):

<p>1.  a. Check all that apply in section 3; b. Sign in section 2 below; c. Leave this notice where the carrier can see it.</p>	<p>ABC POST OFFICE - 99999 101 DAKOTA AVE 8:00 a.m. - 5:00 p.m. M-F 1-101-555-0003</p>	
<p>2. Sign Here to Authorize Redelivery or to Authorize an Agent to Sign for You</p>	<p>Delivery Section</p>	
<p>3. <input type="checkbox"/> Redeliver (Enter day of week):</p>	<p>Signature X</p>	<p>Jane Doe</p>
<p>(Allow at least two delivery days for redelivery, or call your post office to arrange delivery.)</p>	<p>Printed Name</p>	<p>Jane Doe</p>
<p><input type="checkbox"/> Leave item at my address</p>	<p>Delivery Address</p>	<p>118 S. Main St.</p>
<p>(Specify where to leave. Examples: "porch", "side door". This option is not available if box is checked on the front requiring your signature at time of delivery.)</p> <p><input type="checkbox"/> Refused</p>	<p>USPS</p>	
<p>PS Form 3849, November 1999 (Reverse)</p>	<p>5299 9880 0005 5006</p>	

2(F)

1906

United States Postal Service
**Firm Delivery Receipt for
 Accountable and Bulk Delivery Mail**



5199 9990 0002 3862 6091

<input type="checkbox"/> Certified	<input type="checkbox"/> Delivery Confirmation Service	<input type="checkbox"/> Express Mail	<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> Signature Confirmation Service	Mail for RM No.
------------------------------------	--	---------------------------------------	-------------------------------------	---	---	-----------------

Article Number	Date	Office of Origin (Postmark)	Article Number	Date	Office of Origin (Postmark)
1			11		
2			12		
3			13		
4			14		
5			15		
6			16		
7			17		
8			18		
9			19		
10			20		

* CODE: DC = Received in Damaged Condition. OS = Officially Sealed. R = Return Receipt Requested. RE = Re-enveloped. RW = Returned to Writer.

Date of Delivery	Received by (Print Name)	Postmark - Delivery Office
Delivered By: (Carrier/Carrier)	Signature of Addressee/Agent	
Form 3848 Barcode Number (if delivered using scanning system)		If using handheld scanner system, have recipient sign Form 3848.

PS Form 3853, November 1999

10296-00-9-0732

1- Delivery

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-3. The following excerpt comes from the IRS Publication 17, entitled "Your Federal Income Tax," for 2000 returns. "Your paper return is filed on time if it is mailed in an envelope that is properly addressed and postmarked by the due date. The envelope must have enough postage. If you send your return by registered mail, the date of the registration is the postmark date. The registration is evidence that the return was delivered. If you send a return by Certified Mail and have your receipt postmarked by a postal employee, the date on the receipt is the postmark date. The postmarked Certified Mail receipt is evidence that the return was delivered."

- (a) Are you aware of this IRS Publication 17 statement?
- (b) Given the IRS statement, do you agree that neither Delivery Confirmation nor return receipt is necessary to prove the filing date of an IRS tax return?

RESPONSE:

- a. I was not aware of this statement until it was brought to my attention by this interrogatory.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-3. (CONTINUED)

RESPONSE:

b. I am not an attorney, but it appears from the IRS statement in Publication 17 that registered mail or certified mail (with the receipt postmarked by a postal employee), as stand-alone services, can provide evidence of delivery instead of Delivery Confirmation or a return receipt. I do not know if Delivery Confirmation or a return receipt might also be useful in a dispute with the IRS about whether a tax return was received. Delivery Confirmation or a return receipt also can provide peace of mind for a taxpayer who wants to know whether a tax return was delivered.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-4. For Certified Mail, please provide by fee category, the number of transactions and reported revenue generated by product sales during

(a) April 1, 2000 to April 15, 2000 and

(b) April 2, 2001 to April 16, 2001.

If you are unable to provide actual data, please provide an estimate. Provide cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.

RESPONSE:

a. I am providing transactions and revenue for return receipts by fee category for accounting period 8 of FY 2000 covering the period from March 25 through April 21, 2000, the closest period to the requested date range. This information was obtained from the Revenue, Pieces, and Weight (RPW) system. The documentation for RPW is provided in Library References J-16, 18, 19, 20, 21, and 22.

<u>Fee Category</u>	<u>Pieces</u>	<u>Revenue</u>
Certified Mail	24,065,236	33,446,402
USPS Certified Mail	29,916	0

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-4 (CONTINUED)

RESPONSE:

b. I am providing transactions and revenue for return receipts by fee category for accounting period 8 of FY 2001 covering the period from March 24 through April 20, 2001, the closest period to the requested date range. This information was obtained from the Revenue, Pieces, and Weight (RPW) system. The documentation for RPW is provided in Library References J-16, 18, 19, 20, 21, and 22.

<u>Fee Category</u>	<u>Pieces</u>	<u>Revenue</u>
Certified Mail	26,902,623	50,879,638
USPS Certified Mail	24,053	0

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-5. For return receipts, please provide by fee category, the number of transactions and reported revenue generated by product sales during

(a) April 1, 2000 to April 15, 2000 and

(b) April 2, 2001 to April 16, 2001.

If you are unable to provide actual data, please provide an estimate. Provide cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.

RESPONSE:

a. I am providing transactions and revenue for return receipts by fee category for accounting period 8 of FY 2000 covering the period from March 25 through April 21, 2000, the closest period to the requested date range. This information was obtained from the Revenue, Pieces, and Weight (RPW) system. The documentation for RPW is provided in Library References J-16, 18, 19, 20, 21, and 22.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-4 (CONTINUED)

RESPONSE:

b. I am providing transactions and revenue for return receipts by fee category for accounting period 8 of FY 2001 covering the period from March 24 through April 20, 2001, the closest period to the requested date range. This information was obtained from the Revenue, Pieces, and Weight (RPW) system. The documentation for RPW is provided in Library References J-16, 18, 19, 20, 21, and 22.

<u>Fee Category</u>	<u>Pieces</u>	<u>Revenue</u>
Certified Mail	26,902,623	50,879,638
USPS Certified Mail	24,053	0

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-5 (CONTINUED)

RESPONSE:

a. (Continued)

<u>Fee Category</u>	<u>Pieces</u>	<u>Revenue</u>
Basic Return Receipts for Registered	207,537	259,421
Basic Return Receipts for Insurance	126,057	157,248
Basic Return Receipts for Certified	20,534,220	25,527,507
After Mailing for Registered	0	0
After Mailing for Insurance	0	0
After Mailing for Certified	273,338	1,913,369
Return Receipt for Merchandise	147,566	206,593
USPS Return Receipts	33,330	0

b. I am providing transactions and revenue for return receipts by fee category for accounting period 8 of FY 2001 covering the period from March 24 through April 20, 2001, the closest period to the requested date range. This information was obtained from the Revenue, Pieces, and Weight (RPW) system. The documentation for RPW is provided in Library References J-16, 18, 19, 20, 21, and 22.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-5 (CONTINUED)

RESPONSE:

b. (Continued)

<u>Fee Category</u>	<u>Pieces</u>	<u>Revenue</u>
Basic Return Receipts for Registered	145,741	218,600
Basic Return Receipts for Insurance	106,446	159,669
Basic Return Receipts for Certified	22,008,485	32,988,813
After Mailing for Registered	0	0
After Mailing for Insurance	0	0
After Mailing for Certified	377,855	1,322,494
Return Receipt for Merchandise	88,069	206,359
USPS Return Receipts	163,051	0

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T-36-6. In your testimony at 24, you state, "Certified mail is an ideal vehicle for customers wishing to send mail. It is used frequently by law firms, tax municipalities, police departments, banks, mortgage institutions and real estate companies for important documents." Also, you note that in FY 2000, 84 percent of all Certified Mail articles had return receipts attached to them.

(a) Please provide the derivation of the 84 percent figure you reference. Provide cites to all source documents used in preparing your response and include a copy of each document referenced if one has not been previously filed in this docket.

(b) For FY 2000 and FY 2001, please provide an estimate of the total transactions and the revenue generated by Certified Mail pieces sent to each of the following:

- (1) a federal, state or local taxing authority;
- (2) law firms;
- (3) police departments;
- (4) banks;
- (5) mortgage institutions; and
- (6) real estate companies.

Provide specific cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.

(c) For FY 2000, of the 84 percent of all Certified Mail articles that had return receipts attached to them, how many of them did not receive the required recipient signature?

RESPONSE:

a. The 84 percent was arrived at by taking the number of return receipts (228,370,704) divided by the total certified volume (271,290,408). These volumes are in the FY 2000 certified mail billing determinant in LR-J-98.

b. The Postal Service does not collect this type of information.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T-36-6 (CONTINUED)

RESPONSE:

c. I do not know how many, if any, return receipts attached to certified mail did not receive the required recipient signature in FY 2000.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-7. The following refers to an advisory report issued May 2, 2001 by Nicholas F. Barranca, Vice President, Operations Planning and Processing regarding Certified Mail Observations at the Los Angeles Processing and Distribution Center (Report Number AC-MA-01-002).

- (a) Please identify each and every Processing and Distribution Center (P&DC) that has scanning equipment that is not compatible with the Signature Capture Program. Include in your response the volume of Certified Mail impacted by the lack of compatible scanning equipment during FY 2000 and FY 2001. Provide specific cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.
- (b) For each P&DC that employs the old scanning equipment identified in part "a" of this interrogatory, please explain whether or not the P&DC currently participates in the Signature Capture Program.
- (c) For each and every P&DC that does not currently participate in the Signature Capture Program, please explain why the facility is not participating. Also, if the reason for not participating in the Signature Capture Program is due to the lack of appropriate equipment or the lack of appropriate equipment links, please identify when the problem of incompatible equipment links with the national database will be resolved, and how the resolution will be accomplished. If no resolution is expected, please explain why none will be achieved. Include in your response the volume of Certified Mail impacted in FY 2000 and FY 2001.
- (d) Please identify each and every non-P&DC unit that currently handles Certified Mail and uses the "old scanning equipment" that is incompatible with the Signature Capture Program. Provide specific cites to all source documents used in preparing your response and include a copy of each reference used if one has not been previously filed in this docket.
- (e) Referring to part "d" of this interrogatory, for each and every non-P&DC that does not currently participate in the Signature Capture Program, please identify:
 - (1) when the problem of incompatible equipment links with the national database will be resolved, and
 - (2) how the resolution will be accomplished.

If no resolution is expected, please explain why no resolution will be achieved. Provide specific cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-7 (CONTINUED)

(f) For each year, FY 2000 and FY 2001, please provide the number of Certified Mail transactions and the revenue impacted by using "old scanning equipment" that was not linked to the national database. Provide specific cites to all source documents used in preparing your response and include a copy of each source document referenced if one has not been previously filed in this docket.

RESPONSE:

The May 2 report was issued by the Office of the Inspector General, not Nicholas Barranca.

a. – f. I am not aware of any processing centers with scanners that are not compatible with the signature capture program. The equipment cited in the OIG report is not equipment used for signature capture. The equipment identified is older computerization used for preparing firm sheets prior to the implementation of signature capture. All P&DCs currently participate in the signature capture process and have compatible equipment for this operation.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-9. Docket No. R2000-1, USPS-LR-I-200 at 3 states, "Prior Postal Inspection Service investigations and audits have determined the customer is often confused between the definitions of registered, certified and insured mail." Since Docket No. R2000-1, what steps has the Postal Service taken to better inform customers of the differences between each of the three services? Provide specific cites to all source documents used in preparing your response and include a copy of each source referenced if one has not been previously filed in this docket.

RESPONSE:

The Postal Service has published Publication 370 "Extra Services" which provides a simplified explanation for each special service mentioned. (See attached copy.) Also, definitions of these special services are located in the shipping information section of the Postal Service's website, www.usps.com. Many post offices have new menu boards and in-store messaging that distinguishes between those services that "confirm" delivery and those services that "secure" delivery. Finally, the Postal Service has created a Hispanic website on www.usps.com which includes a segment with simple definitions for special services.

PRESORTED
FIRST-CLASS MAIL
POSTAGE & FEES PAID
USPS
PERMIT NO. G-10

Extra Services

Registered Mail

Return Receipt

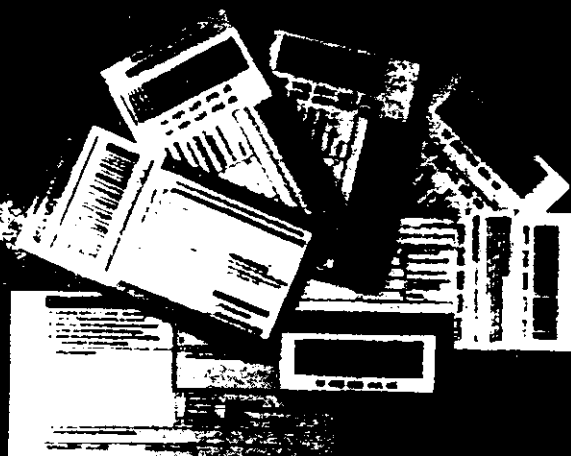
Certified Mail

Post Office Box
Service

Rostal Insurance

Money Orders

and much more



More services



UNITED STATES
POSTAL SERVICE

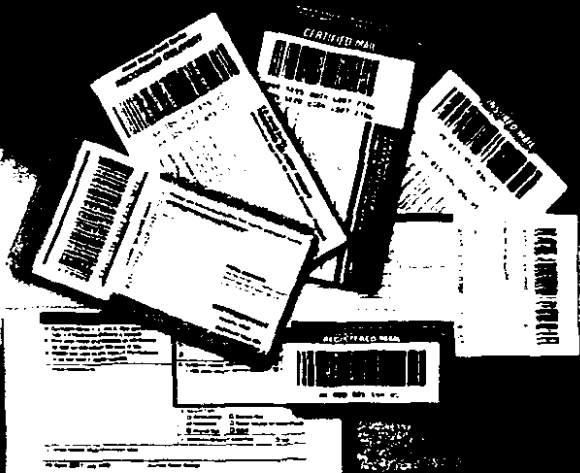


Publication 103, March 2004



UNITED STATES
POSTAL SERVICE

www.usps.com



For Convenience and Peace of Mind—Easily and Economically

You can add value to the way you send or get your mail with a variety of our extra services.

For example, you can arrange to pick up your mail—rather than have it delivered—if this is more convenient for you.

You can have stamps mailed to you rather than going to a post office to buy them. You can also obtain other mailing services from your home or office.

You can rest easier about your mailings with documentation of mailing and delivery, plus the security of low-cost insurance and registry.

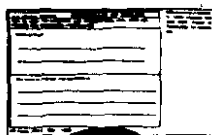
You can save time by filling out the forms you need to use for these services before you go to the window. Most of the forms are available in the post office lobby.

Here are the basic extra services we offer, grouped under the benefits they provide.

Getting a Receipt

- Receipts of purchase are available at no extra charge
- Your retail clerk can provide them

Getting Proof You Sent It

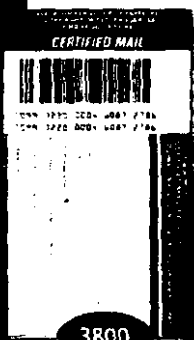


3817

Certificate of Mailing Form 3817

Do you need proof that your item was mailed? Use a Certificate of Mailing. Here's how:

- Use Form 3817 at the time of mailing
- Fee: 60¢ in addition to regular postage

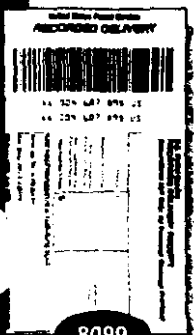


3800

Certified Mail Form 3800

Certification lets you know that your item was mailed—and that it was received. Here's what you need to do:

- Complete Form 3800
- Affix its numbered sticker to your mailpiece
- A receipt is provided proving an item was mailed and serves as a record of its delivery
- Delivery record is kept at the addressee's post office
- Fee: \$1.40 in addition to regular postage
- Available for First-Class Mail[®] and Priority Mail[™]

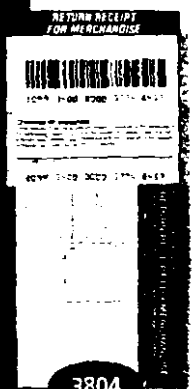


8099

Recorded Delivery (International) Forms 8099, 2865

This service—available only to certain countries—provides a receipt of mailing for letters and small packages and a record of delivery, which is kept at the destination post office. Here's what you need to do:

- Complete Form 8099 and place it on your mailpiece
- Request a return receipt by completing Form 2865
- Fee: check with your local post office for the cost of this service



3804

Return Receipt for Merchandise Form 3804

This service will give you both a receipt showing an item was mailed and a return receipt. Simply:

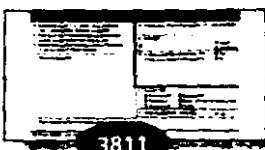
- Mark mail with "Return Receipt Requested" above the delivery address and to the right of the return address

- Fill in the numbered label (Form 3804)
- Place label under the "Return Receipt Requested" endorsement

That's all you have to do.

- Delivery record is kept at the addressee's post office
- Service is for merchandise only
- Available with Priority Mail[™], single-piece Standard Mail, Parcel Post[™], Bound Printed Matter, Special Standard Mail and Library Mail
- Fee: \$1.40 in addition to postage and other fees at time of mailing, or \$7.00 if after the time of mailing

Getting Proof They Got It



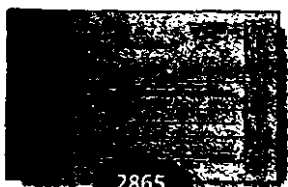
3811

Return Receipt Form 3811

A return receipt lets you document when and to whom an item was delivered. It also lets you know the delivery address,

if it's different from the address on the mailpiece. All you have to do is:

- Complete Form 3811 at the time of mailing, or Form 3811-A if after the time of mailing
- Mark mail with "Return Receipt Requested"
- Place endorsement above the delivery address and to the right of the return address



2865

- Fee is \$1.25 in addition to postage at the time of mailing, or \$7.00 if after the time of mailing
- For international mail, request a return receipt with Form 2865

- Available with Registered Mail, Certified Mail, Collect on Delivery, Express Mail[™] or mail insured for more than \$50

Return Receipt for Merchandise

This service—as previously described—gives you:

- A mailing receipt
- A return receipt for merchandise

A delivery record is also kept at the addressee's post office.

Delivery Confirmation



152

This new service lets you find out the date your item was delivered, attempted, forwarded or returned by making a toll-free phone call or visiting our website.

It applies to Priority Mail,[™] Parcel Post,[™] Bound Printed Matter, Library Mail and Special Standard Mail.

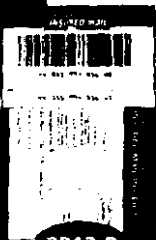
Delivery Confirmation:

- Uses a barcode to confirm delivery
- Gives the customer the date of delivery or attempted delivery (if appropriate)

The fees vary according to class of mail and whether it is purchased at a post office (retail) or the mailer is certified to submit an electronic manifest (electronic).

For Extra Peace of Mind

Postal Insurance Form 3813-P



3813-P

Express Mail[™] shipments:

- Automatically insured for \$500 for merchandise and document reconstruction

Extra insurance, up to \$5,000, is available for:

- Merchandise, for an additional fee

In every case you will receive a:

- Receipt (save until the article mailed is accounted for)

Delivery record for items insured for over \$50 will be kept at addressee's post office.

Bulk Mail Insurance

Bulk mail insurance is available for mail that is entered in designated facilities, in a manner prescribed by the Postal Service, and/or mail sent under the following classification schedules:

- First-Class Mail,[®] Priority Mail[™] and Standard Mail[™] parcel shippers who utilize an approved manifest mailing system
- Fee: contact your local post office
- See Publication 99 for more information

Provides indemnity for the lesser of the actual value of the article at the time of mailing or the wholesale cost of the contents to the sender. Under bulk mail insurance standards, all claims must be filed by the mailer.



Registered Mail Form 3806

This is the most secure way to send First-Class Mail[®] and Priority Mail[™] domestically and internationally.

Registered mail provides both a receipt showing an item was mailed and a record of delivery, which is kept at recipient's post office.

Here's how you can register mail:

3806

- Present it to a rural carrier or bring it to any post office branch or station
- A red registered mail label is placed on the mailpiece
- Fee: based on the value of the mailing
- Insured for up to \$25,000

Insurance is included for all registered mail valued at more than \$100 and is optional for items valued at \$100 or less. The Postal Service will also handle registered mail over \$15 million in value.

Restricted Delivery

Restricted delivery ensures that mail is delivered only to a specific addressee or addressee's authorized agent. This service is available with:

- Registered Mail
- Certified Mail
- COD Mail
- Mail insured for more than \$50
- Fee: \$2.75 in addition to postage

A return receipt may also be requested as described previously. The mail should be marked "Restricted Delivery" above the address and to the right of the return address.

Form 1000: Claims for Loss or Damage. The form includes sections for 'Type of Mail', 'Description of Loss', 'Amount of Loss', and 'Signature'. It is a detailed document for filing a claim with the Postal Service.

Claims for Loss or Damage Form 1000

You may file a claim for compensation for damage or loss of:

- Insured Mail
- Insured Registered Mail
- Insured International Mail
- Express Mail™
- COD Mail

For domestic claims:

- Complete Form 1000
- Present at post office along with:
 - Damaged mail packaging and container
 - Original mailing receipt
 - Proof of value

For lost insured mail, proof of loss must be established. The Postal Service will provide guidance for this procedure.

For international mail, ask for Publication 122-A, Customer Guide to Filing Inquiries and Claims on International Mail.

Special Attention for Mail

Special Handling

This service is for parcels with unusual contents—such as honeybees or live poultry—that need special attention in transit and delivery. It should not be used in place of insured or registered mail for valuable, fragile or irreplaceable items.

Special handling mail is:

- Wrapped in distinctive sacks and containers to set it apart from other mail
- Placed onboard trucks last and offloaded first
- Available for Standard Mail parcels only
- Available for both international and domestic destinations

Sending Money or Goods

Form 1000: Money Order. The form includes sections for 'Pay to the order of', 'Amount', and 'Signature'. It is a document used to send money by mail.

Money Orders

Money orders can be purchased with either cash or traveler's checks at any post office in the U.S. and

its possessions. A lost or stolen money order may be replaced upon presentation of receipt.

- Maximum amount of a money order is \$700
- Multiples up to a daily total of \$10,000 may be bought—identification and information required for purchases over \$3,000

Domestic Money Orders

- Valid for an unlimited period
- Can be cashed at post office or bank in the U.S. and its possessions
- Fee: 80¢

International Money Orders

There are two types of international money orders:

- Direct International Postal Money Order
Fee: \$3.00
- Standard International Postal Money Order
Fee: \$8.50

Not all international money orders are accepted in all countries. Ask at your post office about which one to send.

Collect on Delivery (COD)

Merchandise (up to \$600) you have ordered from a retailer can be sent COD at your request. To do this, pay the letter carrier who makes the delivery:

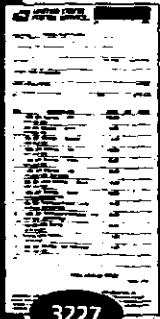
- In cash
- With a check payable to the sender

Merchandise Return Service

This is a convenience extended to you by a growing number of retailers who deliver orders by mail. If you wish to return a purchase:

- Affix the special label that accompanies the order
- Drop the parcel in the mail
- Fee: postage is paid by the retailer

Ease and Convenience



EASY STAMP

You now have three EASY STAMP ways to get stamps without having to go to the post office.

Stamps by Mail® delivers your stamps within about 5 business days. To use this service, simply:

- Obtain Form 3227
- Mark the items and quantities you want
- Enclose a check or postal money order for the exact amount of your purchase
- Mail your order
- Fee: no additional charge

Stamps by Phone delivers your stamps within 5 business days. For this service, simply:

- Call toll-free 1-800-STAMP-24 (1-800-782-6724) 24 hours a day, 7 days a week
- Place your order
- Pay with Visa, MasterCard, Discover or American Express
- Fee: there is a small service charge

Stamps on Consignment may be found at certain supermarkets, banks and other retailers. These outlets normally offer you:

- First-Class Mail® postage stamps
- Express Mail™ postage stamps
- Priority Mail™ postage stamps
- Fee: no additional charge

Self-Service Postal Centers

To expand service, we have installed self-service postal centers in convenient locations such as malls, popular shopping streets and post office lobbies.

