

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

**EXPERIMENTAL RATE AND SERVICE CHANGES  
TO IMPLEMENT NEGOTIATED SERVICE AGREEMENT  
WITH CAPITAL ONE SERVICES, INC.**

**Docket No. MC2002-2**

**AMERICAN POSTAL WORKERS UNION, AFL-CIO  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS CHARLES L. CRUM  
(APWU/USPS-T3-1-8)  
(October 31, 2002)**

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the American Postal Workers Union, AFL-CIO ("APWU") hereby submits interrogatories and requests for production of documents to USPS Witness Charles L. Crum.

Respectfully submitted,

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**CERTIFICATION**

I hereby certify that I have this date served the following document in accordance with the rules of practice.

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Susan L. Catler  
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October 31, 2002

APWU/USPS-T3-1. Please confirm that the basic methodology for determining the cost of returned mail pieces is based on a study conducted for the USPS and published in September 1999 entitled "Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail". If you do not confirm this, please detail your methodology for determining the cost of returned mail pieces and the source or sources for that methodology, and provide or identify the data used.

- (a) Did you analyze differences in the processes the USPS now uses to physically return mail pieces compared to the processes that are described in "Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail"? If so, what changes in the processes did you determine had taken place and how were your cost estimates adjusted to reflect those changes? If you did not analyze the differences in the processes the USPS now uses to physically return mail pieces compared to the processes that are described in "Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail", why not? Have there been changes in how the Postal Service physically returns mail pieces since 1998? If so, please detail all such changes.
- (b) Did you analyze the differences in the processes the USPS now uses to forward mail pieces compared to the processes that are described in "Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail"? If so, what changes in the processes did you determine had taken place? Did you make cost estimates for forwarding mail? If so, please provide your cost estimates and explain how your cost estimates were adjusted to reflect changes in the processes the USPS uses to forward mail pieces. If you did not analyze the differences in the processes the USPS now uses to forward mail pieces compared to the processes that are described in "Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail", why not? Have there been changes in how the Postal Service forwards mail pieces since 1998? If so, please detail all such changes.

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APWU/USPS-T3-2. What changes in the processes for handling of Undeliverable As Addressed (UAA) mail is the USPS currently testing or studying? Are there changes in how the Postal Service will physically return pieces that are currently under consideration or in the process of being implemented? If so, please detail all such changes. Are there changes in how the Postal Service will forward pieces that are currently under consideration or in the process of being implemented? If so, please detail all such changes. What adjustments did you make to your cost estimates to account for these changes? Will PARS affect the processing method and/or cost of returning UAA mail? If so, please describe PARS, provide as much detail on the implementation schedule as is now available and explain how PARS will affect the processing method and/or cost of returning UAA mail. Will PARS affect the processing method and/or cost of forwarding UAA mail? If so, please describe PARS, provide as much detail on the implementation schedule as is now available and explain how PARS will affect the processing method and/or cost of forwarding UAA mail.

APWU/USPS-T3-3. Does the PERMIT system that provides the distribution of Capital One's FY 2001 volume for Attachment A, pages 1 and 2 of your testimony, provide the information necessary to determine the number of additional ounces, nonmachinable pieces, pieces eligible for the heavy piece deduction for Capital One mail or were these determined based on more general Postal Service data? Please describe the PERMIT system, including how, when and in what detail it collects data. Is the comparable data for Capital One's FY 2002 volume now available? If so, please provide the FY 2002 information at the same level of detail. If not, when will it be available? Please provide it when it is available.

APWU/USPS-T3-4. Please confirm that the purpose of the "returns adjustment unit cost" (columns 20 and 22) of Attachment A page 2, is to add in the cost differences associated with any difference in return rates between Capital One mail and the overall mix of First Class presort mail letters. In which column are the unit costs associated with the average amount of returned mail tabulated? Is any adjustment to unit costs made for differences in the rate of mail forwarded for Capital One compared to the average? If you are assuming that Capital One's mail is not forwarded at a rate other than the average, please explain the basis for your assumption. What is the average rate of mail forwarded for First Class mailers? What is the average rate of mail forwarded for single-piece First Class mailers? What is the average rate of mail forwarded for First Class mailers paying discounted rates? What is the average rate of mail forwarded for Capital One?

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APWU/USPS-T3-5. You identify two reasons to explain the differences between the volume identified by the PERMIT system, 1,151,030,386 pieces of First Class mail in FY2001, and the volume identified in Mr. Elliott's testimony (as you do in OCA/USPS-T3-10), the difference between the Postal Fiscal Year and the Government Fiscal Year totals and the fact that some of Capital One's mail was sent by lettershops, not using a Capital One permit.

- (a) Please identify the exact dates for which the PERMIT system data used in your testimony pertains. You indicate that for purposes of the proposed Negotiated Services Agreement, volumes will be counted via the Postal Fiscal Year until such time as monthly reporting becomes available on October 1, 2003. How will volume between the end of the PFY 2002 and the beginning of monthly reporting on October 1, 2003 be accounted for?
- (b) In analyzing the discrepancies between the two mail volume figures, did you determine any reasons that would impact the revenue (or cost) per piece estimates you have presented in your testimony? For example is there reason to think that the commingled mail sent via mail shops without Capital One specific permit account numbers would have different revenue or cost characteristics than the Capital One mail that could be identified?

APWU/USPS-T3-6. In your calculation of increased contribution from Capital One's "new" mail volume, please confirm that "new" mail volume does not include any mail volume that shifted from Standard solicitation mail to First Class solicitation mail and that you are assuming that no shift of mail volume from Standard solicitation mail to First Class solicitation mail takes place. If you cannot confirm both statements, please identify how much mail volume would be expected to shift from Standard mail to First Class mail. Would that mail be part of the "new" mail volume or in addition to it? If the assumption made here is that there will be no impact on Capital One's Standard mail volume when there is a change in the workshared First Class rate paid by Capital One, consistent with the assumptions that the Postal Service normally makes in rate cases about these two types of mail? If there was a shift of current Capital One Standard mail to First Class mail, how would that impact your calculations?

APWU/USPS-T3-7. Have the costs of changing the USPS software to accommodate this proposed Negotiated Services Agreement been factored into the cost calculations for this proposed Negotiated Services Agreement? What are those costs and how have they been factored in? Have the costs for reprogramming the software to accommodate CSR Option 2 been factored into the costs of this Negotiated Services Agreement? What are those costs and how have they been factored in? If either of these costs has not been factored in, please explain why not.

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APWU/USPS-T3-8. Have you done any revenue and cost analyses related to Section III, F of the proposed Negotiated Services Agreement between Capital One and the USPS? If you have, what assumptions did you use and what were the results of those analyses?