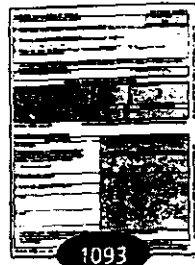
- Hours of service: many are open 24 hours a day, 7 days a week

Services available from automated vending equipment include:

- Individual stamps
- Stamp booklets
- Envelopes
- Stamped cards
- Regular letter service

Your local post office can give you the locations of self-service postal centers in your community.

Picking Up Your Own Mail



Post Office Box Service Form 1093

This service makes it easy for you to pick up mail whenever your post office lobby is open.

At some facilities, access is available 24 hours a day. You have a choice of box sizes. To obtain this service, simply:

- Complete Form 1093
- Submit the form at any post office window
- Fee: dependent on the type of facility and size of box

Caller Service Form 1093

Use this service if you regularly receive more mail than the largest box in your post office will hold. You can pick up mail at a post office call window or loading dock when the office is open. Here's how:

- Complete Form 1093
- Submit it at any post office window

Stamp Collecting

The United States Postal Service maintains a special organization to provide services and products to stamp collectors from all over the world.

To find out more about stamp collecting, pick up **The Postal Service Guide to U.S. Stamps**. It gives basic information for beginners and illustrates hundreds of old and new stamps available for purchase.

The guide is:

- Updated annually
- Available at most post offices
- Fee: \$12.95

Free catalogs of current stamp issues are also available from your post office at various times throughout the year.

Special Services Fees

Special Handling

Weight	Fee*
Not more than 10 pounds	\$5.40
More than 10 pounds	7.50

Registered Mail

Declared Value	Fee*
\$0.00 to \$100 (without insurance)	\$6.00
\$0.00 to \$100 (with insurance)	6.20
100.01 to 500	6.75
500.01 to 1,000	7.30
1,000.01 to 2,000	7.85
2,000.01 to 3,000	8.40
3,000.01 to 4,000	8.95
4,000.01 to 5,000	9.50
5,000.01 to 6,000	10.05
6,000.01 to 7,000	10.60
7,000.01 to 8,000	11.15
8,000.01 to 9,000	11.70
9,000.01 to 10,000	12.25
10,000.01 to 11,000	12.80
11,000.01 to 12,000	13.35
12,000.01 to 13,000	13.90
13,000.01 to 14,000	14.45
14,000.01 to 15,000	15.00
15,000.01 to 16,000	15.55
16,000.01 to 17,000	16.10
17,000.01 to 18,000	16.65
18,000.01 to 19,000	17.20
19,000.01 to 20,000	17.75
20,000.01 to 21,000	18.30
21,000.01 to 22,000	18.85
22,000.01 to 23,000	19.40
23,000.01 to 24,000	19.95
24,000.01 to 25,000	20.50

Additional fees for article valued over \$25,000 are for handling only

\$25,000.01 to \$1,000,000	\$20.50 plus handling charge of \$0.55 per \$1,000 or fraction over the first \$25,000
\$1,000,000.01 to \$15,000,000	\$556.75 plus handling charge of \$0.55 per \$1,000 or fraction over the first \$1,000,000
Over \$15,000,000	\$8,256.75 plus additional charges determined by Postal Service based on weight, space and value

*Fee is in addition to postage and other fees

Special Services Fees

Post Office Box For service provided as described in D910

Box fee per semiannual (6-month) period:

Fee Group	Box Size and Fee	1	2	3	4	5
A		\$30.00	\$46.00	\$80.00	\$151.00	\$261.00
B		27.00	41.00	70.00	136.00	217.00
C		22.00	32.00	57.00	97.00	162.00
D		7.00	12.00	22.00	33.00	52.00
E		0.00	0.00	0.00	0.00	0.00

Caller Service

For service provided, per semiannual (6-month) period:

Fee Group	Fee
A	\$275.00
B	275.00
C	275.00
D	275.00

Certificate of Mailing

Description	Fee*
Individual article listing, per article	\$0.60
Duplicate copies of Form 3817 or mailing list, per page	0.60
Firm mailing books (Form 3877), per article listed	0.25

Certified Mail

Fee*
\$1.40

Return Receipt for Merchandise

Type	Fee*
Requested at the time of mailing showing to whom (signature), date and addressee's address (if different)	\$1.40
Delivery record	7.00

Return Receipt

Type	Fee*
Requested at the time of mailing showing to whom (signature), date and addressee's address (if different)	\$1.25
Requested after mailing showing only to whom and date delivered	7.00

Delivery Confirmation

Service	Fee*
Used in conjunction with Priority Mail™	
Retail (purchased at retail window)	\$0.35
Electronic (certified electronic manifest mailers)	0.00
Used in conjunction with Parcel Post™, Bound Printed Matter, Library Mail and Special Standard Mail	
Retail (purchased at retail window)	0.60
Electronic (certified electronic manifest mailers)	0.25

*Fee is in addition to postage and other fees

Special Services Fees

Express Mail™ Insurance For the amount of merchandise insurance liability	
Insurance Coverage Desired	Fee*
\$0.01 to \$500	None
500.01 to 5,000	\$0.95
For each \$100 or fraction thereof over the \$500 value	
Maximum liability for merchandise: \$5,000	
Maximum liability for document reconstruction: \$500	

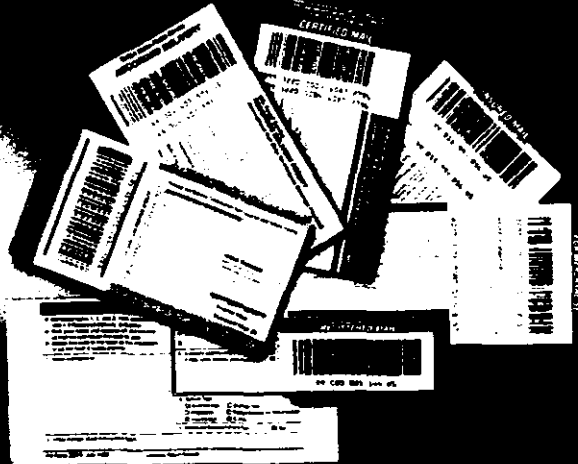
Insured Mail	
Insurance Coverage Desired	Fee*
\$0.01 to \$50	\$0.85
50.01 to 100	1.80
100.01 to 200	2.75
200.01 to 300	3.70
300.01 to 400	4.65
400.01 to 500	5.60
500.01 to 600	6.55
600.01 to 700	7.50
700.01 to 800	8.45
800.01 to 900	9.40
900.01 to 1,000	10.35
1,000.01 to 5,000	10.35 plus 0.95
For each \$100 or fraction thereof over \$1,000 in declared value	
Maximum liability for insured mail: \$5,000	
Bulk insurance discount: \$0.40 per piece	

Collect on Delivery (COD)	
Amount to be collected or insurance coverage desired	Fee*
\$0.01 to \$50	\$4.00
50.01 to 100	5.00
100.01 to 200	6.00
200.01 to 300	7.00
300.01 to 400	8.00
400.01 to 500	9.00
500.01 to 600	10.00
Notice of nondelivery	3.00
Alteration of COD charges or designation of new addressee	3.00
Fee for registered COD is \$4.00 regardless of insurance value	

Restricted Delivery	Fee*
	\$2.75

Money Orders	Fee
Service	
Postal military money order (issued by military facilities authorized by the Department of Defense)	\$0.30
Domestic money order (issued at other post offices, including those with branches or stations on military installations)	0.80
Inquiry fee (includes the issuance of a copy of a paid money order)	2.75
Direct international money order (check with post office for foreign country acceptance)	3.00
Standard international money order (check with post office for foreign country acceptance)	8.50

*Fee is in addition to postage and other fees



Need More Information?

For additional information on postal products or services, ask your local post office or visit our website at www.usps.com.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-10. The Area Coordination Audit Special Services, May 18, 1999, Case No. 040-1241887-PA(2) at 3, indicates that post offices "were not providing the required level of security required by Postal regulations for registered mail."

- (a) Case No. 040-1241887-PA(2) refers to handbook DM-901. If the DM-901 referenced in the case differs from the Domestic Mail Manual, DMM, please provide a copy of handbook DM-901.
- (b) Has the Northeast "Area" taken corrective action to provide the required level of security for registered mail? If so, please identify the corrective action taken. If not, please explain why none was taken.
- (c) Are all Postal Service "areas" currently providing the level of security for registered mail as required by "DM-901"? If not, please identify:
 - (1) the number of areas out of compliance;
 - (2) the number of transactions and the amount of revenue impacted and
 - (3) the anticipated date corrective action will be taken to bring each "area" into compliance with DM-901. Provide specific cites to all source documents used in preparing your response and include a copy of each source referenced if one has not been previously filed in this docket.
- (d) Currently, are all Highway Contract Route drivers signing for registered mail as required by DM 901.43? If not, please explain why all such drivers are not signing for the registered mail placed in their possession.

RESPONSE:

- a. It is different. A copy is provided in Library Reference J-140.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-10. (CONTINUED)

RESPONSE:

b. Yes, corrective action has been taken. A review of registered mail processing practices was conducted and the proper procedures were clarified. It is my understanding these proper procedures are now being followed.

c. I do not know if any areas are out of compliance. However, a new training module is currently in development. Once completed, all personnel handling registered mail will receive the new training materials.

d. To the best of my knowledge, all Highway Contract Route drivers are signing for registered mail.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-11. In FY 2000 and FY 2001, what volume of Certified Mail is processed on Delivery Point Sequence (DPS) automation equipment? Provide specific cites to all source documents used in preparing your response and include a copy of each source used if one has not been previously filed in this docket.

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-14. For FY 2000 and FY 2001, what proportion of Certified Mail transactions is delivered to a firm hold out?

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-15. Please provide an explanation of how a Delivery Confirmation mail piece is processed once it is accepted by a local USPS window clerk and is destined for a non-local destination. Please include in your response an explanation of:

- (a) how the piece is processed on incoming and outgoing equipment;
 - (b) where and when the mail piece is scanned, and
 - (c) how the information on the final scan is uploaded for "public" viewing.
- Provide specific cites to all source documents used in preparing your response and include a copy of each source document if one has not been previously filed in this docket.

RESPONSE:

- a. Redirected to witness Kingsley.
- b. Single piece non-local Delivery Confirmation mail is accepted by a retail employee. If accepted at an office with POS One or an IRT, the piece may receive an acceptance scan as part of the sales transaction. At the time of delivery or attempted delivery the mailpiece is scanned again.
- c. The scan information is transmitted from the scanning device to a database where it is available for viewing via the Internet Track & Confirm page.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-17. The following refers to the USPS Delivery Confirmation product offering.

- (a) What is the successful read rate for the Postal Service's initial scan?
- (b) For the initial scan, what is the average time delay between the initial scan and the ability of the customer to view the data collected via the Internet?
- (c) What is the successful read rate of the Postal Service's final scan?
- (d) For the final scan, what is the average time delay between the final scan and the ability of the customer to view the data collected via the Internet?
- (e) Does the Postal Service maintain a database of Delivery Confirmation comments and/or complaints? If so, please identify the name of the database.
- (f) What are the ten most frequently reported complaints made by customers regarding the Delivery Confirmation product offering?
- (g) What are the ten most frequently reported favorable comments made by customers regarding the Delivery Confirmation product offering?
- (h) Why hasn't the Postal Service extended the Delivery Confirmation offering to First-Class letters?

RESPONSE:

- a. Barcode read rates are 99 percent for items scanned at acceptance.
- b. Data are available at different times depending on the device and the location. Downloads of data take place at close of business, at regularly scheduled times during the day, or when the handheld scanner is cradled.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

- c. Barcode read rates are 96 percent for items scanned at delivery.
- d. See my response to (b) above.
- e. To my knowledge, no database of Delivery Confirmation complaints or compliments is maintained.
- f. To the best of my knowledge, no database is maintained on specific issues.
- g. See my response to (f) above.
- h. Redirected to witness Kingsley.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-18. Does the Postal Service have a method of tracking the number and types of complaints made regarding Postal Service insurance?

- (a) If so, please identify the system used to track Postal Service insurance claim complaints.
- (b) If not, please explain why the Postal Service does not track insurance complaints.
- (c) For FY 2000 and FY 2001, please identify the ten most frequently reported customer complaints regarding Postal Service insurance.
- (d) For FY 2000 and FY 2001, please identify the ten most frequently reported favorable customer comments regarding Postal Service insurance.
- (e) Has the Postal Service performed any analysis or prepared any reports that addresses the types and number of complaints the Postal Service receives about insurance claims? If so, please provide a copy of all analyses or reports prepared. If none has been conducted, please explain why not.

RESPONSE:

The Postal Service tracks complaints regarding non-claim insurance issues under the specific issue and not under a general insurance category. For example, if there is a complaint about the price of insurance, the complaint would be registered under a pricing complaint category, and not under a general insurance category.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-1-18)**

OCA/USPS-T36-18. (CONTINUED)

RESPONSE:

a. The only complaints regarding insurance claims that are tracked are those complaints received in the district Consumer Affairs offices. The system used to track this "subset" of insurance claims complaints is the Consumer Affairs Tracking System (CATS).

b. Not applicable.

c. Following are the top listed complaints concerning insurance claims from the CATS in 2000 and 2001 identified by the frequency of the complaint, with "1" signifying the highest number of complaints and "6" signifying the lowest number of complaints.

2000

1. Disagree with decision
2. Disagree with amount paid
3. Processing time too long
4. No record
5. Process is difficult
6. Check not received

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-19. (CONTINUED)

RESPONSE:

d. The routinely generated reports from the database are scan performance reports and Priority Mail (with retail Delivery Confirmation acceptance scan) service performance reports.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-19. (CONTINUED)

RESPONSE:

d. The routinely generated reports from the database are scan performance reports and Priority Mail (with retail Delivery Confirmation acceptance scan) service performance reports.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-20. On the Postal Service's website, at "<http://www.usps.com/shipping/delfaq>," the Postal Service makes the following representation in answering the question "What if I know my package arrived and there is still no delivery information available?": "If there are no delivery scans in our system and you know your package has been delivered, you can request a refund for the Delivery Confirmation fee . A refund of the service fee can be requested if delivery information is not available 30 days from the date of mailing." It is also stated that "evidence of postage and mailing" will be required for a refund.

- a. How can a mailer provide "evidence of postage" in instances in which the mailer has not visited a retail window but has applied stamps to pay for the postage on the package and the Delivery Confirmation fee and then deposited the item (assuming it weighs less than one pound) in a collection box? Please explain fully.
- b. If mailers are unable to furnish proof of postage because stamps have been used to pay the Delivery Confirmation fee, then will the refund be refused? Please explain fully.
- c. List all forms of evidence of postage and mailing that the Postal Service will accept that may entitle a customer to a refund.

RESPONSE:

- a. A mailer would need a postal "round dated" Delivery Confirmation receipt, PS Form 152, to provide evidence that the item was mailed and that the Delivery Confirmation fee was paid. That receipt would not be available in the circumstances you describe.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-20. (CONTINUED)

RESPONSE:

b. The refund of the 40-cent Delivery Confirmation fee generally will not be paid absent evidence that the Delivery Confirmation fee was paid and the item was mailed.

c. Evidence of postage and mailing would be a round dated receipt, PS Form 152 or Firm Mailing Book.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-21. What are the chief reasons for failures to have the delivery information on Delivery Confirmation pieces available to customers by the 30th day? What steps has the Postal Service taken to rectify such failures?

RESPONSE:

The chief reason would be that the scan was not performed. Communication of proper scanning procedures is conveyed to the field from the program office at Postal Service Headquarters on a regular basis. Each District Office is responsible for monitoring scan performance data and reacting accordingly with individual offices.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-22. Please fill in the following table for the number of days from date of *mailing* that delivery information was made available to customers in FY 2000. Please cite the source for information provided in the table. If the source material is not already on file with the Commission, then please provide a copy of the source material.

<u>Number of Days Following Mailing</u>	<u>Percentage of Total Reported Deliveries Under Delivery Confirmation</u>
1 day following mailing	% of total
2 days following mailing	% of total
.....	
[fill in for <i>each</i> of 3 days - 30 days following mailing]	% of total
more than 30 days following mailing	<u>% of total</u>
	should sum to 100 %

RESPONSE:

The Postal Service does not collect this type of information.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-23. Please fill in the following table for the number of days from date of *mailing* that *delivery information* was made available to customers in FY 1999. Please cite the source for information provided in the table. If the source material is not already on file with the Commission, then please provide a copy of the source material.

<u>Number of Days Following Mailing</u>	<u>Percentage of Total Reported Deliveries Under Delivery Confirmation</u>
1 day following mailing	% of total
2 days following mailing	% of total
.....	
[fill in for <i>each</i> of 3 days - 30 days following mailing]	% of total
more than 30 days following mailing	<u>% of total</u>
	should sum to 100 %

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-24. Please fill in the following table for the number of days from date of *delivery* that delivery information was made available to customers in FY 2000. Please cite the source for information provided in the table. If the source material is not already on file with the Commission, then please provide a copy of the source material.

<u>Number of Days Following Delivery</u>	<u>Percentage of Total Reported Deliveries Under Delivery Confirmation</u>
1 day following delivery	% of total
2 days following delivery	% of total
.....	
[fill in for <i>each</i> of 3 days - 30 days following delivery]	% of total
more than 30 days following delivery	<u>% of total</u>
	should sum to 100 %

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-25. Please fill in the following table for the number of days from date of *delivery* that delivery information was made available to customers in FY 1999. Please cite the source for information provided in the table. If the source material is not already on file with the Commission, then please provide a copy of the source material.

<u>Number of Days Following Delivery Under Delivery Confirmation</u>	<u>Percentage of Total Reported Deliveries</u>
1 day following delivery	% of total
2 days following delivery	% of total
.....	
[fill in for <i>each</i> of 3 days - 30 days following delivery]	% of total
more than 30 days following delivery	<u>% of total</u>
	should sum to 100 %

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-26. After the 30th day following a mailing that includes the purchase of the Delivery Confirmation service, does the Postal Service continue to record the number of days that have elapsed until the delivery information finally is made available? Please explain fully.

RESPONSE:

No. It is rare for a scan to be done more than 30 days following a mailing, and recording the exact day in the few cases would not be cost effective.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-27. What was the total number of Delivery Confirmation transactions made (either on a fee-paid or no-charge basis) in FY2000 for which a delivery scan was never reported? Please cite the source for the information provided. If the source is not on already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

For FY 2000, delivery related scans were obtained on 95.78 percent of Delivery Confirmation barcoded pieces with an acceptance record. This Product Tracking System information excludes many pieces, such as those pieces entered in a collection box. Also, some of the missed scans resulted from problems introduced by customers, such as the placement of the Delivery Confirmation barcode on the back of a package, or the lack of any barcode. One hundred percent less this number would give you the percentage of non-reported scans. If one assumes that this non-scan percentage applies to all Delivery Confirmation transactions, then multiplying that percentage by the number of Delivery Confirmation transactions in FY 2000 (see USPS-LR-J-109, WP-4) would provide an estimate of the number of items for which an acceptance record or electronic file was obtained but no delivery related scan was reported.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-28. What was the total number of Delivery Confirmation transactions made (either on a fee-paid or no-charge basis) in FY 1999 for which a delivery scan was never reported? Please cite the source for the information provided. If the source is not on already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

For FY 1999, delivery related scans were obtained on 94 percent of Delivery Confirmation barcoded pieces with an acceptance record. This Product Tracking System information excludes many pieces, such as those pieces entered in a collection box. Also, some of the missed scans resulted from problems introduced by customers, such as the placement of the Delivery Confirmation barcode on the back of a package, or the lack of any barcode. One hundred percent less this number would give you the percentage of non-reported scans. If one assumes that this non-scan percentage applies to all Delivery Confirmation transactions, then multiplying that percentage by the number of Delivery Confirmation transactions in FY 1999 (see USPS-LR-J-92, page 25) would provide an estimate of the number of items for which an acceptance record or electronic file was obtained but no delivery related scan was reported.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-29. What was the total number of requests for refunds of Delivery Confirmation fees made by Priority Mail mailers in FY 2000? Please cite the source for this answer. If the source material is not already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-30. For the total number of requests for refunds of Delivery Confirmation fees made by Priority Mail mailers in FY 2000,

- a. What percentage of requests for refunds was paid?
- b. What percentage of requests for refunds was denied?
- c. What percentage of requests for refunds is pending?
- (Percentages given in answers a. - c. should sum to 100 percent).
- d. What were the chief reasons for denying refunds?

Please cite the source for these answers. If the source material is not already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

- a. The Postal Service does not collect this type of information.
- b. The Postal Service does not collect this type of information.
- c. The Postal Service does not collect this type of information.
- d. The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-31. What was the total number of requests for refunds of Delivery Confirmation fees made by Priority Mail mailers in FY 1999? Please cite the source for this answer. If the source material is not already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

The Postal Service does not collect this type of information.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-32. For the total number of requests for refunds of Delivery Confirmation fees made by Priority Mail mailers in FY 1999,

- a. What percentage of requests for refunds was paid?
 - b. What percentage of requests for refunds was denied?
 - c. What percentage of requests for refunds is pending?
- (Percentages given in answers a. - c. should sum to 100 percent).
- d. What were the chief reasons for denying refunds?

Please cite the source for these answers. If the source material is not already on file with the Commission, then please provide a copy of the source material.

RESPONSE:

- a. The Postal Service does not collect this type of information.
- b. The Postal Service does not collect this type of information.
- c. The Postal Service does not collect this type of information.
- d. The Postal Service does not collect this type of information.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-33. On the Postal Service's website, at "<http://www.usps.com/shipping/delfaq>," the Postal Service makes the following representation in answer to the question "Can I deposit a Delivery Confirmation mail piece in a collection box?": "you will not obtain a date stamped receipt (proof of mailing)." Will this lack of a receipt preclude a refund at a later time even in instances in which the delivery information was not made available 30 days from the date of mailing? Please explain fully.

RESPONSE:

Please see my response to OCA/USPS-T36-20 above.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-34. On the Postal Service's website, at "<http://www.usps.com/shipping/delfaq>," the Postal Service makes the following representation in answering the question "Can rural letter carriers accept Delivery Confirmation pieces from customers on their route if the Form 152 is affixed?": rural route customers who give the carrier money to cover the postage and fees may get a *date stamped receipt for the postage paid*.

- a. If a rural customer has already applied stamps for the postage and Delivery Confirmation fee before handing the mailpiece to the carrier, can a date stamped receipt still be obtained from the carrier? Please explain fully.
- b. If no date stamped receipt is given in the circumstances described in part a. (and assuming that delivery information is not made available 30 days from the date of mailing), is a refund precluded? Please explain fully.

RESPONSE:

- a. Yes, a rural carrier can return a postmarked receipt if requested by the mailer.
- b. Please see my response to OCA/USPS-T36-20 above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-35. On the Postal Service's website, at "<http://www.usps.com/shipping/delfaq>," the Postal Service makes the following representation in answer to the question "Can city letter carriers accept Delivery Confirmation pieces from customers on their route if the Form 152 is affixed?": city route customers cannot obtain a date stamped receipt from a carrier. Will this preclude a refund at a later time (assuming that delivery information is not made available 30 days from the date of mailing)? Please explain fully.

RESPONSE:

Please see my response to OCA/USPS-T36-20 above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-36. Has the Postal Service ever considered adopting the practice employed in many commercial retail establishments of accepting a customer's good faith oral representation that a service paid for has not been provided and paying the refund claim based upon such an oral statement? If not, why not?

- a. Do you agree that accepting such oral representations on good faith promotes good will on the part of customers? If not, why not?
- b. Do you agree that inflexible requirements concerning proof of postage and mailing may engender customer discontent and alienate customers? If not, why not?
- c. If the practice described in the premise of the question has ever been considered, what was the outcome of such consideration?

RESPONSE:

After checking with others about Headquarters consideration of adopting such a practice, I have no knowledge of such consideration.

- a. While relaxed rules on refund procedures might generate goodwill among customers receiving refunds, I do not know enough about the practice you describe to make an informed opinion.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-36. (CONTINUED)

RESPONSE:

b. No. I believe that proof of purchase is a common practice when requesting a refund, barring extenuating circumstances. I personally would not expect a refund unless I provided proof of purchase and/or mailing (if applicable).

c. Not applicable, to the best of my knowledge.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-37. The following question refers to page 44 of your testimony. You indicate that "[t]he proposed fee of \$1.30 for unnumbered insurance was developed by increasing the per-piece cost of 94 cents by 40 percent and rounding to the nearest nickel. The fee for numbered insurance up to \$100 was developed by marking up the \$1.80 per piece cost by 22 percent and applying a five-cent rounding constraint."

(a) Please explain how you determined that a 40-percent markup for unnumbered insurance was appropriate. Please explain how you determined that a 22-percent markup for numbered insurance was appropriate.

(b) Please explain why the markups for numbered and unnumbered insurance differ. Include in your response an explanation of why the unnumbered markup is 18-percentage points higher than the markup for numbered insurance.

RESPONSE:

a. - b. Please see my testimony at pages 44-45 where I discuss the pricing criteria for unnumbered and numbered insurance.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-38. Your testimony at page 44 states: "Insurance provides a very high value of service to customers, as these customers can receive reimbursement for lost, stolen, or damaged articles."

- (a) Please confirm that the average indemnity for unnumbered insurance is \$0.10. If you are unable to confirm, please explain.
- (b) Please confirm that the \$0.94 test year cost of unnumbered insurance includes the \$0.10 (rounded) average unnumbered indemnity cost.
- (c) Given your pricing proposal, confirm that the average contribution for unnumbered insurance is \$0.36 (\$1.30-\$0.94). If you are unable to confirm, please explain and provide the correct average contribution for unnumbered insurance.
- (d) Please confirm that the pay-out ratio for the average unnumbered insurance claim is approximately 27 percent ($\$0.10/(\$0.36+\$0.10)$). If you are unable to confirm, please explain and show the correct ratio.
- (e) Please confirm that the average indemnity for numbered insurance valued at \$50.01 to \$100.00 is \$0.19. If you are unable to confirm, please explain.
- (f) Given your pricing proposal, confirm that the average contribution for numbered insurance from \$50.01 to \$100.00 is \$0.40 (\$2.20-\$1.80). If you are unable to confirm, please explain and provide the correct average contribution for numbered insurance valued at \$50.01 to \$100.00.
- (g) Please confirm that the pay-out ratio for the average numbered insurance valued at \$50.01 to \$100.00 is approximately 32 percent ($\$0.19/(\$0.40+\$0.19)$). If you are unable to confirm, please explain and show the correct ratio.
- (h) Given your pricing proposal, confirm that the average contribution for regular numbered insurance from \$100.01 to \$5000.00 is (\$0.40 + \$1.00 for each \$100 or fraction thereof over \$100). If you are unable to confirm, please explain and provide your estimate of the average contribution for regular numbered insurance from \$100.01 to \$5000.00 by \$100 increments.
- (i) Please provide the pay-out ratio (as defined above) for each \$100.00 increment or fraction thereof over 5100 for values 5100.01 to 55000.00.
- (j) Given the low pay-out ratios (less than 1/3), as shown in parts (d) and (g) of this interrogatory, please explain why the fees you propose are not excessive.
- (k) Have you or the Postal Service performed or reviewed any analysis, study or report regarding insurance pay-out ratios? If so, please provide a copy of the analysis, study or report. If not, please explain why no analysis, study or report has been made.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-38. (CONTINUED)

RESPONSE:

- a. Redirected to witness Abdirahman.
- b. Redirected to witness Abdirahman.
- c. Confirmed.
- d. Not confirmed. I am not sure what is meant by the term "pay-out ratio", how it is or should be calculated, or its relevance. Regardless, the mathematical calculation of 27 percent is incorrect – it should be 22 percent.
- e. Redirected to witness Abdirahman.
- f. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-38. (CONTINUED)

RESPONSE:

g. Not confirmed. I am not sure what is meant by the term "pay-out ratio", how it is or should be calculated, or its relevance. The mathematical result of the equation presented appears to be correct.

h. Not confirmed. There is no uniform per piece contribution for numbered insurance over \$100 up to \$5,000. See Exhibit A of my testimony for the average cost per piece in \$500 increments for numbered insurance over \$100 up to \$5,000.

i. I am not sure what is meant by the term "pay-out ratio", how it is or should be calculated, or its relevance.

j. I cannot confirm the pay-out ratios in parts d and g. The fees I proposed in my testimony are not excessive, based on the discussion in my testimony on pages 44-46.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-38. (CONTINUED)

RESPONSE:

k. I am not sure what is meant by the term "pay-out ratio", how it is or should be calculated, or its relevance. I am not familiar with the application of this type of ratio in a setting where traditionally cost coverages are used to evaluate and analyze product pricing. Therefore, I am unaware of whether or not the Postal Service has performed or reviewed any analysis, study or report regarding insurance pay-out ratios.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REVISED 10/30/01**

OCA/USPS-T36-39. Please explain the process a consumer would use to file a claim. (Explain in plain English in the same manner used by window clerks when assisting a customer in a USPS Post Office.) Please describe in detail how clerks are trained to provide this explanation to consumers.

RESPONSE:

A customer may file a claim at any local post office. Customers must provide all proof regarding the claim. The customer completes the appropriate form, and the clerk verifies the information for accuracy and verifies the customer's receipts and proof of loss. See Library Reference J-144, Sales & Services Associate Training, Module 22, Claims & Inquiry.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-41. If an insured package mailed from an APO/FPO address is destined for a United States address, and is subsequently lost in transit, please explain the following:

- (a) Who is liable for reimbursing the APO/FPO postal patron?
- (b) What is the extent of the reimbursement liability?
- (c) Please provide the FY 2000 limit on the insurance liability for mailing from each APO/FPO address to the United States.
- (d) At the time of mailing, does the APO/FPO "window clerk" inform a postal patron about the maximum reimbursement liability limitations? If so, please provide a copy of the "script" used to inform the postal patron. If not, please explain why no explanation or "warning" about purchasing excessive insurance is provided to the patron.
- (e) For FY 2000 and FY 2001, please provide the volume and revenue generated by insurance transactions sold in APO/FPO facilities to patrons for mail sent to the United States. Include in your response, the volume and revenue delineated by unnumbered insurance and numbered in increments of \$50.01 - \$100.00 and each \$100.00 increment from \$100.01 to \$5000.00.
- (f) Does the Postal Service sell insurance to APO/FPO patrons in excess of what a subsequent claimant could be paid? (e.g., Selling \$5000.00 worth of insurance when the maximum reimbursement liability limitation is less than \$5000.00.) If so, please provide the FY 2000 and FY 2001 volume of transactions and the revenue arising from such sales.

RESPONSE:

- a. The Postal Service is responsible for the reimbursement of any adjudicated insurance claim for an item mailed from an APO/FPO address to an address in the United States.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-41. (CONTINUED)

RESPONSE:

b - c. Mail from an APO/FPO address to a United States address is treated as domestic mail with respect to insurance service. Therefore, the \$5,000 limit that applies to domestic insurance is the same limit that applies to mail from an APO/FPO address to a United States address.

d. Since the APO/FPO window clerks do not work for the Postal Service, I have no knowledge of what these clerks inform their customers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)

OCA/USPS-T36-41. (CONTINUED)

RESPONSE:

e. The data are available in an aggregate number over \$100, and the numbers for 2001 are preliminary:

	<u>FY 2000 Volume</u>	<u>FY 2000 Revenue</u>
\$0 - \$50	653,535	555,505
\$50.01 - \$100	493,473	888,250
\$100.01 - \$5000	419,419	1,698,826

	<u>FY 2001 Volume</u>	<u>FY 2001 Revenue</u>
\$0 - \$50	465,321	475,532
\$50.01 - \$100	326,239	635,258
\$100.01 - \$5000	279,526	1,222,104

f. See my response to subparts b-c above.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCAIUSPS-T36-42. Does USPS postal insurance provide the same type of service for military consumers using APO/FPO postal facilities as it does for domestic Post Office? If not, what are the differences and how are they explained to the customer?

RESPONSE:

Yes. See my response to OCA/USPS-T36-41, subparts b-c.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-19-36)**

OCA/USPS-T36-43. The following interrogatory refers to USPS-LR-J-109, WP-5, Page 2 of 2. Please confirm that the header for column (1) "FY 1998" should be "FY 2000". If you are unable to confirm, please provide the "FY 2000" values for column (1) and update columns (2) through (8).

RESPONSE:

Confirmed. A revision to this workpaper will be filed shortly.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-44. Please refer to your testimony at page 5, lines 3-34. You identify the nine rate-making criteria to be considered in determining postal rate and fee levels. Please explain the relative weightings you employed for each of the criteria in determining the proposed rates for each type of service that you address in your testimony.

RESPONSE:

For each of the special services I have proposed new fees for, all applicable pricing criteria are addressed, along with associated significance of each individual criterion if relevant, in the respective pricing criteria sections. No "relative weightings" were used.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-45. Please refer to your testimony at pages 23 to 30, where Certified Mail is discussed.

(a) Do you have any studies of the level of customer satisfaction with Certified Mail? If so, please provide them.

(b) You indicate on page 26, lines 10-11, that the enhancement of Certified Mail with the provision of Internet access and call center access to delivery time and data is expected to increase customer use of Certified Mail. How much additional usage and revenue will the enhancement generate? Please provide complete information on estimation procedures.

RESPONSE:

- a. I have been informed that the Postal Service does not have any studies of the level of customer satisfaction for certified mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-45. (CONTINUED)

RESPONSE:

b. The difference between the volume in my workpaper and the forecast volume for certified mail is the additional estimated volume from the certified mail enhancement, as well as volume effects from the proposed electronic return receipt and Internet availability of return receipt after mailing. The workpaper volume (USPS-LR-J-109, WP-3) of 302,882,000 less the forecast volume of 279,412,000 (USPS-LR-J-109, WP-13) results in an additional volume of 23,470,000. This volume is developed by witness Nieto in Library Reference J-136, based on market research conducted by witness Rothschild (USPS-T-27). This additional volume multiplied by the proposed fee of \$2.30 results in additional revenue of \$53,981,000.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-46. In your testimony, pages 3.1 to 39, you discuss Delivery Confirmation.

(a) At page 33, lines 3-8, you indicate that Delivery Confirmation data are available via the Internet and via telephone number. Do you have any information, studies or analyses that measure the accuracy of reported Delivery Confirmation data? Please furnish such studies and the percentage of Delivery Confirmation deliveries that are reported accurately.

(b) Do you have any studies of the level of customer satisfaction with Delivery Confirmation? If so, please provide them and explain how you used them to determine Delivery Confirmation fees.

RESPONSE:

a. The Postal Service does not have any information, studies, or analyses that measure the accuracy of Delivery Confirmation data reported. The 1-800 telephone number providers monitor the agents' performance as a whole, but not specifically for reporting on Delivery Confirmation data.

b. I have been informed that the Postal Service does not have any studies of the level of customer satisfaction for Delivery Confirmation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-47. In your testimony you discuss Insurance on pages 40 to 46. Do you have any studies, analyses, or surveys indicating the degree of consumer satisfaction with this service? If so, please provide them and explain how you used them to determine Insurance fees.

RESPONSE:

I have been informed that the Postal Service does not have any studies, analyses, or surveys of the degree of consumer satisfaction for insurance.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-48. In your testimony you discuss Return Receipts on pages 51 to 64.

(a) Do you have any studies, analyses, or surveys indicating the degree of consumer satisfaction with the current services or consumer needs and preferences for projected services? If so, please provide them and explain how you used them to determine Return Receipt fees.

(b) As you recognize on page 56, line 5, there are concerns about unreliable service. Do you have any studies that quantify the degree to which service is unreliable? If so, please provide them.

RESPONSE:

a. I have been informed that the Postal Service does not have any studies, analyses, or surveys of the degree of consumer satisfaction for the current return receipt service.

b. I have no studies that quantify the reliability of return receipt service. My knowledge of any problems with return receipt service was gained entirely from information provided in past rate case proceedings. See my response to interrogatory DFC/USPS-T36-2.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-49. In your testimony you discuss Signature Confirmation on pages 68 to 75. Do you have any studies, analyses, or surveys indicating

(a) the degree of consumer satisfaction with the current services?

(b) consumer needs for projected services?

(c) consumer preferences for projected services?

If the answer to any of a, b, or c above is affirmative, then please provide the studies.

RESPONSE:

a. I have been informed that the Postal Service does not have any studies, analyses, or surveys of the degree of consumer satisfaction for Signature Confirmation.

b.-c. I have been informed that the Postal Service does not have any studies, analyses, or surveys of consumer needs or preferences for projected services for Signature Confirmation. Witness Nieto estimated the volume of certified mail migrating to Signature Confirmation in response to my proposal to extend Signature Confirmation to parcels in the First-Class Mail Letters and Sealed Parcels subclass. USPS-LR-J-136, Table 9.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-50. Please refer to your testimony at page 89, lines 10-11. You indicate that many of the special services need to be re-evaluated for redundancy. Please indicate which services need to be re-evaluated.

RESPONSE:

Potential services that could be re-evaluated for redundancy would include certified mail, certificates of mailing, return receipts, registered mail, Delivery Confirmation, and Signature Confirmation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-44-51)**

OCA/USPS-T36-51. Please provide any information, quantitative study results, or survey results substantiating your statement on page 100 of your testimony, lines 29-30, that "The Postal Service has made great strides in improving the overall service of both Certified Mail and Return Receipts."

RESPONSE:

Please see my testimony at pages 100, line 30 through page 101, line 13, where I describe the proposed enhancements to certified mail and return receipts. Also, please see my testimony at page 25, line 19 through page 26, line 18, at page 27, line 11 through page 28, line 3, at page 55, lines 1-4, at page 57, line 15 through page 58, line 10, at page 99, lines 32-37, and at page 103, lines 4-9.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. The back of the "Insured Mail Receipt," PS Form 3813-P, May 2000, states that:

Insurance is provided only in accordance with postal regulations in the Domestic Mail Manual (DMM)....The DMM and IMM set forth the specific types of losses that are covered, the limitation on coverage, terms of insurance, and conditions of payment.

- a. When questions about insurance coverage arise, do window clerks generally hand over a copy of the DMM to the potential insurance purchasers to puzzle out on their own? If not, how are such questions handled?
- b. Has the Postal Service ever created a plain English, simply written brochure setting out the terms of insurance, coverage, and conditions of payment? If so, please provide a copy. If so, describe where and how such brochures are made available to the public. If not, why not.
- c. Are window clerks given training on the limits of insurance coverage? If so, describe how clerks are trained. Provide any training materials used for this purpose.
- d. Provide representations of any POS (Point of Service) and IRT (Integrated Retail Terminal) computer screens available to window clerks that provide guidance on how to answer mailer questions about insurance coverage, terms of insurance, and conditions of payment.
- e. Provide copies of any hard copy materials available to window clerks that provide guidance on how to answer mailer questions about insurance coverage, terms of insurance, and conditions of payment.
- f. If purchasers of insurance want to insure items of sentimental value that don't have an obvious intrinsic or market value, how do clerks advise purchasers on the proper amount of insurance to purchase?
 - (i) Would potential purchasers be dissuaded from purchasing insurance in such instances? If not, why not?
 - (ii) If insurance is purchased for items of sentimental importance, but little or no intrinsic or market value, and such items are lost, will the Postal Service pay the full amount of the insurance purchased? If not, why not?

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

- g. If a mailer wishes to mail items such as used books, how would a window clerk advise such a potential purchaser concerning the amount of insurance to purchase?
- (i) If the mailer does purchase insurance, the item is lost, and the purchaser makes a claim, will the Postal Service pay the amount of the insurance even if no receipts can be produced? If not, why not?
 - (ii) If the mailer does purchase insurance, the item is lost, and the purchaser makes a claim, will the Postal Service pay the amount of the insurance without any independent evidence of the value of the items mailed? If not, why not?
- (h) Please refer to the examples posited in parts (g) and (h). If your answer is that the Postal Service will not pay claims when there is no independent proof of the value of the contents of the package mailed, then are customers so apprised before they purchase insurance? If so, please provide any electronic, computer, or hard copy instructions to window clerks indicating that they should advise potential purchasers of insurance not to waste their money in such instances. If not, why not?

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

RESPONSE:

a. No. Window clerks are trained to answer questions about insurance coverage, among other things. Also, the portion of the back of the insured mail receipt not quoted in your interrogatory summarizes the Domestic Mail Manual (DMM) and International Mail Manual (IMM) limitations on coverage, and provides information about claims filing. Also, there are publications available in post office lobbies and via the Internet that provide information on insurance. Finally, the DMM and IMM can be made available to a customer at the customer's request.

b. The Postal Service has two brochures which provide information on insurance, "Using Special Mailing Services" (Publication 201) and "Customer Guide to Filing Domestic Insurance Claims or Registered Mail Inquiries" (Publication 122). Both brochures are available at post offices or at the Postal Service's website at <http://new.usps.com>. Copies of the brochures are attached.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

RESPONSE:

c. and e. Window clerks are given training on insurance coverage limits as part of their basic training. This training information is located in the Sales and Services Associate Training Course 23501-02. Module 14, *Insured Mail*, contains information regarding features and benefits, use of postal forms, and requirements. Also, there is a short overview of claims in Module 21, *Claims and Inquiry*. Finally, Course 23Q01-06, Lesson Plans 5 and 6 demonstrate selling and accepting numbered and unnumbered insured mail. These training modules can be found in Library Reference J-144.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

RESPONSE:

d. The IBM POS ONE screen prompting for the amount of insurance indicates that the amount cannot be greater than the article value. A copy of this screen is provided as an attachment. The NCR system does not display any specific guidance concerning entry of the insurance amount. Both POS ONE systems provide user access to the complete text of the DMM. In addition, the IBM system provides information about insurance via the Help key. The IBM insurance Help text is also provided as an attachment.

The IRTs have no Help screens and do not provide access to the DMM. However, the insurance value-entry screen has a large flashing "Insure Actual Value" message. A copy of this screen is not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

RESPONSE:

f. The window clerk would inform the insurance customer that items cannot be insured for more than their actual market value. This same information is also provided at page 13 in Publication 122 and at page 29 in Publication 201. Both publications are referenced in my response to (b) above.

i. It would depend upon the individual customer. Some customers may be dissuaded from purchasing insurance, and opt to purchase registered mail instead, while other customers may choose to purchase insurance.

ii. As stated on the Insured Mail Receipt, PS Form 3813-P, the Postal Service will pay the actual [depreciated] value of the contents.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-52. (CONTINUED)

RESPONSE:

g. See my response to subpart (f) above.

i. There are a number of alternatives to a receipt as evidence of value. These alternatives are listed at page 4 of Publication 122.

ii. The Postal Service can determine evidence of value based upon the customer's individual statement describing the lost article. See page 4 of Publication 122.

h. Not applicable.

USING SPECIAL MAILING SERVICES

Certificate of Mailing

A certificate of mailing is a receipt showing evidence of mailing. It can be purchased only at the time of mailing. The certificate does not provide insurance coverage for loss or damage, nor does it provide proof of delivery. No record is kept at the mailing office, and a receipt is not obtained when mail is delivered to the addressee.

Certified Mail

Certified mail provides proof of mailing and delivery of mail. The sender receives a mailing receipt at the time of mailing, and a record of delivery is maintained by the Postal Service.

CERTIFIED

A return receipt to provide the sender with proof of delivery can also be purchased for an additional fee.

P 265 235 572

MAIL

Certified mail service is available only for First-Class Mail or Priority Mail. Certified mail is not available for international mail, nor does it offer insurance protection. For valuables and irreplaceable items, use Express Mail or insured or registered mail.

Collect on Delivery (COD)

COD service is used when the mailer wants to collect payment for merchandise and/or postage when the merchandise is delivered. COD service can be used for merchandise sent by First-Class Mail, registered mail, Express Mail, Priority Mail, or Standard Mail. The addressee has the choice of paying for the COD at the time of delivery either by cash or personal check,

and the merchandise must have been ordered by the addressee.

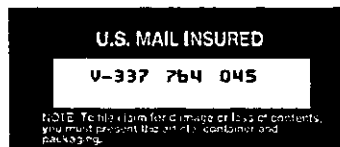
Fees charged for this service include insurance protection against loss or damage. Insurance coverage is limited to \$600. (For details, see **Insurance**.) This service is not available for international mail or for mail addressed to APO and FPO addresses.

Delivery Confirmation

Delivery Confirmation service provides the mailer with information about the date and time an article was delivered and, if delivery was attempted but not successful, the date and time of the delivery attempt. Delivery Confirmation service is available only at the time of mailing. Proof of mailing is provided by a mailing receipt. No record is kept at the office of mailing. This service may be obtained using the retail option, or, for mailers who provide an electronic file of the transaction, an electronic option is available. Delivery Confirmation service is available for Priority Mail and Standard Mail (B). Additional services that can be purchased include collect on delivery (COD), insurance, merchandise return service, registered mail, return receipt for merchandise, and special handling.

Insurance

You can purchase insurance coverage up to \$5,000 for Standard Mail as well as Standard Mail matter mailed at the Priority Mail or First-Class Mail rate. For our most secure service, see **Registered Mail** for



coverage up to \$25,000. For articles

insured for more than \$50, a receipt of delivery is signed by the recipient and maintained by the Postal Service.

You may purchase additional special services when you purchase insurance. For items insured for \$50 or less, you may purchase special handling service. For items insured for more than \$50, you may purchase restricted delivery, return receipt, or special handling services.

Do not insure your packages for more than their value. The amount of insurance coverage for loss will be the actual value, less depreciation. No claim payments are made for sentimental losses or for any expenses incurred as a result of the loss. (For information on Express Mail insurance, see **Express Mail**.)

Merchandise Return Service

Merchandise return service allows permit holders to pay the postage and fees for merchandise returned to them. The service enables the recipient to return a parcel and have the postage paid by the sender. Under this arrangement, the shipper provides a special label with instructions to attach it to the returning parcel. Apply this label to the parcel and deposit the parcel at a post office or, if it is under 16 ounces, place it in a mailbox. **Note:** Unless the preprinted merchandise return label is provided by the shipper, you must pay the required postage charges.

Registered Mail

Registered mail is the most secure service option offered by the Postal Service. It provides added protection for valuable and important mail.



Registered articles are placed under tight security from the point of mailing to the point of delivery. First-Class Mail or Priority Mail postage is required on domestic registered mail. Return receipt and restricted delivery services are available for additional fees, and insurance up to \$25,000 can be purchased on domestic registered mail at the mailer's option. Registered mail to Canada is subject to a \$1,000 indemnity limit. For all other foreign countries, the indemnity limit is currently \$42.30.

Restricted Delivery

Restricted delivery means that the sender's mail is delivered only to a specific addressee or to someone authorized in writing to receive mail for the addressee. Restricted delivery mail addressed to officials of government agencies, members of the legislative and judicial branches of federal and state governments, members of the diplomatic corps, minors, and individuals under guardianship can be delivered to an agent without the addressee's written authorization. Restricted delivery is available only for registered mail, certified mail, COD mail, and mail insured for more than \$50.

Return Receipt

This is the sender's proof of delivery. A return receipt can be purchased for mail sent COD, Express Mail, insured for more than \$50, registered, or certified. The return receipt shows who signed for the item and the date that it was delivered. Unless



prohibited by law, the return receipt also provides the delivery

address if the address on the mailpiece is no longer correct. Return receipt service can be purchased in conjunction with restricted delivery service. It can also be requested before or after mailing, except for return receipt for merchandise service.

Return Receipt for Merchandise

This form of return receipt service provides a mailing receipt, return receipt, and record of delivery. It is available only for merchandise sent at the Priority Mail and Standard Mail (B) postage rates. **Note:**



This service does not include insurance.

Special Handling

Special handling service is required for parcels whose unusual contents require additional care in transit and handling.

Note: Special handling is not required for those parcels sent by First-Class Mail, Express Mail, or Priority Mail. Examples of such contents include live poultry or bees. Special handling is available for Standard Mail only, including insured and COD mail. This service provides preferential handling to the extent practical in dispatch and transportation.

Special handling service is *not* necessary for sending ordinary parcels even when they contain fragile items. Breakable items will receive adequate protection if they are packed with sufficient cushioning and clearly marked "FRAGILE." Use registered mail for valuable or irreplaceable items.

Special Service Endorsements

All endorsements for special services should be placed above the delivery address and below and to the right of the return address on all articles. This requirement applies to endorsements for registered, insured, certified, COD, and return receipt for merchandise services, as well as endorsements for special handling, restricted delivery, and return receipt services.

Customer Guide to
**Filing
Domestic
Insurance
Claims or
Registered
Mail
Inquiries**

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August 1997



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We Apologize

We realize that we cannot compensate for the loss of items entrusted to the Postal Service. Despite our best effort, mail is occasionally damaged or lost. We are constantly trying to improve the way we handle your mail to prevent the need to file a claim.

If You Purchased Postal Insurance

If you purchased your insurance at the time you mailed your package, or if you mailed your package COD, registered with postal insurance, or by Express Mail, these services provide compensation in case of loss or damage.

The information on the following pages tells what is covered by the insurance you purchased and steps you can take to recover the value of the articles you mailed, if they are lost or damaged.

Who Can File?

The sender or the addressee may file a claim for damage or loss of contents of a registered, COD, insured, or Express Mail article. When the claim is for complete loss of a registered, COD, insured, or Express Mail article, only the sender may file the claim.

Where to File

Claims may be filed at any post office, station, or branch. Claims do not have to be filed at the post office where the article was mailed or at the delivery post office.

When to File

File claims immediately when the contents of your package are damaged or missing from the packaging. You must present the contents, container, and packaging with your claim.

For a lost article, use the table below to see how much time to allow from the date you mailed the article before you initiate a claim.

How Long to Wait Before Filing for Loss

Type of Mail	When to File (From Mailing Date)	
	Minimum	Maximum
Insured	30 days	1 year
SAM or PAL	45 days	1 year
Surface to APO, FPO, or outside contiguous 48 states	75 days	1 year
Registered	15 days	1 year
Registered COD	60 days	1 year
COD Mail	60 days	1 year
Express Mail	7 days	90 days
Express Mail COD	60 days	90 days

How to File

Step 1 — Evidence of Insurance

Show that insurance, COD, registered, or Express Mail service was purchased for the parcel mailed.

Although it is better to submit the original mailing receipt if possible, either of the following is acceptable:

- The original mailing receipt that you were given at the time of mailing (reproduced copies are not acceptable).
- The wrapper, showing the names and addresses of both the sender and addressee, along with the endorsement, tag, or label showing that the article was sent insured, COD, registered, or by Express Mail. If only the wrapper is submitted, indemnity may be

limited to \$100 for insured mail, \$50 for COD mail, \$100 for registered mail, and \$500 for Express Mail.

Step 2 — Evidence of Value

Submit evidence to show the cost or value of the article when it was mailed. Evidence of value, other than those listed, may be requested to help make an accurate determination of the value.

One or more of the following are acceptable:

- a. Sales receipt.
- b. Invoice.
- c. Statement of value from a reputable dealer.
- d. Your own statement describing the lost or damaged article. Please include date and place of purchase, amount paid, and whether the article is new or used (only if a sales receipt or invoice is not available). If the article is handmade, include price of materials and labor used. Describe the article in sufficient detail so we can determine whether the value claimed is accurate.
- e. Picture from a catalog showing the value of a similar article (only if a sales receipt, invoice, or statement of value from a reputable dealer is not available). Include date and place of purchase.
- f. Paid repair bills; estimates of repair costs or appraisals from a reputable dealer if the claim is for partial damage. However, appraisals and repair estimates themselves are not payable. Repair costs may not exceed the value at the time of mailing.
- g. Receipt or invoice for costs incurred to purchase bonds, stocks, or similar documents required to reissue a lost article.
- h. Receipt or invoice of costs incurred for reconstructing (duplicating) nonnegotiable documents from retained copies.

Step 3 — Proof of Damage or Loss

Provide proof that the article was lost or damaged.

If the article was damaged or if some or all of the contents were missing, take the article, box, wrapper, and all packing materials to the post office immediately.

Do not return the package to the sender without first showing it to postal officials at the addressee's end.

If the article was lost, submit proof of the loss. This is not required for COD or Express Mail.

The Postal Service accepts any of the following as proof of loss:

- a. A letter or statement from the addressee, dated at least 30 days (15 days for registered mail) after the date the article was mailed, stating that the addressee did not receive the article. The statement, or a copy of it, must be attached to the claim.
- b. A claim form (see step 4) completed by the addressee indicating that the article was not received must be signed and returned to the sender.
- c. A statement from the post office of address (the addressee's post office) stating that a delivery record is *not* on file. To obtain such a statement, send a written request asking for proof of delivery to the post office of address with a check or money order for \$6.60. The \$6.60 charge is reimbursed if the claim is paid. Include names and addresses of the sender and addressee; insured, Express Mail, or register number; and date of mailing.

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Step 4 — The Claim Form

Take your proof of mailing, evidence of value, and proof of loss (or damaged article and package) to the post office and complete a Form 1000, Domestic Claim or Registered Mail Inquiry.

The claim form asks for names and addresses of the sender and addressee, date of mailing, amount claimed, and other information.

The information on the claim form is self-explanatory. Please complete all spaces that apply.

If you have any questions or need assistance, the postal employee who provided you with the form will be glad to help you.

When to Expect Payment

A properly completed and supported claim is usually paid within 30 days.

If you have not heard anything within 45 days, please ask your post office to submit a duplicate claim using the same claim number. For registered and Express Mail claims, contact your post office after 45 days.

You can do this by visiting or telephoning the post office where you filed the original claim.

What Else to Know

On the following pages, we have included additional information about what is covered by the insurance you purchased.

- We have answered some frequently asked questions, and
- The center of this brochure contains a checklist showing everything you need for filing a claim.

Postal Insurance Coverage

Insurance is automatically provided with Express Mail, insured mail, and COD mail. It can be purchased separately for registered mail.

In the event of loss or damage, the Postal Service may reimburse you for the value of the article at the time of mailing up to the amount of insurance purchased.

Payable Claims

The times and circumstances under which indemnity claims are payable are listed below.

Costs

- a. Cost of repairing a damaged article or the value of a totally damaged article not exceeding actual value of the article at the time of mailing.
- b. Reasonable costs incurred in duplicating documents such as:
 1. Copying service.
 2. Notary fees.
 3. Bonding fees for replacement of stock or bond certificates.
 4. Reasonable attorney's fees if actually required to replace the lost or damaged documents.
 5. Other direct and necessary expenses or costs, as determined by the Postal Service.
 6. Face value of negotiable documents that cannot be reconstructed up to the amount of insurance coverage purchased, but not to exceed the \$25,000 maximum amount of insurance coverage available if sent by registered mail.
- c. Extra cost of gift wrapping, if the gift-wrapped article was enclosed in another container when mailed.

What to Check Off When Filing

Action	Type of Mail				
	Insured	COD	Registered	Express Mail	Express Mail COD
Form to fill out	1000	1000	1000	1000	1000
File immediately for damage or partial loss	✓	✓	✓	✓	✓
Minimum days to file from mailing date	30	60	15	7	60
Except: SAM or PAL	45				
Surface to APO, FPO, or outside 48 contiguous states	75				
Maximum time to file from mailing date	1 year	1 year	1 year	90 days	90 days
File at any post office	✓	✓	✓	✓	✓
File for complete loss*	✓	✓	✓	✓	✓
File for damage or partial loss**	✓	✓	✓	✓	✓
Submit original mailing receipt	✓	✓	✓	✓	✓
Submit evidence of cost or value	✓	✓	✓	✓	✓
Submit proof of loss	✓		✓		
Submit item, container, wrapper, and packaging for damage or partial loss	✓	✓	✓	✓	✓

* Only sender may file

** Sender or addressee may file

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- d. Cost of outer container, if specially designed and constructed for the article sent.
- e. Postage (not fee) paid for sending damaged articles for repair. (The Postal Service must be used for this purpose. Other reasonable transportation charges may be included if the Postal Service is not available.)
- f. Cost of film stock or blank tape for photographic film, negatives, slides, transparencies, video tapes, laser disks, x-rays, MRIs, CAT scan prints, etc. (No indemnity is paid for the content of the film or for the photographer's time and expenses in taking the photographs.)
- g. Cost of bees, crickets, or baby poultry destroyed by *physical* damage to package or delay for which the Postal Service is responsible. There are certain limitations, so if you mail any of these, please contact the post office for additional information before mailing.
- h. Cost of filing a lost ticket report with an airline.
- i. Per-page copying cost of lost or damaged blueprints, schematics, etc.

Values

- a. Actual value of lost articles at the time and place of mailing.
- b. Fair market value of stamps and coins of philatelic or numismatic value, as determined by a recognized stamp or coin dealer or current coin and stamp collectors newsletters and trade papers.

Other

- a. Remittance due on a COD parcel not received by the sender, subject to the limitations set by the standards for COD service.
- b. Federal, state, or city sales tax paid on articles lost or totally damaged.

Express Mail Payable Claims

In addition to the types of claims listed on pages 7 and 10, the following are also payable:

- a. For Express Mail Insurance, nonnegotiable documents are insured against loss, damage, or rifling while in transit. Coverage is limited to \$500 per piece (the unit on which postage is paid), subject to a maximum limit per occurrence as provided in paragraph a.4, below. Claims for document reconstruction insurance must be supported by a statement of expense incurred in reconstruction. For this standard, *while in transit* begins when the Postal Service receives custody of the insured material and ends when the material is delivered to the addressee or, if undeliverable, when the sender receives the material on return. Nonnegotiable documents include audit and business records, commercial papers, and such other written instruments for the conduct and operation of banks and banking institutions that have not been made negotiable or cannot be negotiated or converted into cash without forgery. Nonnegotiable documents can be hard copy, disk, tape, microfilm, or other forms of data storage. Articles such as artwork, collector or antique items, books, pamphlets, reader's proofs, repro proofs, separation negatives, engineering drawings, blueprints, circulars, advertisements, film, negatives, and photographs are considered merchandise, not documents. Indemnity for document reconstruction is paid as follows:

1. Payments made (or which are payable) for reasonable costs incurred in the *reconstruction of the exact duplicate of a lost or damaged nonnegotiable document*. Indemnity is not paid for the cost of preparing the document mailed, or for the mailer's time spent in preparing the

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document mailed or reconstructed. Except for per-page copying cost, indemnity is not paid for documents if copies of the lost document are available or if they could have been made prior to mailing.

2. Reasonable reconstruction expenses incurred or obligated between the time of guaranteed or scheduled delivery and actual delivery.
 3. Loss sustained by the use of funds to maintain cash balances during the period of document reconstruction (based on the applicable Federal Reserve discount rate). The period begins at the scheduled delivery time and may not exceed 15 days.
 4. Catastrophic loss for multiple Express Mail items, such as major fire, limited to \$5,000, regardless of the number of Express Mail items, or the identity or number of customers involved. Each claim resulting from a catastrophic loss is first adjudicated individually. If the preliminary adjudication exceeds \$5,000, the percentage of the sum represented by each individual settlement is applied to the \$5,000 to determine each claimant's pro rata share of the final settlement, not to exceed \$500 per piece.
- b. Merchandise insurance coverage is provided against loss, damage, or rifling and is limited to \$500. (Additional insurance, up to a maximum liability of \$5,000, may be purchased for merchandise valued at more than \$500.)
- c. For negotiable items, currency, or bullion, the maximum is \$15.

Nonpayable Claims

Claims are *not* paid for the following:

Costs

- a. Cost of the contents of film, negatives, slides, transparencies, video tapes, laser disks, x-rays, MRIs, CAT scan prints, etc., the cost of creating or recreating these items, or the photographer's time and expenses in taking the photographs.
- b. Cost for personal time required to replace documents.
- c. Cost for estimates and appraisals.

Values

- a. Sentimental rather than actual value of articles.
- b. Replacement value exceeding the article's actual value at the time and place of mailing.
- c. Negotiable items (defined as instruments that can be converted to cash without resort to forgery), currency, or bullion valued in total at more than \$15 per shipment sent by Express Mail, except under Express Mail Claims, subparagraph c.
- d. Consequential loss of Express Mail claimed, except under Express Mail Claims, subparagraph a.3.
- e. Consequential loss rather than the actual value of the article itself. "Consequential loss" means what might have happened if the article had been delivered. For example, postal insurance covers the cost of a sample of merchandise but not the loss of potential orders for additional merchandise.
- f. Lottery tickets, sweepstakes tickets, contest entries, and similar items.

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Other Claims Not Paid For

- a. Articles without evidence of insurance coverage.
- b. Articles lost, rifled, or damaged after delivery by the Postal Service.
- c. Articles sent COD without the addressee's consent.
- d. Articles or part or all of their contents officially seized while in the military postal system overseas.
- e. Articles lost after they were signed for by the addressee, the addressee's agent, or the authorized delivery employee.
- f. Articles lost, rifled, or damaged by acts of employees or agents of the sender or addressee.
- g. Articles for which the required claim forms are not completed because the sender or addressee fails to cooperate.
- h. Articles affected by war, insurrection, or civil disturbance, or seizure by any agency of the Government.
- i. Loss caused by a delay in the mail.
- j. Claims submitted after the article was transported outside the Postal Service.
- k. Claims, duplicate claims, or appeals not filed within the specified time limits.

Contents

- a. Perishable articles that froze, melted, spoiled, or deteriorated.
- b. Death of baby poultry caused by shipment to points where delivery could not be made within 72 hours from the time of hatching unless determined that transportation was in place to achieve the 72-hour target.
- c. Death of honeybees, crickets, and harmless live animals not the fault of the Postal Service.

- d. Death of adult birds in Express Mail with no physical damage to the container.
- e. Articles whose fragile nature prevented their safe carriage in the mail, regardless of packaging.
- f. Nonmailable items, prohibited items, or restricted items not prepared and mailed according to postal standards, or any item packaged in such a manner that it could not have reached its destination undamaged in the course of the mail.
- g. Articles damaged by abrasion, scarring, or scraping of suitcases, handbags, and similar articles not properly wrapped for protection.
- h. Radioactive injury, or electrical or magnetic injury, or erasure of electrical recordings.
- i. Articles damaged by shock, transportation environment, or x-ray, without evidence of damage to the mailing container.
- j. Damaged articles, mailing containers, and packaging not submitted to the Postal Service for inspection.
- k. Container and packaging not submitted to the Postal Service for inspection on a partial or complete loss of contents claim.

What to Do If Claim Denied

You can appeal a denied claim within 3 months of receiving notification of the denial. Send your appeal to:

MANAGER CLAIMS APPEALS
ACCOUNTING SERVICE CENTER
US POSTAL SERVICE
PO BOX 80141
ST LOUIS MO 63180-0141

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Questions and Answers

What happens to the damaged article I give to the Postal Service?

If the article has salvage value, the Postal Service retains it. The article is sent to a Mail Recovery Center where it is auctioned to the public.

What happens if the article is delivered after the claim is paid?

You may accept the article and reimburse the Postal Service the full amount you were paid if the article is undamaged. If the article is damaged, has depreciated in value, or if the contents are not intact, the St. Louis Accounting Service Center informs you of the amount you must reimburse the Postal Service.

Will my postage be reimbursed?

Yes, if the article was lost or all of the contents were totally damaged.

What about fees?

Fees are not reimbursed because they cover the cost of insurance.

What happens if both the sender and the addressee claim the insurance payment?

They should decide between them who receives payment. Otherwise, payment is made to the sender.

Domestic Mail Manual S010 contains detailed information about domestic indemnity claims.

If you need more specific claims information, please contact your local post office.

Thank you
for buying
postal insurance!

*Additional copies of this
document may be obtained
from your local post office.*

Mailing Services Information for Insurance

Weight: 1.50oz Destination: 5555 Zone: 6
Class: Parcel Post Services:

Total: \$5.45 S

Enter the dollar amount of insurance required for article. The value cannot be greater than the article value. The amount must be at least \$0.01 and no more than \$5000.00.

Insurance/Indemnity:

Insurance/Indemnity:

7	8	9	Delete
4	5	6	Clear
1	2	3	Done
0	Enter		

Help	Lock	Quit	Tasks	Cancel	Done
------	------	------	-------	--------	------

IBM HELP SCREEN: INSURANCE – BASIC INFORMATION

Insured Mail Label and PS Form 3813-P

Purpose

Insured mail provides up to \$5,000 indemnity coverage for lost, rifled, or damaged articles, subject to the standards for the service and payment of the applicable fee. A bulk insurance discount is available for insured articles entered by authorized mailer who meet certain criteria (See the DMM for more information). The sender is given a receipt, but the office of mailing does not keep a record of the insured mail. For mail insured for over \$50, a delivery record is maintained by the Postal Service. Insured mail is dispatched and handled in transit as regular mail.

The maximum indemnity for both domestic and international insured mail is \$5,000, at a rate of \$.90 per additional \$100 worth of coverage over the previous \$600 limit.

Eligible Matter

The following types of mail may be insured:

- Package Services
- Package Services matter mailed at the First-Class rate. Sealed articles must be endorsed in addition to the First-Class or Priority Mail endorsement.
- Official government mail endorsed "Postage and Fees Paid."

Ineligible Matter

The following types of mail may not be insured:

- Parcels containing matter offered for sale and addressed to prospective purchasers who have not ordered or authorized their sending. If such matter is received in the mail, payment is not made for loss, rifling, or damage.
- Nonmailable matter.
- Articles so fragile that they cannot be safely carried in the mail, regardless of packaging.

- Articles not adequately prepared to withstand normal handling in the mail. As a rule, any mailable package should be insurable.
- Mail not bearing the complete names and addresses of the sender and addressee.
- Matter mailed at Package Services mail rates.
- Matter mail at First-Class rates (including Priority Mail) that consists of items described in the DMM as required for mailing at First-Class rates.

Fees and Postage

Mailers must prepay insurance fees in addition to postage, except on official mail sent under applicable provisions. The mailer guarantees to pay return and forwarding postage, unless the mailer writes instructions on the wrapper or envelope not to forward or return the mail.

Additional Services

Subject to applicable standards and fees, special handling, parcel airlift, merchandise return, and delivery confirmation service may be used with insured mail. Restricted delivery and return receipt service (PS Form 3811) may be obtained for articles insured for more than \$50.

Filing Claims

General Filing Instructions - Who may file:

1. Only the sender, for the complete loss of either of the following mail class or services:
 - Registered Mail
 - Insured Mail
 - Collect on Delivery (COD)
 - Express Mail
2. Either the sender or addressee, for damage or if some or all of the contents of a mail package are missing.

3. Only the merchandise return permit holder, for mail packages registered with merchandise return service.
4. Only the sender, for bulk insured service mail.

When to file:

A customer must file a claim immediately when the contents of a mail package are damaged or missing. For a lost mail package, a customer must file a claim within the time limits as indicated in the chart below.

Mail Type or Service	When to File (From Mailing Date)	
	No Sooner Than	No Later Than
Bulk Insured	30 days	180 days
COD	60 days	1 year
Express Mail	7 days	90 days
Express Mail COD	60 days	90 days
Insured	30 days	1 year
Registered	15 days	1 year
Registered COD	60 days	1 year
Exceptions: Claims for loss of insured and COD articles (including insured articles sent to APO and FPO addresses) originating at or addressed to post offices outside the contiguous 48 states may be filed only:		
a. After 45 days if article sent First-Class Mail, space available mail (SAM), or parcel airift (PAL).		
b. After 60 days if article sent COD.		
c. After 75 days if article sent by surface.		

For duplicate claims, a customer must file within the time limits as indicated in the chart below. To file a duplicate claim, the customer must either:

1. submit a photocopy of the customer's completed part of the claim form (PS Form 1000), or
2. request the post office where the claim was filed to process a photocopy of the post office's receipt copy of the claim form.

Mail Type or Service	When to File	
	No Sooner Than (From Original Claim Date)	No Later Than (From Original Mailing Date)
COD	45 days	18 months
Express Mail	45 days	6 months
Express Mail COD	45 days	6 months
Insured	45 days	18 months
Registered	90 days	18 months
Registered COD	90 days	18 months
Duplicate registered mail and Express Mail claims may not be filed without authorization by the St. Louis ASC or the Consumer Advocate, USPS Headquarters.		

Where to file claims:

1. At any post office, station, or branch, except for registered merchandise return service.
2. Only at the post office where the merchandise return permit is held, for mail packages sent as registered with merchandise return service.

How to file claims:

A customer may file a claim by presenting evidence of the following:

- insurance
- value
- proof of loss or damage

Proof of loss is not required for COD or Express Mail claims.

If the mail package was mailed Express Mail COD, then the sender must provide the original COD and Express Mail receipts.

For more in-depth information regarding filing claims, see the DMM for more information.

IBM HELP SCREEN: INSURANCE -- MAILING**Where to Mail**

The following rules apply to mailing of insured articles:

- Mailers must mail parcels that they insure at a post office, branch, or station, or give the parcels to a rural carrier.
- Mailers may place insured mail in, but not on, rural mailboxes.
- Insured mail cannot be deposited in post office maildrops nor in or on street letterboxes.
- Mailers may give insured mail to rural carriers or leave the mail in rural mailboxes if stamps are affixed for postage and fees or money for postage and fees is left in the box.
- If insured mail is left in rural mailboxes, mailers must leave a note showing the *amount of insurance requested*.
- The USPS assumes no responsibility for articles or money left in rural mailboxes until the carrier collects the articles.
- Mailers at nonpersonnel rural units must meet the rural carrier at the unit for insurance service.

USPS Inquiries

USPS sales and services associates are required to ask whether the package presented for insurance contains fragile, perishable, or flammable matter.

Endorsement and Postmarking

Mail packages insured for \$50 or less: Each mail package must be stamped on the address side with an elliptical insured marking as shown below. This marking must be placed above the delivery address and to the right of the return address.

Mail packages insured for more than \$50: Each mail package must have PS Form 3813-P (shown below), affixed above the delivery address and to the right of the return address. PS Form 3813-P must not be used for packages insured for \$50 or less.

All insured mail packages, regardless of insurance amount, must be postmarked, unless a postage meter stamp or permit imprint is used to pay postage.

Privately-Printed Forms

Mailers may use privately-printed PS Forms 3813-P if the following conditions are met:

- Privately-printed labels must be nearly identical to postal-provided forms in design and color.
- Insured numbers must be readable by automated postal equipment.
- Mailers must submit at least three preproduction samples to the postal business center manager serving the mailer's location, and the mailpiece design analyst must review them.

After approval, the analyst issues the mailer a block of insured numbers.

Prohibited Markings

Private insurance endorsements or markings may not appear on the address side of mail, but they may appear elsewhere if they do not resemble and are not confused with official postal endorsements.

Receipts

When the insurance value is \$50 or less, the mailer receives PS Form 3813 as a receipt. When the insurance value is more than \$50, the mailer receives PS Form 3813-P as a receipt.

USPS Records

The USPS does not keep records for insured parcels. Mailers must write the addressee's name and address on the receipt and keep it. Mailers must show the receipt when making a claim for loss or filing an inquiry.

Firm Mailings

If at least three insured articles are presented for mailing at the same time, the sender may use PS Form 3877 (firm mailing book), which the USPS provides at no charge, or privately-printed firm mailing bills. The following guidelines apply to privately-printed firm mailing bills:

- The postmaster may approve privately-printed firm mailing bills that contain the same information as PS Form 3877.
- Mailers may omit columns from PS Form 3877 that do not apply to insured mail.
- The sender must present the books, along with the articles to be mailed, at a post office.
- The sheets of the books become the sender's receipts.
- All firm mailing book entries must be made by typewriter, ink, or ballpoint pen.
- Both the mailer and the sales and services associate must initial alterations.
- All unused portions of the addressee column must be obliterated by drawing a diagonal line through them.

IBM HELP SCREEN: INSURANCE -- DELIVERY

Parcels insured for \$50 or less are delivered as ordinary mail.

Delivery of insured mail is subject to the following additional conditions:

- Before accepting delivery and endorsing the delivery receipt, the recipient (addressee or addressee's representative) may obtain the sender's name and address and may look at the mailpiece while the USPS sales and services associate is holding it.
- The mailpiece will not be opened or given to the recipient until the recipient signs and legibly prints his/her name on the delivery receipt (and return receipt, if applicable) and returns the receipt(s) to the USPS sales and services associate.
- If the recipient is not known to the USPS sales and services associate, suitable identification may be required before the article is delivered.
- Unless the sender requests Restricted Delivery, mail addressed to a person at a hotel, apartment house, etc. may be delivered to any person in a supervisory or clerical position who usually accepts mail for that location.
- USPS responsibility ends when the article is delivered to the recipient.
- Notices are left for articles that cannot be delivered. If the article is not called for or redelivery is not requested, the article is returned to the sender after 15 days (5 days for Express Mail, 30 days for COD), unless the sender specifies fewer days on the mail.
- A postmaster-approved stamp may be used to provide the recipient's signature and name. To obtain approval, the company or individual must submit a written statement to the postmaster that the person whose name appears on the stamp is the same as the person authorized to accept accountable mail, along with a sample of the authorized person's signature that can be verified against the signature on the stamp. After approval, the stamped signature and name are acceptable only if a clean and legible impression is provided.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T36-53. What kind of assistance do personnel at retail facilities provide to postal patrons who wish to file insurance claims if such patrons lack the reading or language skills necessary to fill out the required forms? Please provide copies of any Postal Service documents reflecting a policy to render/not to render such assistance.

RESPONSE:

The Sales and Services Associate Training Course, 23501-02 provides general information in Module 26, Overview of Customer Relations. Publication 551, Point Talk Translator, includes some helpful information regarding insurance in nine different languages. A copy of this publication is attached.

English (Inglés)	Spanish (Español)
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COMMON NEEDS

- Stamps-How many?
- Envelopes-How many?
- Money order-How much?
- Return receipt
- Weight ___ lbs. ___ oz.
- Customs
- Passport
- Stamp collecting
- Shipping box-What size?

PREGUNTAS COMUNES

- Estampillas ¿cuántas?
- Sobres ¿cuántos?
- Giro postal ¿por cuánto?
- Acuso de recibo
- Peso Slbs. Soz.
- Aduana
- Pasaporte
- Estampillas de colección
- Caja ¿de qué tamaño?

MAIL A PACKAGE?

- From whom?
- To whom?
- Address
- Zip code
- Insurance?
- Cost of insurance
- Contents?
- Business papers?
- Is it a gift?
- Sample material?
- What is the value?

¿DESEA ENVIAR 1 PAQUETE?

- ¿De parte de quién?
- ¿Para quién?
- Domicilio
- Zona postal
- ¿Desea seguro?
- Costo del seguro
- ¿Contenido?
- Documentos de negocio?
- Es un regalo?
- Material de muestra?
- Valor?

METHOD OF SHIPPING

- First class mail
- Express mail
- Priority mail
- Certified mail
- Registered mail
- COD
- Next day or 2nd day
- By noon or 3:00 pm
- Military 2nd day
- Military 3rd day

FORMA DE ENVIO

- Primera clase
- Entrega inmediata
- Correo prioritario
- Correo certificado
- Registrado
- COD: contra reembolso
- De uno o dos días
- Para mediodía o 3 pm
- Militar: 2 días
- Militar: 3 días

RATES

- International
- Domestic
- Postage
- Fees
- Total amount

TARIFAS

- Internacional
- Nacional
- Franqueo
- Cobro adicional
- Total a pagar

LOST A PACKAGE?

- Was it insured?
- Insured number
- Package origin
- Zip code
- City/State
- Country

¿SE EXTRAVIÓ SU PAQUETE?

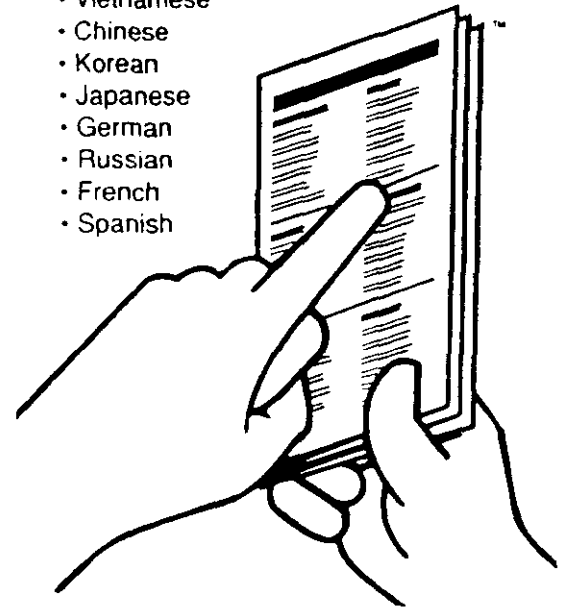
- ¿Estaba asegurado?
- Número del seguro
- Procedencia del paquete
- Zona postal
- Ciudad / Estado
- País



POINT TALK® Customer Service Translator

Translates English to:

- Cambodian
- Vietnamese
- Chinese
- Korean
- Japanese
- German
- Russian
- French
- Spanish



Communicate by Pointing™

DIRECTIONS: This translator has been designed to assist you while providing customer service to people who speak a language other than English. Simply point to the information you wish to convey in the column of the appropriate language.

Not for Resale

English (По-английски)	Russian (По-русски)	English (Anglais)	French (Français)
COMMON NEEDS	ОБЫЧНЫЕ ПОТРЕБНОСТИ	COMMON NEEDS	BESOINS COMMUNS
<ul style="list-style-type: none"> • Stamps-How many? • Envelopes-How many? • Money order-How much? • Return receipt • Weight __ lbs. __ oz. • Customs • Passport • Stamp collecting • Shipping box-What size? 	<ul style="list-style-type: none"> • Марки-Сколько? • Конверты-Сколько? • Перевод-Какая сумма? • Уведомление о вручении • Вес __ фунтов __ унций • Таможенная декларация • Паспорт • Собираение марок • Ящик-Какого размера? 	<ul style="list-style-type: none"> • Stamps-How many? • Envelopes-How many? • Money order-How much? • Return receipt • Weight __ lbs. __ oz. • Customs • Passport • Stamp collecting • Shipping box-What size? 	<ul style="list-style-type: none"> • Timbres-Combien? • Enveloppes-Combien? • Mandat-Combien? • Un accusé de réception • Poids __ Livre __ grammes • Les douanes • Passeport • Timbre de collection • Cols d'expédition-Quelle taille?
MAIL A PACKAGE?	ОТПРАВЛЯЕТЕ БАНДЕРОЛЬ?	MAIL A PACKAGE?	ENVOYER UN COLIS ?
<ul style="list-style-type: none"> • From whom? • To whom? • Address • Zip code • Insurance? • Cost of insurance • Contents? • Business papers? • Is it a gift? • Sample material? • What is the value? 	<ul style="list-style-type: none"> • От кого? • Кому? • Адрес? • Индекс? • Со страховкой? • Стоимость страховки • Содержание? • Деловые бумаги? • Это подарок? • Образцы? • Объявленная ценность? 	<ul style="list-style-type: none"> • From whom? • To whom? • Address • Zip code • Insurance? • Cost of insurance • Contents? • Business papers? • Is it a gift? • Sample material? • What is the value? 	<ul style="list-style-type: none"> • De qui? • A qui? • Adresse • Code postal • Assurance? • Coût de l'assurance • Le contenu • Papiers d'affaire? • Est-ce un cadeau? • Des échantillons de produits? • Quelle est sa valeur?
METHOD OF SHIPPING	МЕТОД ОТПРАВКИ	METHOD OF SHIPPING	METHODE D'EXPEDITION
<ul style="list-style-type: none"> • First class mail • Express mail • Priority mail • Certified mail • Registered mail • COD • Next day or 2nd day • By noon or 3:00 pm • Military 2nd day • Military 3rd day 	<ul style="list-style-type: none"> • Первым классом • Экспресс-почтой • Первоочередной почтой • С квитанцией • Заказной почтой • Наложным платежом • На завтра / послезавтра • К полудню / к 3 часам • Военная почта 2-й день • Военная почта 3-й день 	<ul style="list-style-type: none"> • First class mail • Express mail • Priority mail • Certified mail • Registered mail • COD • Next day or 2nd day • By noon or 3:00 pm • Military 2nd day • Military 3rd day 	<ul style="list-style-type: none"> • Courrier normal • Courrier exprès • Courrier prioritaire • Courrier avec avis de réception • Courrier en recommandé • Paiement à la livraison • Livraison du lendemain ou du 2ème jour • A midi ou avant 15:00 heures • Courrier envoyé par l'armée en 2 jours • Courrier envoyé par l'armée en 3 jours
RATES	ТАРИФЫ	RATES	TARIFS
<ul style="list-style-type: none"> • International • Domestic • Postage • Fees • Total amount 	<ul style="list-style-type: none"> • Международный • Внутри США • Почтовый тариф • Дополнительный тариф • Итоговый тариф 	<ul style="list-style-type: none"> • International • Domestic • Postage • Fees • Total amount 	<ul style="list-style-type: none"> • International • Intérieur / national • Tarifs d'affranchissement • Les coûts • Montant total
LOST A PACKAGE?	БАНДЕРОЛЬ ПОТЕРЯЛАСЬ?	LOST A PACKAGE?	AVOIR PERDU UN COLIS
<ul style="list-style-type: none"> • Was it insured? • Insured number • Package origin • Zip code • City / State • Country 	<ul style="list-style-type: none"> • Она застрахована? • Номер квитанции • Пункт отправления • Индекс • Город / Штат • Страна 	<ul style="list-style-type: none"> • Was it insured? • Insured number • Package origin • Zip code • City / State • Country 	<ul style="list-style-type: none"> • Était-il assuré? • Numéro correspondant à l'assurance • Origine du colis • Code postal • Ville / Etat • Pays

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**English
(Englisch)**

**German
(Deutsch)**

COMMON NEEDS

- Stamps-How many?
- Envelopes-How many?
- Money order-How much?
- Return receipt
- Weight ___ lbs. ___ oz.
- Customs
- Passport
- Stamp collecting
- Shipping box-What size?

ÜBLICHE WÜNSCHE

- Briefmarken-Wie viele?
- Umschläge-Wie viele?
- Postanweisung-Betrag?
- Rückschein
- Gewicht ___ kg ___ g
- Zoll
- Reisepaß
- Briefmarken sammeln
- Versandpaket-Welche Größe?

MAIL A PACKAGE?

- From whom?
- To whom?
- Address
- Zip code
- Insurance?
- Cost of insurance
- Contents?
- Business papers?
- Is it a gift?
- Sample material?
- What is the value?

PAKETE VERSENDEN?

- Von wem?
- An wen?
- Adresse?
- Postleitzahl
- Versicherung?
- Versicherungskosten?
- Inhalt?
- Geschäftspapiere?
- Ist es ein Geschenk?
- Materialprobe?
- Wie hoch ist der Wert?

METHOD OF SHIPPING

- First class mail
- Express mail
- Priority mail
- Certified mail
- Registered mail
- COD
- Next day or 2nd day
- By noon or 3:00 pm
- Military 2nd day
- Military 3rd day

VERSANDART

- Normale Post
- Eilzustellung
- 2-Tage-Zustellung
- Einschreiben
- Versichert
- Per Nachnahme
- Nächster oder 2. Tag
- Bis Mittag oder 15:00 Uhr
- Militär 2. Tag
- Militär 3. Tag

RATES

- International
- Domestic
- Postage
- Fees
- Total amount

GEBÜHREN

- International
- Inland
- Porto
- Sondergebühren
- Gesamtsumme

LOST A PACKAGE?

- Was it insured?
- Insured number
- Package origin
- Zip code
- City / State
- Country

VERLORENE PAKETE?

- War es versichert?
- Versicherungsnummer
- Absender
- Postleitzahl
- Stadt / Bundesstaat
- Land

VIOLATORS WILL BE PROSECUTED

English (អង់គ្លេស)	Cambodian (ខ្មែរ)	English (Anh ngữ)	Vietnamese (Việt ngữ)
COMMON NEEDS <ul style="list-style-type: none">• Stamps-How many?• Envelopes-How many?• Money order-How much?• Return receipt• Weight __lbs. __oz.• Customs• Passport• Stamp collecting• Shipping box-What size?	របស់ត្រូវការធម្មតា <ul style="list-style-type: none">• តែង-ប៊ូឡាន?• ស្រោមសំបុត្រ-ប៊ូឡាន?• ប័ណ្ណបញ្ជាទិញ-ប៊ូឡាន?• ប័ណ្ណបញ្ជាក់ថាបានទទួលសំបុត្រហើយ• ទម្ងន់ __ផោន __អោនស៊ី• គយ• លិខិតឆ្លងដែន• សរុបតែងប្រើប្រាស់ប្រកប• ប្រអប់ផ្ញើសំបុត្រ-ប៊ូឡាន?	COMMON NEEDS <ul style="list-style-type: none">• Stamps-How many?• Envelopes-How many?• Money order-How much?• Return receipt• Weight __lbs. __oz.• Customs• Passport• Stamp collecting• Shipping box-What size?	NHU CẦU THÔNG THƯỜNG <ul style="list-style-type: none">• Tem-Bao nhiêu?• Bì thư-Bao nhiêu?• Money order-Bao nhiêu?• Biên nhận gửi lại• Trọng lượng __lbs. __oz.• Quan thuế• Giấy thông hành• Sưu tầm tem• Thùng bưu kiện-Cỡ nào?
MAIL A PACKAGE? <ul style="list-style-type: none">• From whom?• To whom?• Address• Zip code• Insurance?• Cost of insurance• Contents?• Business papers?• Is it a gift?• Sample material?• What is the value?	ផ្ញើប្រអប់ទំនាក់ទំនង <ul style="list-style-type: none">• អ្នកផ្ញើ?• អ្នកទទួល?• អាសយដ្ឋាន• លេខហ្វីប៊ី (ឬលេខប្រតិបត្តិការ)• ធានារ៉ាប់រង (ឬអាសយដ្ឋាន)• តម្លៃធានារ៉ាប់រង• របស់នៅក្នុងប្រអប់?• សំបុត្រស្នាមជំនួញ?• របស់ជាអំណោយ?• របស់សំរាប់បង្ហាញនៅ?• តម្លៃប្រអប់?	MAIL A PACKAGE? <ul style="list-style-type: none">• From whom?• To whom?• Address• Zip code• Insurance?• Cost of insurance• Contents?• Business papers?• Is it a gift?• Sample material?• What is the value?	GỬI BƯU KIẾN? <ul style="list-style-type: none">• Người gửi?• Người nhận?• Địa chỉ• Zip code• Bảo hiểm?• Phí tổn bảo hiểm• Đồ gửi gồm có• Văn kiện thương mại?• Quà tặng?• Mẫu hàng?• Giá trị của đồ gửi?
METHOD OF SHIPPING <ul style="list-style-type: none">• First class mail• Express mail• Priority mail• Certified mail• Registered mail• COD• Next day or 2nd day• By noon or 3:00 pm• Military 2nd day• Military 3rd day	របៀបផ្ញើ <ul style="list-style-type: none">• លេខ ១• ឆីមស៍ប្រេស្យ (ឬឆីមស៍ប្រេស្យ)• ប្រែយ៉ាម• ធានាសំបុត្របញ្ជាក់• រ៉េគីស្ត័រ• ស៊ីអូឌី• ទៅដល់ថ្ងៃខ្លោង ឬ ពីរថ្ងៃក្រោយ• ទៅដល់ថ្ងៃត្រង់ ឬ នៅម៉ោង ៣ ល្ងាច• ថ្ងៃទី ២ ទាហាន• ថ្ងៃទី ៣ ទាហាន	METHOD OF SHIPPING <ul style="list-style-type: none">• First class mail• Express mail• Priority mail• Certified mail• Registered mail• COD• Next day or 2nd day• By noon or 3:00 pm• Military 2nd day• Military 3rd day	CÁCH GỬI BƯU KIẾN <ul style="list-style-type: none">• Hàng nhất• Gửi tốc hành• Gửi ưu tiên• Gửi thị thực khứ hồi• Gửi bảo đảm• Người nhận trả tiền• Nhân nháy kế tiếp• Nhận lúc trưa hay 3 pm• Quân bưu ngày thứ nhì• Quân bưu ngày thứ ba
RATES <ul style="list-style-type: none">• International• Domestic• Postage• Fees• Total amount	តម្លៃ <ul style="list-style-type: none">• អន្តរជាតិ• ក្នុងស្រុក• ថ្លៃតែងប្រើ• ថ្លៃ (លើអ្វីមួយ)• ចំនួនសរុប (ឬតម្លៃទាំងអស់)	RATES <ul style="list-style-type: none">• International• Domestic• Postage• Fees• Total amount	GIÁ CẢ <ul style="list-style-type: none">• Nước ngoài• Trong nước• Bưu chính• Phí tổn• Tổng số phí tổn
LOST A PACKAGE? <ul style="list-style-type: none">• Was it insured?• Insured number• Package origin• Zip code• City / State• Country	សំបុត្របាត់ <ul style="list-style-type: none">• មានធានារ៉ាប់រងទេ?• លេខធានារ៉ាប់រង• មើលកម្រិត• លេខហ្វីប៊ី• ទីក្រុង / រដ្ឋ• ប្រទេស	LOST A PACKAGE? <ul style="list-style-type: none">• Was it insured?• Insured number• Package origin• Zip code• City / State• Country	MẤT BƯU KIẾN <ul style="list-style-type: none">• Bưu kiện có bảo hiểm?• Số bảo hiểm• Bưu kiện gửi từ• Zip code• Thành phố / Tiểu bang• Quốc gia

English (英文)	Chinese (中文)	English (영어)	Korean (한국말)
COMMON NEEDS	一般服務	COMMON NEEDS	일반적인 질문들
• Stamps-How many?	• 郵票-買多少張?	• Stamps-How many?	• 우표-몇 장이나?
• Envelopes-How many?	• 信封-買多少個?	• Envelopes-How many?	• 봉투-몇 장이나?
• Money order-How much?	• 匯票-寄多少錢?	• Money order-How much?	• 우편환 얼마나?
• Return receipt	• 回執	• Return receipt	• 반송 영수증
• Weight __lbs. __oz.	• 重量__磅__盎司	• Weight __lbs. __oz.	• 무게 __파운드 __온스
• Customs	• 報關	• Customs	• 세관
• Passport	• 護照	• Passport	• 여권
• Stamp collecting	• 集郵	• Stamp collecting	• 우표수집
• Shipping box-What size?	• 郵政箱子-何種尺寸?	• Shipping box-What size?	• 소포 상자-어떤 크기
MAIL A PACKAGE?	寄包裹?	MAIL A PACKAGE?	소포를 부치려고요?
• From whom?	• 發件人?	• From whom?	• 누구로 부터
• To whom?	• 收件人?	• To whom?	• 누구에게
• Address	• 住址	• Address	• 주소
• Zip code	• 郵遞區號	• Zip code	• 우편번호
• Insurance?	• 保險?	• Insurance?	• 보험?
• Cost of insurance	• 保險費?	• Cost of insurance	• 보험료
• Contents?	• 郵寄何物?	• Contents?	• 내용물
• Business papers?	• 商務文件?	• Business papers?	• 비즈니스 용지?
• Is it a gift?	• 禮品?	• Is it a gift?	• 선물이요?
• Sample material?	• 樣品?	• Sample material?	• 샘플용?
• What is the value?	• 價值多少?	• What is the value?	• 얼마가 가치가 되나요?
METHOD OF SHIPPING	郵遞方式	METHOD OF SHIPPING	소포 부치는 방법
• First class mail	• 第一類平信	• First class mail	• 일급 우편
• Express mail	• 快遞	• Express mail	• 속달 우편
• Priority mail	• 優先郵件	• Priority mail	• 우선 우편
• Certified mail	• 保送郵件	• Certified mail	• 배달증명 우편
• Registered mail	• 掛號郵件	• Registered mail	• 등기 우편
• COD	• 收件人付費	• COD	• 대금 교환(지불)
• Next day or 2nd day	• 次日或第二日送達	• Next day or 2nd day	• 다음날 또는 2일 후
• By noon or 3:00 pm	• 中午或下午3:00之前送達	• By noon or 3:00 pm	• 낮 12시 또는 오후 3시
• Military 2nd day	• 軍郵第二日送達	• Military 2nd day	• 군사우편 2일 후 배달
• Military 3rd day	• 軍郵第三日送達	• Military 3rd day	• 군사우편 3일 후 배달
RATES	價格	RATES	우편 요금
• International	• 國際	• International	• 국제
• Domestic	• 國內	• Domestic	• 국내
• Postage	• 郵資	• Postage	• 우표
• Fees	• 費用	• Fees	• 수수료
• Total amount	• 共計	• Total amount	• 총액
LOST A PACKAGE?	包裹遺失?	LOST A PACKAGE?	소포를 분실하셨나요?
• Was it insured?	• 有無保險?	• Was it insured?	• 보험에 드셨나요?
• Insured number	• 保險號碼	• Insured number	• 보험 번호
• Package origin	• 發件地點	• Package origin	• 소포의 발송지
• Zip code	• 郵遞區號	• Zip code	• 우편번호
• City / State	• 城市 / 州	• City / State	• 도시 / 주
• Country	• 國家	• Country	• 국가

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English
(英語)

Japanese
(日本語)

COMMON NEEDS

- Stamps-How many?
- Envelopes-How many?
- Money order-How much?
- Return receipt
- Weight __ lbs. __ oz.
- Customs
- Passport
- Stamp collecting
- Shipping box-What size?

一般的質問

- 切手-何枚必要ですか。
- 封筒-何枚必要ですか。
- 郵便為替-いくら必要ですか。
- 返送受取
- 重量__ポンド__オンス
- 税関
- パスポート
- 切手収集
- 発送用の箱-大きさは。

MAIL A PACKAGE?

- From whom?
- To whom?
- Address
- Zip code
- Insurance?
- Cost of insurance
- Contents?
- Business papers?
- Is it a gift?
- Sample material?
- What is the value?

小包郵送

- 差出人
- 受取人
- 住所
- 郵便番号
- 保険が必要ですか。
- 保険料
- 中身は何ですか。
- 業務上の書類ですか。
- 贈物ですか?
- サンプル材料ですか。
- 小包の価値はいくらですか。

METHOD OF SHIPPING

- First class mail
- Express mail
- Priority mail
- Certified mail
- Registered mail
- COD
- Next day or 2nd day
- By noon or 3:00 pm
- Military 2nd day
- Military 3rd day

発送方法

- 第一種便
- 速達便(翌日までの配達保証)
- 優先便(二日間以内で配達)
- 配達証明付郵便
- 書留便
- 代金引換え渡し(COD)
- 翌日または二日目配達
- 正午または午後三時以前
- 軍用二日目配達
- 軍用三日目配達

RATES

- International
- Domestic
- Postage
- Fees
- Total amount

郵便料金

- 国際
- 国内
- 送料
- 料金
- 総額

LOST A PACKAGE?

- Was it insured?
- Insured number
- Package origin
- Zip code
- City / State
- Country

小包損失

- 保険がありましたか。
- 保険番号
- 小包の発送地
- 郵便番号
- 市 / 州
- 国

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-54. If a postal patron lacks sufficient proficiency in English to understand insurance forms, certified mail forms, delivery confirmation forms, return receipt forms, etc., what assistance do window clerks render such individuals? Please provide copies of any Postal Service documents reflecting a policy to render/ not to render such assistance. Also, if brochures or printed information is made available in languages other than English on such matters, please provide them.

RESPONSE:

Publication 551, Point Talk Translator, includes some helpful information regarding several of the issues regarding products and services. It is written in nine different languages. A copy of this publication will be provided shortly.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-T36-55. What is the average length of time for an insurance claim to be paid or rejected? Please provide the source documents used to answer this question.

RESPONSE:

The average length of time for an insurance claim to be processed depends upon whether or not the claim can be locally adjudicated. If the claim is not locally adjudicated, the average time to process a claim of any type is 62 days.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)

OCA/USPS-136-56. Is there a claims resolution pamphlet available to insurance claimants at the time a claim is filed? If so, please provide it. If not, why not?

RESPONSE:

Yes. See Publication 122, pages 6 and 15.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)**

OCA/USPS-T36-57. What does the Postal Service view as a reasonable length of time to resolve an insurance claim? Please provide copies of any documents stating such a policy.

RESPONSE:

Thirty days is viewed by the Postal Service as a reasonable length of time to resolve an insurance claim. See Publication 122, page 6.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-52-58)**

OCA/USPS-T36-58. If an insurance claimant does not have an insurance claim resolved within a reasonable length of time (as specified in response to interrogatory OCA/USPS-T36-57), what steps may then be taken to speed the claims process?

RESPONSE:

See Publication 122, page 6.

1 COMMISSIONER OMAS: Is there any additional
2 written cross-examination for Witness Mayo?

3 (No response.)

4 COMMISSIONER OMAS: There being none, Ms. Mayo,
5 that completes your testimony here today. We appreciate
6 your appearance and your contribution to our record. Thank
7 you.

8 THE WITNESS: Thank you.

9 COMMISSIONER GOLDWAY: I wanted to say something.
10 You were going so fast.

11 COMMISSIONER OMAS: I'm sorry.

12 COMMISSIONER GOLDWAY: If I could just before the
13 record on this witness closes ask Ms. Mayo to confirm that
14 there were enumerable interrogatories from the OCA and from
15 interested individuals about some of the problems with
16 getting information about insurance, about problems with
17 service and delivery on certified mail and confusion about
18 the various overlaps on the products that exist in the
19 special services line?

20 THE WITNESS: Yes. There were interrogatories
21 that addressed those.

22 COMMISSIONER GOLDWAY: I would simply like to note
23 for the record that I thought that there was a significant
24 amount of concern raised by that set of interrogatories
25 about many of the special services, and I would hope that

1 even if this particular set of hearings does not directly
2 address those concerns that you at the Postal Service will
3 take those issues and review them and attempt to address
4 them in some appropriate manner.

5 THE WITNESS: Yes.

6 COMMISSIONER GOLDWAY: Thank you.

7 COMMISSIONER OMAS: I'm not sure that the record
8 is clear. Both the designated written cross-examination and
9 the library references were received into evidence.

10 Ms. Mayo, again that concludes your testimony here
11 today, and we appreciate your contribution to our record.
12 Thank you.

13 THE WITNESS: Thank you.

14 (Witness excused.)

15 COMMISSIONER GOLDWAY: Thank you for letting me
16 add that, Mr. Chairman.

17 COMMISSIONER OMAS: Mr. Baker, would you please
18 state your name for the record and who you're with?

19 MR. BAKER: Yes. This is Bill Baker. I'll be
20 asking questions of Witness Hope on behalf of the Newspaper
21 Association of America.

22 THE WITNESS: I seem to be missing a pen in all of
23 this. Is there a pen that I could use? Thank you.

24 //

25 //

1 Whereupon,

2 LARAIN B. HOPE

3 having been previously duly sworn, was recalled as
4 a witness herein and was examined and testified further as
5 follows:

6 CROSS-EXAMINATION

7 BY MR. BAKER:

8 Q Good afternoon, Ms. Hope.

9 A Good afternoon.

10 Q I wanted to start by asking you about some of the
11 rate proposals that you're making for standard ECR mail.
12 First of all, am I correct that the average rate increase
13 for standard ECR at least commercial is about 6.2 percent?

14 A That's correct.

15 Q Is that commercial, or is that non-profit as well?

16 A That's commercial.

17 Q Okay. And that is essentially driven by the
18 revenue requirement given to you by Witness Moeller? Is
19 that correct?

20 A The revenue requirement is one of the inputs, yes.

21 Q But that's the principal driving factor?

22 A Yes.

23 Q Okay.

24 A It's a critical input.

25 Q And other inputs you have include cost data from a

1 variety of witnesses that you've mentioned in your
2 testimony, correct?

3 A Yes.

4 Q And isn't one input essentially the existing
5 rates?

6 A Certainly to get the percentage change, we need to
7 look at the existing rates and the rate relationships.

8 Q And also there's a rate design formula known as
9 the pre-sort tree?

10 A Yes.

11 Q And in standard ECR rates, just to warm up, it's
12 characterized by a breakpoint in the rate design. Is that
13 correct?

14 A Yes.

15 Q And below the breakpoint pieces are charged a
16 minimum per piece rate? Is that correct?

17 A That's correct.

18 Q Am I correct that in your proposals in this case
19 every rate category below the breakpoint is proposed to
20 receive a rate increase?

21 A Yes, that's true.

22 Q Okay. And above the breakpoint the rates are
23 calculated in a somewhat different way? Is that correct?

24 A Yes.

25 Q In fact, there are two charges that a mailer has

1 to take into account, disregarding for the moment discounts?

2 A Yes.

3 Q Okay. And one of those is a per piece charge, and
4 the other is a pound rate charge, correct?

5 A That's correct. In addition, a residual shape
6 surcharge may apply.

7 Q Correct. Do you happen to know -- before I get to
8 that, in this case for the above breakpoint standard ECR
9 mail you are proposing to reduce the undiscounted per pound
10 charge from 63.8 cents to 59.8 cents? Is that correct?

11 A Yes, that's correct.

12 Q And you also are proposing to raise per piece
13 charges by various amounts?

14 A The per piece rates go up, yes.

15 Q Did you select the 59.8 cent pound rate?

16 A I certainly input it into the formula and it's
17 part of my testimony. The Postal Board of Governors has
18 recommended it as well.

19 Q Okay. Let's put it this way. Is that a number
20 you selected to put into the formula, as opposed to a number
21 that the formula generated when you put in other numbers
22 instead?

23 A Yes.

24 Q Okay. Did you select the piece charges for pound
25 rated pieces also?

1 A No, I did not.

2 Q Those are outputs in the formula?

3 A Yes.

4 Q Okay. Do you happen to know why there is a per
5 piece charge above the breakpoint?

6 A I believe that it helps to insure the transition,
7 a smooth rate transition. It has been part of the formula
8 basically since the inception. I don't know historically
9 everything.

10 Q I'm aware it's been a part of the formula for a
11 very long time.

12 A Yes.

13 Q I was questioning do you happen to recall why?

14 A Not really, no.

15 Q Did you make any effort to identify piece related
16 costs for above breakpoint mail to see if the per piece
17 charge might somehow correspond to any piece related costs
18 above the breakpoint?

19 A Again, I am not the cost witness, but I am not
20 aware of a specific study about that.

21 Q I didn't think you had. I just wanted to make
22 sure I hadn't missed anything. Okay.

23 Now, as a net result, as Mr. Olson covered some
24 this morning, the net effect of these changes for above
25 breakpoint mail results in a rate decrease proposed for the

1 heavier pound rated ECR pieces. Is that correct?

2 A Yes.

3 Q And that occurs despite the overall increase in
4 rates for pound rated ECR pieces collectively?

5 A Yes.

6 Q And I think as Mr. Olson and you covered in your
7 Tables 5-A, B and C, basically you have bolded in there what
8 I'll call the inflection point at which the pieces or rate
9 categories start to see decreases?

10 A Yes.

11 Q Okay. And depending upon the pre-sort level and
12 the destination entry, those reductions kick in at weight
13 increments ranging from six ounces I think for DDU
14 saturation mail to eight ounces for the basic tier about.
15 Is that correct?

16 A That sounds right. I'm just checking here. It
17 certainly depends on the destination entry, but that's about
18 right.

19 Q Now, you were kind enough to answer AAPS-T-28-2,
20 which was redirected to you from Mr. Moeller, and you can
21 turn to that if you wish, but that interrogatory asked for
22 the total number of saturation to your pieces that were
23 estimated to experience a rate decrease under the proposal.
24 That was slightly less than one billion pieces, correct?

25 A That's correct.

1 Q Do you recall if you were asked if there was a
2 total number of ECR pieces; not just saturation, but all
3 projected volumes that would experience this rate decrease?

4 A I believe I was asked that.

5 Q All right.

6 A The information is also in the exhibit that is
7 appended to my testimony.

8 Q In your Exhibit A?

9 A I think it's just called Exhibit T-31.

10 Q Okay. All right. And you would just sum those
11 numbers, so we would end up with approximately 1.7 or 1.8
12 billion pieces? Is that correct?

13 A They're not added up on my exhibit here.

14 Q Right. I eyeballed it, but approximately it's 1.8
15 billion.

16 A The other interrogatory you may be referring to is
17 NAA-5 where I sum the total difference and show how small
18 the difference is. Is that what you're referring to?

19 Q I was actually looking at your Exhibit 31-A. I
20 think if you just took the subtotals of the three different
21 tiers there and added them up you would come to a figure a
22 bit less than two billion pieces, but that's the number of
23 pieces that would experience that, correct?

24 A I'll accept that subject to check.

25 Q All right.

1 A I would need to add the subtotals.

2 Q But that's where we would look to find the number?

3 A Yes.

4 Q Okay. Now, these were the proposed rates that
5 were approved by the governors in their meeting in early
6 September, correct?

7 A Yes.

8 Q Was that September 10, if I recall correctly?

9 A I think it was a two day meeting.

10 Q Yes.

11 A September 10 and 11.

12 Q Since the governors approved that, the Postal
13 Service's financial fortunes have not been quite as good as
14 they had hoped. Is that correct?

15 A That's correct.

16 Q Has the Postal Service been experiencing financial
17 problems since then?

18 A Yes.

19 Q Okay. At any point since September 12 say have
20 you had any second thoughts about proposing to reduce any of
21 these rates for any of these mailers?

22 A No.

23 Q No? Never? So you have no problem continuing to
24 propose to reduce these rates for close to somewhat less
25 than two billion pieces?

1 A Looked at in the context of the entire proposal,
2 the percentage volume of ECR that is affected is very small,
3 as I demonstrate in the text that accompanies my Tables 5-A
4 through C. I didn't feel that that was a -- it hasn't
5 concerned me because it is such a small decrease, a small
6 amount.

7 In answer to the interrogatory that I had started
8 to talk about, I quantified the revenue to the Postal
9 Service if in fact rates were frozen at those tiers, and the
10 impact, the revenue impact, is quite minimal. It's under \$7
11 million, which as a percentage of ECR revenue is minimal.

12 Q Okay. So these are various reasons why you
13 haven't been troubled by that proposal in light of the
14 events since September 11?

15 A I feel that it's a moderate proposal. The
16 decreases -- in fact, the smallest decrease that the Postal
17 Service has proposed, as I outlined in my testimony, and I
18 feel that there are compelling reasons to lower the pound
19 rate, as I've outlined in my testimony.

20 Q All right. You started outlining those I believe
21 on page 12 of your testimony. I would invite you to turn
22 there now.

23 A Okay.

24 Q In the first paragraph there, one factor that you
25 cite is the cost data that you have received from Witness

1 Schenk about the weight/cost relationship. Is that correct?

2 A Yes, that's correct.

3 Q Okay. Then in the second paragraph on page 12 you
4 introduce the implicit cost coverage discussion that goes on
5 for a few pages as a second factor. Is that correct?

6 A Yes.

7 Q Okay. And elsewhere, although I don't remember
8 seeing it exactly in this passage, I believe you also
9 mentioned that you in fact also balanced the effects of the
10 rate changes on alternative providers of saturation
11 advertising services. I think you used the phrase took that
12 into account.

13 I know you said it in NAA-8. I believe you also
14 said it in your testimony. Is that correct?

15 A I think what my testimony says is that it
16 balances. The pound rate proposal balances the concerns of
17 those who contend that they may be disadvantaged by a
18 significant reduction in the pound rate.

19 Q What page?

20 A The cost evidence --

21 Q What page?

22 A I'm sorry. Page 20.

23 Q Oh, yes.

24 A Lines 15 through 18.

25 Q I think that's what you meant. You use analogous

1 language in your answer to NAA-8.

2 A Yes. Also on page 21 of my testimony, I do add
3 that the concerns of alternative providers of saturation
4 advertising services were taken into account and balanced
5 with the concerns of businesses that would prefer a lower
6 pound rate.

7 Q So is that a third factor that you considered or a
8 third and fourth factor that you considered?

9 A I considered them. I think that prior to that I
10 mentioned why I didn't propose a further decrease, so this
11 in itself was not a reason that I gave for my proposal. It
12 was a reason that my proposal didn't suggest a lower pound
13 rate.

14 Q Okay. And then in a sense it was a factor you did
15 take into account for --

16 A Yes. I did take it into account in not setting
17 the pound rate lower.

18 Q All right. You use the phrase taken into account.
19 My question is how? Was that a judgement made by you?

20 A It was a judgement made in my testimony. Also, I
21 on page 20 cite the Commission recommendation in a previous
22 docket, page 20, lines 9 through 13, where the Commission
23 says, "The Commission's recommendation must also consider
24 the impact on mailers and their customers who pay the pound
25 rate," so I considered customers really on both sides of the

1 discussion.

2 Q And you considered that and arrived at your pound
3 rate proposal by exercising your judgement based on all
4 those considerations? Is that correct?

5 A I exercised my judgement and also ran different
6 rate iterations to see what the impact of different lower
7 pound rates would have on the other rates. I wanted to keep
8 my recommendation for a lower pound rate moderate, and I
9 also wanted to make sure that current rate relationships
10 were adhered to.

11 Q I think you hinted at this just now. So you also
12 took into account then a desire to limit the rate change in
13 any particular cell?

14 A Yes.

15 Q Okay.

16 A I mentioned that in my testimony. The rate change
17 limit was below ten percent.

18 Q Okay. Did the general objective of supporting the
19 automation program have any effect on the pound rate
20 proposal, or was that just a factor concerning something
21 else and doesn't come into play here at all?

22 A When you say supporting the automation, are you
23 referring to the classification change?

24 Q No. I'm referring to the general policy the
25 Postal Service has advanced over a number of years as

1 encouraging mailers to use automation and to prepare their
2 mailers in DPS. I was not referring to the mail
3 classification proposal per se.

4 That may be a factor that is something you want to
5 do, but it's independent of the pound rate. I'm just trying
6 to decide if that has any bearing on the pound rate or if
7 it's unrelated.

8 A I think it does have some bearing on the pound
9 rate in that I widened the gap between letters and non-
10 letters at the high density and saturation tiers so that
11 letters would -- the gap was raised to account for letter
12 bar coding per our proposal, and the pound rate fits into
13 the formulas that led to that decision so indirectly the
14 pound rate was a consideration in that, and that certainly
15 would certainly apply to automation. --

16 Q When I read your testimony, I have the impression
17 that Witness Schenk's evidence and the implicit cost
18 coverages are the main two things that you looked at, and
19 these other factors are things that can support your
20 proposal, but may not have been what you really looked when
21 you were selecting the rate at in the first place. Is that
22 correct?

23 A Those, along with the issue of fairness, are the
24 prime reasons that I took into consideration in setting the
25 pound rate lower.

1 I also looked at factors such as the implicit
2 coverage analysis, which was discussed earlier at some
3 length, which illustrates that pound rated pieces in fact
4 have higher coverages regardless of the breakpoint
5 assumption that's made, so to me although that's not a
6 reason, that illustrates the point. It really illustrates
7 the moderate nature of the proposed reduction because there
8 would still be a gap in the implicit coverages even with the
9 test year after rates.

10 Q You used the word fairness just now, which I did
11 not see anywhere in your testimony unless I overlooked it.
12 Can you tell me what you meant by that just now?

13 A Yes. On page 20, line 2, I said, "As demonstrated
14 above, the proposed reduction in the pound rate of four
15 cents is imminently reasonable in terms of bringing the
16 piece and pound implicit coverages closer in line and has a
17 minimal impact on overall ECR volume."

18 Q All right.

19 A Then I go on to outline the Commission's decision
20 in the previous docket. I don't believe I used the word
21 fair per se, but that's implied throughout this argument.

22 Q Okay. And when you said there in line 2 on page
23 20 that the reduction was you used the words imminently
24 reasonable, it's followed by a clause that specifically
25 refers to the implicit cost coverage and comparison. Is

1 that correct?

2 A Yes. It's followed by that, and then it's
3 followed by other items as well.

4 Q Yes. Okay. Now, earlier today you were cross-
5 examined by Mr. Olson on the effects of or consequences to
6 your testimony if there are flaws in Witness Schenk's cost
7 numbers. Do you remember any of that analysis, that
8 discussion?

9 A I remember a little about that discussion.

10 Q Okay. I'll try to refresh your recollection a
11 little bit. I believe you told him that you are not a cost
12 witness, and you did not do an independent cost analysis.
13 Rather, you treated Witness Schenk's numbers as had been
14 given to you. Is that correct?

15 A Yes. I do recall that.

16 Q Okay. And I believe you conceded that if Witness
17 Schenk's testimony contains some error in the cost numbers,
18 that error would carry through to your testimony as well to
19 the extent you used those numbers. Is that correct?

20 A Certainly it would be reflected in the coverages
21 if her changes were material. In terms of setting the pound
22 rate --

23 Q No. We won't go into that, but the basic
24 principle is if there is a flaw in her numbers that
25 potentially infects your numbers, too?

1 A It potentially does. A lot of it depends on the
2 source of the error and the materiality, the size of the
3 change.

4 Q Right. Now, Mr. Olson asked you a series of
5 questions about detached address labels in connection with
6 your Table 3. Do you recall that discussion?

7 A Yes, I do.

8 Q Okay. One of the things that you said there was
9 that if Witness Schenk's testimony has a misallocation of
10 cost between letters and flats, to paraphrase, it is not
11 clear what effect that would have on Table 3 because Table 3
12 is a comparison of piece rated and pound rated pieces. Is
13 that correct?

14 A That's correct.

15 Q Okay.

16 A I was talking about both the fact that shape is
17 not included in here, and, nonetheless, it would also depend
18 on where the change originated.

19 Q Okay.

20 A For example, if piece rated non-letters, if
21 lightweight piece weighted non-letters, were affected and
22 they are below the breakpoint, that would not have an impact
23 on this analysis at all, so a lot would depend on the actual
24 source of the misallocation.

25 That's one reason that I could not agree to some

1 of the earlier hypothetical statements because I would need
2 to know more about not only the ultimate source of the
3 change in cost, but also how that fed through to Witness
4 Schenk's data, which was very unclear earlier today.

5 Q Okay. Let me then direct your attention instead
6 of to Table 3 to a different interrogatory in which you were
7 asked to compare on the basis of shape. I think that was
8 Val-Pak-8.

9 Actually, I would direct your attention
10 specifically to your supplemental response to Val-Pak-8,
11 which you filed on December 28. Do you have that?

12 A Yes, I do.

13 Q Okay. On I guess it's the third page of your
14 supplemental response to Val-Pak-8, you actually present
15 implicit cost coverages for ECR letters and non-letters. Is
16 that correct?

17 A That's correct.

18 Q And then you also give us a couple alternatives
19 for doing that with taking your proxies for the breakpoint
20 into account?

21 A That's correct.

22 Q Okay. So to ask a question Mr. Olson might ask if
23 he were here, if it could be shown -- if hypothetically it
24 could be shown -- that Witness Schenk's figures have
25 improperly allocated cost of detached address labels to the

1 letter shape pieces rather than flats, that misallocation
2 might affect these numbers you present here in the
3 supplemental response to Val-Pak-8. Is that correct?

4 A We have the weight issue that comes into effect
5 again, too, because --

6 Q Well, that's not an issue at the top lines here
7 where it's totals of letters and flats.

8 A It's true that in the totals that are given here
9 if there was some misallocation of cost such that the cost
10 for letters were lower, that would change the implicit
11 coverages, as it would change the non-letter coverages if
12 their cost changed.

13 Q And if you moved to the breakpoint or proxy for
14 breakpoint comparisons, then you would add in the additional
15 level of trying to figure out how such an error would be
16 spread if you were distributed among weight increments? Is
17 that what you're getting at?

18 You're saying when you take the breakpoint into
19 consideration, there is an extra level of complexity
20 involved in that you have to figure out the distribution of
21 the error across weight increments?

22 A Well, given that the total ECR letters and non-
23 letter coverages that are given in the first two lines cover
24 all weight categories and reflect both piece and pound rated
25 non-letters so that in fact looking at those coverages would

1 not be enlightening in terms of discussing the pound rate in
2 and of themselves, I think you would have to look at shape
3 and weight, not just shape.

4 Q Let me ask it again then. So the first two lines
5 of the supplemental response there go to the shape, so that
6 gives you an implicit cost coverage, if you will, by shape
7 across all weights?

8 A That's correct.

9 Q Now, if you also wanted to look at implicit cost
10 coverages by shape above and below your breakpoint proxies,
11 then you've given us numbers here with some alternatives,
12 but if there is a misallocation of cost between letters and
13 flats because of the costing of detached address labels in
14 the system, I think what you're saying is that you would
15 want to see how that error gets distributed among weight
16 levels before concluding that you've got a problem.

17 A Yes.

18 Q Okay. Now, all of these implicit cost coverages
19 as you see here, you were asked many different flavors of
20 them, essentially all they are are measures of revenue over
21 cost. Is that correct?

22 A That's how the calculation is performed. They
23 also, though, can be indicative of a potential mismatch of
24 costs and rates.

25 Q And the costs figures are from Witness Schenk, as

1 we've already covered.

2 A Yes.

3 Q Okay. And the revenue figures are based on your
4 either current or proposed rates, depending which ones you
5 use.

6 A Yes.

7 Q So aren't implicit cost coverages really just an
8 alternative way of presenting that same revenue and cost
9 figures you already have? You don't add anything new when
10 you do an implicit cost coverages except calculate a
11 percentage. Is that right?

12 A I don't fully understand the question.

13 Q Well, when you start to do an implicit cost
14 coverage, you already know the cost figure and you already
15 know the rate figure.

16 A Right.

17 Q So all you're doing is a mathematical comparison
18 of the two.

19 A It's an analysis.

20 Q Okay. If you could turn to your answer to
21 Val-Pak-32, please?

22 And you can take a moment to review it, but I'm
23 merely going to focus your attention to subpart F.

24 (Pause.)

25 Q Okay. Are you ready?

1 A Yes.

2 Q And this was yet another question by Val-Pak on
3 the subject of the consequences of a possible misallocation
4 of costs of detached address labels and I think your answer
5 today is the same here. Basically, the way it works out
6 here, the denominator in your implicit cost coverages is the
7 cost figure from Schenk, correct?

8 A Excuse me. I don't see detached address labels
9 noted in this question.

10 Q Oh, actually, you're right. All right. Well,
11 strike that, then, but the implicit cost coverage
12 calculation, Schenk's cost numbers are the denominator.

13 A Pardon?

14 Q In the implicit cost coverage calculation, the
15 Schenk cost numbers are the denominator. Is that correct?

16 A That's correct.

17 Q Okay. So if there is a change in those numbers,
18 then the whole implicit cost coverage is going to be
19 affected. Is that correct?

20 A In general, yes. Again, it depends on the degree
21 of the change.

22 Q Right. And that's what you're getting in 32F of
23 Val-Pak, where they ask you to assume that some costs
24 attributed to letters were in fact caused by items whose
25 revenues were attributed to non-letters, and I read into

1 that the detached address label issue, and so you're
2 agreeing with the general proposition and you are saying,
3 well, the impact could be minimal depending on degree.

4 A That's correct.

5 Q Okay. Do you happen to know how sensitive your
6 implicit cost calculations are to changes in the
7 denominator?

8 A Well, one measure would be the supplemental
9 response to Val-Pak-8.

10 Q And how would that be an answer to that?

11 A Well, I show in response to Val-Pak-8G the
12 original response as revised and the alternative method
13 where Witness Schenk actually moves some of the volumes in
14 computing her costs. And the difference appears to be
15 fairly minimal.

16 Q Well, I was thinking of a different sort of
17 sensitivity. I was going to ask you to assume that the
18 attributable costs of non-letters were understated by, say,
19 10 percent, so that actually the denominator would be
20 10 percent larger. That would just have a direct
21 mathematical effect on the implicit cost coverages, would it
22 not?

23 A As we said before, changes in cost would have some
24 impact on coverages, but it might be minimal, depending on
25 the degree of the change.

1 Q Well, if the change is 10 percent, if the
2 attributable costs were understated by 10 percent, would
3 that be a minimal change, in your view, to the cost
4 coverage?

5 A I don't have a calculator and can't do the math in
6 my head as to how it translates when divided by the very
7 large volumes in commercial ECR.

8 Q Okay. Can you tell us what change in implicit
9 cost coverage you would regard as significant? Five
10 percent, 2 percent, 10 percent?

11 A I didn't put a quantitative band on it, but I will
12 note here that the change with my original responses revised
13 to Val-Pak-8G said for ECR non-letters above or equal to 3.0
14 ounces, the first coverage was 256.6 percent and when
15 Witness Schenk moved the heavy letters into the non-letter
16 category, it went from 256.6 percent to 252.9 percent.

17 I don't consider that significant in this case
18 because it still illustrates that there is a gap below the
19 break point and above the break point. And, again, that
20 pattern is true also when you're using 3.5 ounces as the
21 proxy for the break point.

22 Q Okay. But if you turn to the next page on that,
23 where you present the implicit cost coverages for letters
24 and non-letters under your alternative methods --

25 A I'm sorry, you're referring to 8D?

1 Q Yes.

2 A Okay.

3 Q There, depending upon the method you use,
4 actually, in one letters has a higher implicit cost coverage
5 than non-letters and in the other one it doesn't.

6 A That includes piece and pound rated.

7 Q That's right.

8 A ECR non-letters.

9 Q That's a different --

10 A So really the distinction is looking at the piece
11 and the pound rated.

12 Q Right. This would suggest that letters and
13 non-letters under the proposed rates have about the same
14 cost coverage.

15 You said you wouldn't quantify what significant
16 is, you're not going to quantify it for me today? Are you
17 just going to say the change shown on your answer to 8D is
18 not significant?

19 A The change does not appear to be significant to
20 me.

21 Q Okay. If the change were 20 percent, would that
22 be significant?

23 A It would depend on the size of the gap. If the
24 gap were 500 percent, a change of 20 percentage points might
25 not seem as significant as if the coverages were much closer

1 together.

2 Q Well, would a change of 20 percent be significant
3 with the coverages we've got in this case?

4 A Which coverages are you referring to?

5 Q Well, let's see. We could just deal with Table 3,
6 just take it off of your Table 3. What I'm trying to get at
7 is the numerical size of the change what's important or is
8 it merely what gap may still remain after the change is
9 taken into account that you're going to look at?

10 A I'd actually be interested in both because I think
11 you certainly want to see the change after.

12 Q Okay. Well, on Table 3 as revised, the after
13 rates under both alternatives is about 30 percent gap, if
14 you will, roughly speaking.

15 A Yes.

16 Q Would a change of 20 percent of that 30 be
17 significant to you?

18 A It depends what was changing and why. Certainly
19 it would be more significant than the change that we see
20 here in my proposed rates.

21 Q If the denominator were changing because of a
22 misallocation of costs, would that be significant?

23 A Again, it depends on the degree of misallocation
24 and where it comes from.

25 Q Well, if there were a misallocation of costs that

1 were properly chargeable to heavier pieces that were in fact
2 mistakenly charged to below break point pieces, that would
3 be one example of a change that might affect the denominator
4 and I'm just trying to get -- can you give me any more
5 guidance as to what would be a significant change?

6 A It's difficult to deal with hypothetical
7 questions. There's a mixture of elements here and I don't
8 feel comfortable -- I'm presenting the implicit coverages in
9 my testimony as well as those that I calculated in response
10 to several interrogatories under a variety of hypothetical
11 situations and it's difficult -- I don't feel comfortable
12 pursuing the line of hypothetical here.

13 It's a complex issue and I don't think that I can
14 generalize sitting here about what would be important or
15 what wouldn't be important in terms of what I'm looking at
16 because there are many factors to consider and, as I state
17 in my testimony, multiple factors support my proposal for
18 decreasing the pound rate.

19 My proposal is moderate and this chart was meant
20 to be an illustration of why my proposal is reasonable and
21 is moderate. It's not meant to be a mathematical formula.
22 This is an illustration and I also gave other illustrations
23 in response to interrogatory questions about that.

24 Q Well, on footnote 11 to your testimony on page 12,
25 you state that although cost coverage is of primary

1 importance at the subclass level, it's not generally
2 required at subclasses. In this instance, estimates of
3 implicit coverage are "enlightening," was your word, and in
4 NAA-3, we ask you why it's enlightening in this instance.
5 And you should turn to that.

6 And your answer, as far as I can tell, is that it
7 helps to illustrate your proposal.

8 A Yes. I say that it also shows the reasonableness
9 of the proposal.

10 Q Right. But you did not --

11 A I refer to the fairness of the proposal.

12 Q You have not looked at other classes of mail. Is
13 that correct?

14 A That's correct. And I've --

15 Q Okay. So --

16 A That's not why I'm here today.

17 Q I understand that. So I was just struck by the
18 fact that you mentioned it was enlightening because it
19 supports your proposal here. Would it also be enlightening
20 if it did not support your proposal here?

21 To put it differently, I'm just asking whether
22 your characterization of this enlightening here is it simply
23 happens to support what you're proposing. Why did you
24 single out ECR? Why is it enlightening for ECR and not for
25 other classes?

1 And the only answer you can tell me is it supports
2 your proposal, but you didn't look at other classes. Is
3 that correct?

4 A Well, I'm the witness in pricing for enhanced
5 carrier route. I'm not a witness in other subclasses.

6 Q So do you have an opinion on whether it would be
7 enlightening if we looked at implicit cost coverages for
8 other subclasses as well?

9 A I had an interrogatory question dealing with this
10 very issue, which I'm looking for my response. Basically,
11 my response said that that wasn't something that I looked
12 at, but I can find this for you, it may take me a moment.

13 Q It's at NAA-3?

14 A Yes. That is what I stated in NAA-3. It's in
15 additional interrogatories as well.

16 Q You just haven't studied whether implicit cost
17 coverages would be a useful analysis for other subclasses.

18 A That's correct.

19 Q Now, switching subjects a little bit, because of
20 the way the ECR rate designed formula works, the rate
21 decreases that you propose are the largest for the heaviest
22 pieces as a percentage. Is that correct? The largest
23 percentage rate decrease goes to the heaviest pieces. Is
24 that correct?

25 A The decreases depend on the weight but also on the

1 density tier and destination entry. And, again, we're at
2 Tables 5A through 5C, the density tier analysis.

3 Q All right. Okay. All right. So let's just look
4 at 5C, which happens to be the saturation one. But if you
5 look at any particular destination entry level, the largest
6 decrease is experienced by the heaviest mail at that
7 destination level. Is that correct?

8 A Yes.

9 Q Okay. And the largest decrease is actually the
10 saturation DDU at -- well, what you've got here is the 16
11 ounce increment or thereabouts. Is that right?

12 A Yes. That's correct.

13 Q Okay. So a 15 and a half ECR piece would enjoy
14 the decrease -- that's entered at the DDU would enjoy a
15 decrease of about 7.18 percent. Is that correct?

16 A I'm sorry, what was the weight?

17 Q So a 15 and a half --

18 A Excuse me. What was the weight?

19 Q Fifteen and a half ounces or 16 ounces.

20 A It would be approximately that. But, as
21 I explained when I introduced the tables, these figures
22 actually overstate the amount of decrease because the column
23 marked 16 I performed the calculation at 16 rather than
24 15.5.

25 Q You can't really mail at 16 ounces as ECR, can

1 you?

2 A No, but we're looking at 16 applied to the rate
3 formulas.

4 Q Yes. I understand that. And I understand that
5 you did a little sort of --

6 A It was a simplifying, conservative assumption.

7 Q -- a simplification here, but when I think of it,
8 16 ounces, doesn't it become a standard B piece? Or is
9 it -- at what weight level does it become a standard B
10 piece? Do you happen to know?

11 A I believe it's above 16 ounces, but --

12 Q Okay. So up to 16. Okay. I'm not sure. But in
13 any event, my point is taking a piece at the 16 ounce
14 increment you've got here, it's got a decrease of 7.18
15 percent, whatever --

16 A If it weighed exactly 16. Right.

17 Q Whatever it, that's what it gets.

18 A Exactly.

19 Q Okay. Now, if this piece inadvertently got too
20 heavy because it was poorly designed or for some other
21 reason and it weighed 17 ounces, it would no longer be part
22 of this table, it would be out of ECR and it would become
23 something else.

24 A That's correct.

25 Q Okay. Are you familiar with the distribution of

1 the cost observations in Witness Schenk's testimony which
2 were used to develop her estimates of the effect of weight
3 on cost?

4 A Could you clarify the question?

5 Q All right. Witness Schenk's testimony presented
6 or is built upon a number of different inputs, one of which
7 are IOCS tallies of different weight increments. Are you
8 familiar with that or not?

9 A Are you referring to the cost by ounce increment?

10 Q Yes.

11 A In Library Reference 58?

12 Q Yes, ma'am.

13 A Yes. I'm familiar with that.

14 Q Okay. Are you familiar with the distribution of
15 the IOCS tallies at the higher weight levels in that
16 testimony? I'm not asking about cost pattern. I'm asking
17 if you're familiar with the number of tallies that underlie
18 the cost figures in her testimony.

19 A Not in detail. No.

20 Q Okay. Do you happen to know what the rates would
21 be for a standard B piece that weighs 17 ounces?

22 A No.

23 Q Okay. So if looking at our hospital 16 ounce
24 saturation DDU piece that's on page 19, Table 5C of your
25 testimony, if that hypothetical piece through poor design or

1 over zealous salesman of advertising inserts or whatever
2 became a one pound and a half ounce standard B piece, do you
3 have any idea what the rate would become? At any of the
4 possible entry options?

5 A No.

6 Q Okay. Using your proposed rates -- so you don't
7 know if a rate discontinuity would exist between standard
8 ECR mail and then standard B mail that picks up once you get
9 out of ECR because of weight. Is that correct?

10 A I can't specifically cite what the change is.
11 I do know that it has been looked at by the Postal Service,
12 but I am not the person that looked to assure some
13 consistency or who can discuss the relative relationships
14 between the subclasses.

15 Q So it's not been looked at by you.

16 A I have not looked at it.

17 Q Okay. Under your proposed rates, can you fairly
18 easily tell me what a basic ECR piece weighing 15 and a half
19 ounces would be charged, simplified at 16 ounces would be
20 charged if it's not destination entered? That's just a
21 simple matter of the pound rate plus the piece charge,
22 right?

23 A Yes. It would be the appropriate piece charge
24 plus the pound rate.

25 Q Okay. And just for fun, that would be -- can you

1 just tell me what that would be?

2 A Would you like the information for the proposed
3 rates or the --

4 Q No. We'll just do -- basic tier starts at -- you
5 know, the 16 ounces would essentially be about the 59.8
6 cents for the pound rate and then you'd have the piece
7 charge on top of that, correct?

8 A That's correct.

9 Q Okay. So we come to about 66 or 67 cents.

10 A That's correct.

11 Q Okay. So if we have a heavy catalog that happens
12 to weigh 16 ounces and it's not drop shipped at all, that's
13 the postage it would pay under your rates?

14 A Yes.

15 Q Okay. Let me ask you, under your proposed rates,
16 is the rate for an 8 ounce saturation DDU flat about 33.6
17 cents? With the saturation DDU now. And 8 ounces being
18 half the pound rate plus the per piece charge.

19 A Are we talking about the current or the proposed
20 rates?

21 Q Under your proposed rates. Proposed rates.

22 A Could you repeat that, please?

23 Q Yes. Just take an 8 ounce saturation piece
24 entered at the DDU. And does that come to -- what, about 45
25 cents?

1 (Pause.)

2 Q No, it's not. I'm sorry.

3 A That's not the figure --

4 Q No. The figure you get is about 33?

5 A Well, why don't we go through it?

6 Q All right. What do you get? Actually, I've
7 miscalculated, I see that. So what do you get?

8 A I actually haven't finished, but what I was
9 getting was quite a bit lower than the figure that you
10 quoted.

11 Q Okay. Did you get about half the pound rate plus
12 the piece charge?

13 A We're talking about saturation DDU non-letters?
14 Is that correct?

15 Q Yes.

16 A As per my workpaper, page T, which gives the
17 proposed rates, we would take the piece rate, which is .037,
18 and we'd take the pound rate, which is adjusted for the DDU
19 and for saturation, and that's .441.

20 Q And since it's an 8 ounce piece?

21 A Right. We would divide that by two.

22 Q So you get about 25.7 cents or so.

23 A Yes.

24 Q Okay. Are you aware that some advertising mailers
25 choose to mail at first class rates? Are you familiar with

1 that phenomenon at all? Or have you ever received an
2 advertising piece at first class rates?

3 A Are you referring to a specific piece of my
4 testimony?

5 Q No. No. I'm asking you a question, a different
6 question. I'm asking you are you aware that some
7 advertising mail is mailed at first class rates?

8 A I believe in a general sense that that's true.
9 I don't know the details and haven't studied that.

10 Q All right. And then would you presume that they
11 might do that for service reasons or other reasons they
12 think made it an attractive option for them?

13 A Again, it's not something that I've studied.

14 Q Have you ever compared your rates with those of
15 first class mail to get a sense of what choices they may
16 offer an advertising mailer?

17 A That's not something that I've studied.

18 Q So as part of your task in proposing and designing
19 ECR rates, you did not take a look at the rates that an
20 advertising mailer might choose from in other classes to get
21 a sense of reasonableness?

22 A I can't recall the specifics but I did compare
23 them with parcel post.

24 Q Oh, you did?

25 A I'm sorry, bound printed matter.

1 Q Oh, bound printed matter?

2 A But, again, as I recall, there was -- the
3 transition was reasonable there for heavy catalogs and to me
4 that seemed like a logical subclass to look at.

5 Q As long as you qualify to enter it as bound
6 printed matter. Is that correct? If you don't qualify as
7 bound printed matter, you can't pay that rate, can you?

8 A That's correct.

9 Q Okay. But you did not look at first class rates?

10 A That's correct.

11 Q Would it surprise you as a mailer of first class
12 rates yourself, as I assume you are, that the rate for 8
13 ounce first class mail is a lot higher than the rate we
14 calculated for an 8 ounce saturation piece?

15 A Could you repeat the question?

16 Q Would you be surprised to learn that the rate for
17 an 8 ounce first class mail piece is much higher than an 8
18 ounce saturation ECR piece?

19 A Are you speaking of myself as an individual or as
20 an ECR witness?

21 Q As a rate design expert. Yes. As a rate design
22 expert.

23 A I'm representing the enhanced carrier route
24 subclass here and as an ECR witness, I have no comment on
25 that. It's not something I've studied.

1 Q So as a rate design witness, it is your testimony
2 that you see no need to look at first class rates to get a
3 sense of the reasonableness of the rate you're designing.
4 Is that correct?

5 A No, that is not correct.

6 Q Okay. But you have testified you did not in fact
7 look at first class rates while designing your ECR rates.
8 Is that correct?

9 A I did not personally. It's my understanding that
10 we have a rates level witness who looks at the rates across
11 subclasses.

12 Q All right. And if you take off your hat as the
13 rate design expert and put on your hat as a person who mails
14 stuff, would you be surprised if there was a big difference
15 between the rates for an 8 ounce first-class mail piece and
16 an 8 ounce ECR piece?

17 A What's "a big difference"?

18 Q More than a dollar.

19 A I guess I would wonder what they were mailing
20 first class that they could have sent so much cheaper.

21 Q So that would strike you as a big enough
22 difference to wonder why they did it?

23 A As an individual, yes.

24 Q All right. Now, I want to ask you about a
25 different part of your testimony. Well, it's related to

1 this to some degree. One new thing that you had to deal
2 with in your testimony was the proper split of commercial
3 and non-profit ECR costs in order to comply with the
4 statutory amendment. Is that correct?

5 A That's correct.

6 Q And as a result of that amendment, the Postal
7 Service no longer tracks costs for non-profit and commercial
8 ECR separately. Is that correct?

9 A That's my understanding.

10 Q Okay. And so therefore when the time came for you
11 to design rates, you had to determine the respective cost
12 shares for commercial and non-profit ECR. Correct?

13 A That's correct.

14 Q Okay. And you did that, as I believe you state at
15 page 9 of your testimony, by using the relative shares of
16 the ECR costs that were attributed to non-profit and
17 commercial in the last case.

18 A That's correct.

19 Q Okay. Could you turn to NAA-2, please? Your
20 answer to that. And also keep your finger on NAA-1, which
21 was related to it. And this was a couple of questions --
22 NAA-1 and 2 are questions we asked you about this
23 allocation. And in NAA-2, you tell us that right under the
24 little addition you provide us that 92.25 percent of the ECR
25 costs were assigned to commercial ECR mails, correct?

1 A Yes. That's correct.

2 Q And that was based on the relative costs for
3 commercial and non-profit in R-2000-1?

4 A Yes. That was based on the -- I believe it was
5 test year after rates data.

6 Q And that in turn would not have been based on the
7 mix of non-profit and commercial in this case, right?

8 A That's correct.

9 Q So it's based on last year's case and not this
10 one?

11 A I didn't have data from this case.

12 Q Right. Right. Okay. That's in fact why you had
13 to do it, right?

14 A That's right.

15 Q Okay. Now, in NAA-1, we talked about this cost
16 splitting here and midway in that passage, you stated that
17 this cost allocation methodology was not intended to
18 determine precise volume variable costs of the commercial
19 and non-profit subclasses in isolation. And I want to ask
20 you a question or two about that.

21 First, although they were not intended to
22 determine the precise volume variable costs, did you use
23 these cost ratio figures in your rate design?

24 A It was used overall really to have the formula
25 run. It was not used in setting the rates.

1 Q So they were not relevant -- this cost allocation
2 was not relevant to setting the rates, but they were used
3 because you needed them as inputs in the formula? Is that
4 right? Is that a fair paraphrase of what you said?

5 A Yes. Yes, it is.

6 Q Okay.

7 A The costs on page H of both workpaper 1 and 2 are
8 the actual mail processing and delivery costs that were used
9 in setting the rates. The volume variable cost that you
10 referred to in your question is an input to the formula but
11 it's really to make the formula run, as I'm sure you're
12 familiar with the models.

13 Q Oh, I know something about your models. Now, this
14 just -- I hope not to introduce confusion here. This cost
15 allocation, the split between non-profit and commercial,
16 does that have anything to do with Witness Schenk's
17 testimony?

18 A I don't think so.

19 Q I didn't think so either.

20 A I'm not sure what you're referring to. Actually,
21 I'm a bit puzzled.

22 Q Witness Schenk does not use that split, as far as
23 you know, does she?

24 A No. Witness Schenk does not use that split.
25 That's my understanding.

1 Q Okay. So to run your formula, you use these
2 allocation numbers that we've just been referring to and
3 then when you got into the rate design and you looked at the
4 pound rate and the piece charges, you looked at Schenk's
5 numbers, which basically was a different box of numbers.

6 A That's correct. May I ask for a break, a brief
7 break?

8 CHAIRMAN OMAS: Yes. Why don't we take about a
9 five-minute break?

10 THE WITNESS: Thank you.

11 (A brief recess was taken.)

12 CHAIRMAN OMAS: Ms. Mayo, are you ready to
13 proceed?

14 Excuse me. Ms. Hope. I've got Ms. Mayo on my
15 mind. Ms. Hope.

16 THE WITNESS: Yes, I am. Thank you.

17 CHAIRMAN OMAS: Mr. Baker, you may continue.

18 MR. BAKER: Thank you.

19 BY MR. BAKER:

20 Q Ms. Hope, would you please turn to the ECR presort
21 tree that you included in Appendix 1 to your testimony?
22 Do you have it there?

23 A Yes, I do.

24 Q Okay. Now, you have the categories of ECR here.
25 This is commercial ECR, right?

1 A Yes. The rates that I give here are for
2 commercial ECR. The principle would work the same in
3 non-profit.

4 Q All right. And between all your boxes of
5 different categories, there are three numbers and just so
6 we're all on the same page here, am I correct, the top
7 number is the current rate difference between those
8 particular boxes, the middle number is the calculated or
9 estimated cost difference for the test year that you're
10 dealing with here, and the bottom number is your proposed
11 rate difference. Is that correct?

12 A That's correct.

13 Q Okay. And I notice in the lower right-hand corner
14 of this page there's a circle that helpfully says "Start
15 here."

16 A Yes.

17 Q Does that mean you started with basic non-letters
18 and then you moved over to set the basic letter/non-letter
19 rate differential? Is that what "Start here" means?

20 A Well, I actually explain that on the previous
21 page. It basically says that that's the route of the tree.

22 Q Okay. That's the route of the tree, the way the
23 trunks and limbs flow, if you will. Okay. So you start
24 running the tree, which is a nice metaphor for what's really
25 a formula, a mathematical formula, pretty much, right?

1 A Yes.

2 Q Okay. And so the first thing you do is set the
3 basic letter/non-letter rate differential. Is that correct?

4 A That's correct.

5 Q Okay. We know that because the arrow points that
6 way. Then ignoring automation letters for now, you then go
7 within -- basically through the letters. You then set the
8 rate differentials between the different presort tiers of
9 letters. Is that correct?

10 A Yes.

11 Q And then once you arrive at saturation letters,
12 then you move over to saturation letters.

13 A That's correct.

14 Q And then you set the differential between letters
15 and non-letters at the saturation level.

16 A Yes.

17 Q Okay. Now, I notice that all those lines that
18 we've covered so far are solid lines. Is that correct?

19 A Yes. That's correct.

20 Q And, as you stated on the page before,
21 I understand that that means that those are all
22 pass-throughs that you selected. Is that correct?

23 A Yes. That's correct. And then the dotted -- I'm
24 sorry.

25 Q I'll help you get there.

1 A I was going to say -- okay.

2 Q We then move to the one I actually want to ask you
3 about, the saturation non-letters to high density
4 non-letters, which is a dotted line, and that is stated --
5 on the page before that is the implicit result that arises
6 from the other decisions you made previously before we get
7 to this point.

8 A Right.

9 Q So in other words, that's a result of running the
10 formula. Once you punch in the other numbers, then you push
11 run or enter, this pops out at you.

12 A Well, the formula is written, but, yes, it's a
13 result of the inputs to the formula.

14 Q Right. Okay. And between saturation non-letters
15 and high density non-letters, currently the rate difference
16 is .7 cents, correct?

17 A That's correct.

18 Q Okay. And the cost difference in this case is
19 0.83 and you are passing through -- or giving, rather, a
20 rate difference of .9.

21 A That's correct.

22 Q And, as you've confirmed, I think it was in
23 Val-Pak-22, that that's a pass-through of 108.3 percent. Is
24 that correct? You can turn to Val-Pak-22, I believe we had
25 a discussion of this.

1 (Pause.)

2 Q Well, maybe it wasn't there.

3 A I'm sorry, which Val-Pak?

4 Q Well, I thought it was Val-Pak-22, but I'm not
5 finding it there. But I calculated or I think you
6 calculated that that works out to a pass-through of 108.3
7 percent.

8 A Yes. That's the pass-through that is in my
9 workpapers on page M.

10 Q And can you confirm that that is the only -- that
11 this particular rate difference is the only instance in this
12 commercial ECR rate design in which the pass-through, the
13 cost difference, is greater than 100 percent?

14 A Yes. That's correct.

15 Q Okay. Now, Mr. Olson asked you some questions
16 earlier about pass-throughs at 100 percent and so forth and
17 I won't go through that, but question is really after you
18 ran your rate design formula and presort tree and you looked
19 at this result where we have the .9 cent -- the only
20 pass-through that's greater than 100 percent, did you stop
21 and ask yourself, well, gee, let me think about that a
22 little bit?

23 A Yes. As I explained in my testimony, my goal was
24 to maintain -- I was looking at the measured cost
25 pass-throughs, to if possible maintain or increase the

1 measured cost pass-throughs. I was not emphasizing the
2 percentage changes as much.

3 It happens that this is a result of the other
4 inputs in work table C on page M in workpaper 1. So in fact
5 I did not select the 108.3 percent. That came as a result
6 of other rate design decisions.

7 Q I understand that, but after you made those
8 decisions and you saw that it produced this result, did you
9 say, gee, that's more than 100 percent, that's generally not
10 the way we like to do things, let me look at it and see if
11 there's another way of doing it? Or did you just not look
12 at that or say, oh, well?

13 A Well, I certainly looked at it.

14 Q Did it concern you at all that it was more than a
15 100 percent pass-through?

16 A It's minimally above 100 percent and I believe
17 I can find an interrogatory response, I think, which deals
18 with that.

19 Q Well, it's probably Val-Pak-21 or 22. So it's
20 minimally above 100 percent. So let me try to get this
21 another way. Can you answer yes or no, when you saw that it
22 produced this result, did that concern you enough to take
23 another look at the inputs?

24 A I ran a variety of rate iterations with lower
25 pass-throughs, that netted to a lower pass-through. As

1 I recall, I couldn't achieve some of the other rate design
2 goals when it fell out to a lower pass-through. Therefore,
3 the 108.3 percent pass-through was something that really was
4 a consequence of rate design decisions and the guidelines
5 that were set for my rate design which are outlined in my
6 testimony.

7 Q In Val-Pak-22B, that interrogatory specifically
8 asked whether you had considered a particular alternative.
9 That is, saturation non-letter rates higher by .2 percent
10 and letter rates down lower by the same amount. And then as
11 I read your answer, you give some various reasons why that
12 might not have worked, but basically that was not an option
13 you considered. Is that right?

14 A Well, yes. I explained in my response to
15 Val-Pak-22B that the pass-throughs are not isolated inputs
16 because the formula is dynamic.

17 Q Right. And, in fact, I think your answer in
18 subpart d when you were asked did you consider setting the
19 saturation non-letter rates .2 cents higher and letter rates
20 lower, your answer was no, you didn't, that it would not be
21 consistent.

22 Back to my concern, though, with the high density
23 saturation non-letter pass-through. With the cost
24 difference there, .83 cents, did you consider making that
25 rate difference to be .8 cents instead of .9 cents so that

1 it would be less than the 100 percent pass-through?

2 A What inputs to the formula would that have
3 required?

4 Q Well, I'm asking you if you considered setting
5 that at .8 and then working back to deduce what else you
6 might change elsewhere in the tree in order to make that
7 come out to be .8 rather than .9. Did you say, gee, I'd
8 really like to bring that under 100 percent, let me set that
9 at .8 and jiggle with it to see what other changes might
10 have to be made to accommodate that?

11 A Are you referring to the change in the -- it would
12 be in work table D on page M of my workpaper 1 from the --

13 Q Well, I wasn't getting that detailed. I was
14 actually looking at just the difference between the
15 saturation non-letters and high density non-letters and just
16 looking at the rates at that level. If you want to go in
17 the workpapers, that's fine.

18 A No, I was just -- I wanted to make sure I had
19 identified the correct number.

20 Q No, I'm looking at the difference between
21 saturation non-letters and high density non-letters where
22 the rate differential is .9 cents and the cost differential
23 is .83 and I'm asking you did you consider fixing the rate
24 differential, which I understand is an output, of making it
25 0.8 or did you consider changing other inputs so you would

1 result in a .08 cent rate differential there?

2 A I looked at a combination of other inputs to get
3 different pass-throughs and to meet the rate design
4 guidelines that I outlined as well as to support the
5 proposed classification change for bar coding ECR and ECR
6 high density and saturation letters, this figure was
7 satisfactory.

8 Q So did you consider any other rate differentials
9 between saturation non-letters and high density non-letters
10 than the 0.9 cents?

11 A I considered many differentials and looked at
12 their impact on the other rates because it's a dynamic
13 formula that's complicated. There are many inputs and many
14 outputs. So to achieve the relationships that I needed to
15 achieve, I found that I couldn't change that.

16 Q As you sit here today, do you recall running a
17 combination of inputs that produced a 0.8 cents and
18 thinking, gee, that's good, but I have this problem
19 somewhere lese?

20 A I don't specifically recall that. I actually
21 don't recall many of the iterations. I ran a lot of them
22 and tried to juggle many considerations.

23 Q Okay. So the bottom line here is if that
24 pass-through -- it's your testimony that the pass-through is
25 minimally above 100 percent, which I think is the phrase you

1 used a few minutes ago, in the great scheme of things here
2 that's okay because it's part of the tradeoffs implicit in
3 rate design?

4 A Well, it's because the end rates that are a result
5 of all the considerations that I've outlined in my testimony
6 met the criteria that I was looking for.

7 Q Okay. And so I can go back and tell the members
8 of my client that use high density mail to compete with
9 others who might use saturation non-letter mail that they
10 have to pay a little bit -- you know, .2 cents higher per
11 piece more than previously we were paying more because,
12 well, it just worked out that way?

13 Is there a better answer I can give them?

14 When they look at the gap -- members of my client
15 who use high density mail to mail in competition with
16 saturation mailers are no faced with a .9 cent rate
17 difference, they pay that much more per piece than their
18 competition, I can go back and tell them, well, the rate
19 design witness says that's minimally above 100 percent, it's
20 okay.

21 I mean, is there anything better I can tell them?

22 A You'd be welcome to share my testimony with them.

23 Q Oh, they'd be delighted to read that, I'm sure.

24 Do you know what the revenue effect would be if you had set
25 that discount at 0.8 cents and made no other changes? That

1 would have increased the revenue, right?

2 A Not necessarily.

3 Q Not necessarily? So do you know what the revenue
4 effect would be if you had frozen that discount or rate
5 difference, it's not a discount, a rate difference at 0.8
6 cents and made no other changes?

7 A No, I don't know.

8 Q Okay. Did you ever go back to Mr. Moeller and
9 say, you know, I have this one little issue in ECR rate
10 design and might be able to fix it if you adjusted the
11 revenue requirement I'm supposed to recover?

12 A By issue, are you referring to the pass-through
13 percentage?

14 Q Yes. Was that something that concerned you enough
15 ever to mention it to Mr. Moeller so he might take into
16 account in deciding the institutional cost assignments?

17 A I don't recall speaking with Mr. Moeller
18 specifically about the 108.3 percent pass-through. We, of
19 course, looked at the entire set of ECR rates and non-profit
20 ECR rates to see if they met the requirements that we were
21 looking for and we determined that indeed they did and that
22 the proposals were fair and balanced.

23 MR. BAKER: Mr. Chairman, I believe that concludes
24 my questions.

25 CHAIRMAN OMAS: Thank you, Mr. Baker.

1 Are there any other participants who would like to
2 cross-examine?

3 (No response.)

4 CHAIRMAN OMAS: Are there any questions from the
5 bench?

6 COMMISSIONER COVINGTON: Yes, Mr. Chairman.

7 CHAIRMAN OMAS: Mr. Covington.

8 COMMISSIONER COVINGTON: Good afternoon, Ms. Hope.
9 I wanted to ask a few general question as related to your
10 testimony.

11 First of all, there was some concern that I had
12 with regard to some prior proposals that have come before
13 the Commission in a similar fashion. Now, I do take into
14 consideration that this is your first time being a witness
15 here at the commission so I don't know whether that's going
16 to prove to be something that you will enjoy or something
17 that may turn out to be a curse.

18 With regard to your proposal, previously there's
19 been some concern as to the effect that the costs-that you
20 all arrive at, there's been some concern as to whether or
21 not small businesses can find themselves in a position to
22 still be able to rely on the mail or to use the mail from
23 advertising standpoint of view. So if I was, say, not an
24 Adfor or Val-Pak, what is the likelihood that I would be
25 able to actually benefit from what it is that you all are

1 advocating in R-2000-1?

2 THE WITNESS: I've met the revenue requirement for
3 commercial ECR at a 6.2 percent overall increase, which
4 I think -- of course, that's an output of Witness Moeller,
5 the rates level witness, desire to balance the revenue
6 requirement and subclass requirements. In terms of small
7 businesses, certainly my understanding is that many of them
8 would benefit from the reduced pound rate and, in fact,
9 there is some justification, quite a bit of justification,
10 in my opinion, for reducing the pound rate even further than
11 the 4 cents that's proposed in my docket.

12 I kept the proposal very moderate for a variety of
13 reasons which are outlined in my testimony, but small
14 mailers and small businesses that mail pieces that would be
15 affected by the pound rate decrease would certainly benefit
16 from that.

17 And, again, that's, I think, a balanced part of my
18 proposal. I think that I've met the requirements, I've
19 maintained the rate relationships, I've taken previous
20 dockets into account, and recommend the reduced pound rate
21 of 4 cents.

22 COMMISSIONER COVINGTON: All right. Let me ask
23 you this, Ms. Hope. And I guess I'm fair to assume,
24 previously here at the commission, regular ECR has been
25 looked at as being mail that is more demographically

1 targeted and ECR has been looked at those pieces that's more
2 or less geographically targeted, correct?

3 THE WITNESS: Yes. Standard regular mail would
4 tend to be demographically -- it could be across the
5 country, but individuals with certain interests or who tend
6 to want to buy certain types of things could be scattered
7 across the country and benefit from standard regular rates.
8 Where standard ECR -- you're right, it's geographically
9 located. That's the concept that the carrier route presort
10 really supports.

11 COMMISSIONER COVINGTON: Okay. Are you familiar
12 with Public Law 106-384?

13 THE WITNESS: Yes, I am.

14 COMMISSIONER COVINGTON: Which was adopted back
15 during October of 2000. From your standpoint of view, and
16 you've only been at the Postal Service since 1998, do you
17 have an opinion or do you foresee any changes to the method
18 of developing rates for these preferred subclasses in the
19 near future?

20 THE WITNESS: I wasn't actually involved with the
21 discussion surrounding the change to the revenue foregone
22 reform act, but it's my impression that many considerations
23 were taken into account and that some of the problems that
24 had existed in setting non-profit rates prior to enactment
25 of that law were addressed in that amendment to the RFRA.

1 So based on that, I would, without knowing a lot of the
2 details, suppose that there would not be significant changes
3 and certainly not in the near future. This law was just
4 enacted very recently.

5 COMMISSIONER COVINGTON: Yes. Do you have any
6 idea as to how long mailers would -- it would take for them
7 to update their software to be able to comply with -- not
8 withstanding the current proposed classification changes?

9 THE WITNESS: In terms of the bar coding
10 requirement?

11 COMMISSIONER COVINGTON: Mm-hmm.

12 THE WITNESS: I don't know that offhand. No.

13 COMMISSIONER COVINGTON: Okay. As far as the
14 break point, when you first came to the Postal Service in
15 your capacity, right now, the break point is at 3.3.

16 Did you go back prior to 1991 before the
17 introduction of destination entry discounts to see what the
18 history has been as far as the break point is concerned to
19 see whether there will ever be any permanency as far as
20 standard A mail is concerned in this regard?

21 THE WITNESS: I did not look at the history prior
22 to that time period.

23 COMMISSIONER COVINGTON: All right. Today, there
24 has been a lot of mentioning of Witness Moeller and Witness
25 Daniels. Did you take the time to look at anything that was

1 contained in Witness Daniels' last cost study?

2 THE WITNESS: I read Witness Daniels' testimony in
3 the previous docket. I don't recall the specifics but I did
4 go through that fairly carefully.

5 COMMISSIONER COVINGTON: Okay. Do you remember
6 reading anything about any tallies and how they could
7 possibly create anomalous costs?

8 THE WITNESS: Yes, I do.

9 COMMISSIONER COVINGTON: Do you have an opinion as
10 to what effect that can have, be it minute or drastic, as it
11 would relate to costs in not so much the overall subclass,
12 but any preferred subclass?

13 THE WITNESS: Well, I can speak about the ECR
14 subclass. Certainly from reading that docket it appeared
15 that there were small or thin tallies in some of the
16 specific ounce increments, especially at either end of the
17 out spectrum when you're looking at the weight/cost
18 relationship ounce by ounce.

19 Fortunately for my rate design, I did not need to
20 look at the ounce by ounce cost. I could look at a bigger
21 range so that some anomalies that you might see for costs
22 from one ounce increment to the next would be smoothed by
23 the averaging of that.

24 So I'm aware that that's an issue, but I feel that
25 for the way that I used the costs, it's not something that

1 I felt jeopardized the legitimacy of Witness Schenk's cost
2 study in this docket.

3 COMMISSIONER COVINGTON: Okay. This is more like
4 a question, an opinion I am trying to elicit from you. Thus
5 far in several other dockets, be it mail classification
6 cases or rate cases, I don't think the Postal Rate
7 Commission has ever been afforded from the United States
8 Postal Service standpoint of view, at least from what I can
9 gather, a study of cost support for the pound rate because
10 there have been contentions, Ms. Hope, that some of the time
11 because of the intense competition over in the saturation
12 market that this pound rate situation has a tendency to
13 outweigh other factors.

14 Do you have an opinion as to that one way or the
15 other? And then, if so, is there any evidence out there now
16 that would say that a reduced pound rate would diver
17 delivery volumes from, say, a private carrier? Would it
18 cause them to want to come over to USPS and then likewise
19 would it cause me as a mailer to leave the Postal Service
20 and find some alternative means of getting my product to the
21 consumer?

22 THE WITNESS: I'm not aware of competitive studies
23 regarding that. Certainly in the volume forecasts using the
24 test year after rates scenario the reduced pound rate, the
25 rates that resulted from the reduced pound rate were taken

1 into consideration by our forecasters. So I feel
2 comfortable that the test year after rates projections
3 including my moderate proposal to reduce the pound rate by 4
4 cents have been taken into account in my projections for
5 test year after rates revenue.

6 COMMISSIONER COVINGTON: You mean the 63.8 to
7 59.8, that 4 cents decrease, correct?

8 THE WITNESS: That's correct. And that was taken
9 into account in the rates that the forecasters used and that
10 they have all sorts of models which take some of the
11 competitive issues that you raised, I believe, into account.

12 COMMISSIONER COVINGTON: Okay. And one final
13 question. Mr. Omas as well as Mr. Baker have kind of
14 touched on pass-throughs and I notice from the testimony
15 that you presented here to us in this docket that your
16 pass-throughs are higher.

17 What's your opinion as far as USPS versus PRC cost
18 methodologies? I'm saying we understand that there's
19 probably not going to be any common ground. In other words,
20 let's just say that we don't think that there probably will
21 ever be any total agreement, but do you have an opinion from
22 the ECR cost differential standpoint of view whether there
23 is ever going to be any close reflection as it would pertain
24 to the overall rate design formula?

25 THE WITNESS: In terms of the pass-throughs that

1 you were discussing, I think what makes a lot of sense is
2 regardless of which model you're using, when you're
3 analyzing the differences, look at the measured cost
4 pass-throughs which are the monetary changes for the mailer,
5 rather than concentrate on the percentages. Because, again,
6 I can't go into the detail, I'm not aware of all the detail
7 and the difference in costing methodologies, but my concern
8 is really to have fair and reasonable pass-throughs for the
9 mailers at all points where pass-throughs apply. And that's
10 why I think we need to worry a little bit less about the
11 exact number, you know, whether it's 8 percentage points
12 higher than 100 or whatever, and look at the actual monetary
13 savings to the mailer.

14 COMMISSIONER COVINGTON: Okay. I could live with
15 that. Thanks, Ms. Hope.

16 That's all I have, Chairman Omas.

17 CHAIRMAN OMAS: Thank you.

18 Mr. Alverno, would you like some time with your
19 witness?

20 Excuse me. Mr. Baker.

21 MR. BAKER: Mr. Omas, after Commissioner
22 Covington's questions, I feel compelled to ask a couple more
23 questions of Ms. Hope.

24 BY MR. BAKER:

25 Q In response to one of Commissioner Covington's

1 first questions, I believe you stated that you thought --
2 I think you used the word "many" small businesses would
3 benefit from the reduction in the pound rate. Do you
4 remember that discussion with Commissioner Covington?

5 A Yes, I do.

6 Q Would you agree with me that whether any, not
7 many, but any, advertiser would benefit from that depends
8 entirely on the prices charged by the shared mailer to
9 advertisers who wish to participate in the mailing?

10 A Yes, assuming that the business is using the
11 shared mailer's services.

12 Q Right.

13 A Yes.

14 Q And isn't it the case that your testimony provides
15 us with no information on the rates charged by shared
16 mailers to their participating advertisers? Is that
17 correct?

18 A That's correct.

19 Q And an advertiser that participates would benefit
20 only if the shared mailer chose to reduce its rates, rather
21 than just pocketing the difference. Is that correct?

22 A Yes. That's correct.

23 Q Okay. And in your capacity as a rate design
24 expert, do you regularly collect rate cards of ECR shared
25 mailers?

1 A No, I don't.

2 Q Okay. And has any shared mailer told you or
3 committed to you that if the Postal Service reduced the
4 pound rate as proposed that they would in fact reduce the
5 rates they charge some advertisers?

6 A No, they haven't.

7 MR. BAKER: Okay. No more questions,
8 Mr. Chairman.

9 CHAIRMAN OMAS: Are there any additional question
10 for Witness Hope?

11 (No response.)

12 CHAIRMAN OMAS: Now, Mr. Alverno, would you like
13 some time with your witness?

14 MR. ALVERNO: Please, Mr. Chairman, would ten
15 minutes be okay?

16 CHAIRMAN OMAS: Fine. We'll all come back at five
17 minutes of four.

18 (A brief recess was taken.)

19 CHAIRMAN OMAS: Mr. Alverno?

20 MR. ALVERNO: Thank you, Mr. Chairman. We do have
21 some redirect. May I proceed?

22 CHAIRMAN OMAS: Please.

23 REDIRECT EXAMINATION

24 BY MR. ALVERNO:

25 Q Ms. Hope, let me take you back to the

1 cross-examination by Mr. Olson on behalf of Val-Pak and he
2 asked you about the automation requirements that would apply
3 to high density and saturation letters under your proposal.
4 Do you recall that dialogue?

5 A Yes, I do.

6 Q And he asked you about the draft regulations that
7 would attend that particular change. Do you recall that?

8 A Yes, I do.

9 Q And you said something to the effect that the
10 draft was not finalized for circulation. What did that
11 mean?

12 A That meant that the draft has not been finalized
13 for public circulation or for publishing. The draft has not
14 been published yet.

15 Q That is, in the Federal Register?

16 A In the Federal Register. Correct.

17 Q Okay. Ms. Hope, now let me take you to a point in
18 the cross-examination by Mr. Olson where he raised a
19 hypothetical and in that hypothetical he suggested or he
20 alleged that there was a misattribution of costs to letters
21 and he suggested that as a result of that the information in
22 your Table 3 was somehow implicated or affected.

23 What conclusions have you drawn about that
24 particular hypothetical?

25 A Well, I couldn't answer the hypothetical in detail

1 because I don't know what changes would have occurred. If
2 I can just bring everyone to Table 3 once again, Table 3,
3 which is a comparison of ECR cost coverages, is only looking
4 at piece rated and pound rates pieces, shape is not an issue
5 in my Table 3.

6 Shape is absolutely not covered here. I don't
7 discuss letters, I don't discuss non-letters, I don't
8 discuss flats, I don't discuss parcels. There's nothing
9 about shape. I'm looking at the piece and the pound rates
10 at the two dividing lines, 3.0 and 3.5.

11 Mr. Olson's hypothetical that you referred to
12 suggested that if there was some misattribution of costs to
13 letters it would change the implicit coverages and possibly
14 weaken this illustration.

15 I disagree with that because it depends on the
16 source of the misattribution. If non-letters that were
17 piece rated were the source of the misattribution, it would
18 not affect this at all. It would only affect it potentially
19 if non-letters that were pound rated were the source of any
20 cost problems. But I feel strongly that this table has data
21 that is useful and that supports my pound rate proposal.

22 Q Okay, Ms. Hope. Now let me take you to another
23 point in the cross-examination by Mr. Olson and in that
24 cross-examination you were asked about the relative
25 efficiency of processing ECR high density and saturation

1 letters on automation into DPS sequence and you stated that
2 you thought it might be cheaper to process them on
3 automation.

4 What other conclusions could one draw about the
5 processing of ECR letters on automation?

6 A Whether or not ECR letters would be processed on
7 automation would really be a local decision and something
8 that is not -- it's not something that I had testified to in
9 detail. It's really something that should be directed to
10 Witness Kingsley because it will depend on the
11 circumstances.

12 Q In other words --

13 A On local circumstances.

14 MR. ALVERNO: Mr. Chairman, that's all we have for
15 redirect. Thank you.

16 CHAIRMAN OMAS: Mr. Baker?

17 MR. BAKER: One quick follow-up.

18 RECROSS-EXAMINATION

19 BY MR. BAKER:

20 Q Ms. Hope, on the Table 3 redirect, I want to make
21 sure I understand what you're saying. You were concerned
22 about what might be -- in the hypothetical instance of there
23 having been a misallocation of costs, you would be concerned
24 about the source of the misallocation. And if I listened
25 correctly, I think what you said was this, and let me repeat

1 it and you tell me if I heard it right.

2 If detached address labels associated with pound
3 rated flats had been costed as letters, that situation would
4 present the source of potential problem in Table 3. Is that
5 correct?

6 A I didn't specifically refer to detached address
7 labels. Any change in the costs.

8 Q Right. Any change. Pound rated flats?

9 A Pound rated non-letters.

10 Q Non-letters? Okay. Any change in pound rated
11 non-letters for things that should have been costed as
12 letters.

13 A I'm sorry, costed --

14 Q All right. Okay. All right.

15 A I'm sorry, could you repeat that?

16 Q Why don't you repeat -- any change --

17 I interrupted you and you were about to say it. Any change
18 in non-letter -- any pound rated non-letters?

19 A Well, what I should do is back up.

20 Q Okay.

21 A If the source of the misattribution in this
22 hypothetical were piece rated non-letters, it would not
23 change the table at all. You have to know the source of the
24 misattribution to determine whether it would have an impact
25 on the implicit coverages in Table 3. There could be a

1 change in the implicit coverages in Table 3 if the source of
2 the misattribution were piece rated non-letters, that is,
3 flats or parcels.

4 Q Don't you mean pound rated non-letters?

5 A I'm sorry, pound rated. I've gone through this so
6 many times. Yes. If they were pound rated.

7 MR. BAKER: All right. No more questions.

8 CHAIRMAN OMAS: Thank you, Mr. Baker.

9 Ms. Hope, that completes your testimony here
10 today.

11 Excuse me. Is there anyone else who would like
12 to -- is there any redirect on the bench?

13 (No response.)

14 CHAIRMAN OMAS: I'm sorry, I'm jumping the gun.

15 So that completes your testimony here today. We
16 appreciate your appearance and your contribution to our
17 record and I hope you enjoyed your first visit to the PRC.

18 THE WITNESS: It was very interesting.

19 (The witness was excused.)

20 CHAIRMAN OMAS: This concludes today's hearing.

21 We will reconvene on January 11th at 9:30 a.m., when we will
22 receive testimony from Postal Service witnesses Kingsley and
23 Moeller.

24 Thank you and have a good day.

25 //

1 (Whereupon, at 4:05 p.m. the hearing in the
2 above-entitled matter was adjourned, to reconvene at
3 9:30 a.m. on Friday, January 11, 2002.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2001-1
CASE TITLE: Postal Rate and Fee Changes
HEARING DATE: January 10, 2002
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission.

Date: January 10, 2002


Beth Roots

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