

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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T3-16-22)

The United States Postal Service hereby provides the responses of witness
Crum to the following interrogatories of Newspaper Association of America:
NAA/USPS-T3-16-22, filed on November 15, 2002.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 27, 2002

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NAA/USPS-T3-16. The following questions refer to page 1 of USPS-LR-1/MC2002-2 (referenced in your testimony at page 5, line 5), where you show a “Mailstream Processing” cost of 29.95 cents for “Capital One Physical Mailpieces Returned” citing “Table 5.2.4.1, Row 2, Column F” of USPS-LR-J-69 (Docket No. R2001-1). If you do have not quantitative information for which the following sub-parts ask, please provide your best judgment, estimate, opinion, educated guess, and/or a qualitative answer (such as higher than or lower than) based on your understanding of the mail at issue and the facilities involved.

- a. With respect to the 29.95 cent cost noted in footnote 5 of Table 5.2.4.1, please explain the extent to which this 29.95 cent cost is an average cost for all returned First-Class Mail, including “First-Class Mailpieces of the following shapes: letters, postcards, flats, parcels, and IPPs.”
- b. In this average mix, what are the proportions of First-Class Mail in the following categories:
 - (i) letters,
 - (ii) postcards,
 - (iii) flats,
 - (iv) parcels, and
 - (v) IPPs?
- c. Please provide your estimate of the average unit cost of returning letters only, and provide a reference to the available data from which such a unit cost could be calculated.
- d. To what extent does the particular mix of First-Class Mail returned to Capital One (in terms of the proportions of letters, postcards, flats, parcels, and IPPs) compare to the average mix of returned First-Class Mail underlying the 29.95 cent cost figure?

RESPONSE:

- a) Confirmed that the \$0.2995 is an average of First-Class Mail returns and include the shapes referenced in the interrogatory
- b) The data to answer this question can be found in Table 4.7.1 of USPS/LR-J-69.
 - a. Letters/postcards = 94.6 percent
 - b. Flats = 4.9 percent
 - c. Parcels/IPPes = 0.5 percent
- c) This is not available.
- d) Assuming that Capital One’s returns have the same mix as the First-Class Mail that it sends out, then the mix of its returns is similar to the mix of returns for all First-Class Mail.

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NAA/USPS-T3-17. For an average First-Class Mail piece that is returned physically by the Postal Service, at the average mail processing cost of 29.95 cents, please state the proportion that have barcodes and receive automated processing, and the proportion that receive non-automated or manual processing, such as might be received by flats, or letters without barcodes, or parcels. If the CFS places a barcode on some or all returned pieces, please explain whether there are differences in the treatment of letters, flats, parcels or letters without barcodes.

RESPONSE:

The returned pieces that comprise the average mail processing cost of \$0.2995 include a mix of processing. The actual proportion of pieces receiving automated handling is unknown. I note that Table 4.7.1 of USPS/LR-J-69 estimates that 3.2 percent of First-Class Mail UAA pieces are non-machinable letters. I would assume, then, that at least 3.2 percent of return letter pieces are handled manually.

It is my understanding that barcodes, if any, are put by on the mail piece at the processing facility and not the CFS site. Yes, there will likely be different treatment for letters, flats, and parcels.

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NAA /USPS-T3-18. If you have any separate estimate, rough or otherwise, of the specific unit cost of First-Class Mail that is physically returned *to Capital One*, for 2001 or any other year, please provide it.

RESPONSE:

This information is not available.

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NAA/USPS-T3-19. Did you or anyone else at the Postal Service, to your knowledge, attempt to develop a specific estimate of the unit cost of returning Capital One's non-forwardable UAA mail beyond USPS-LR-1/MC2002-2? If so, please provide that estimate. If not, please explain why not.

RESPONSE:

The Postal Service does not have a specific unit cost of returning Capital One's non-forwardable UAA mail. I note that where a specific cost element would clearly differ from the system average, I have made the appropriate adjustment. For example, I removed "originating postage due unit", "destinating accountable mail unit", and "collection postage due – carrier" costs from the \$0.6384 Postal Service average unit cost of returns presented in Table 5.1.2 of USPS/LR-J-69 to get the \$0.5347 presented in USPS-LR-1/MC2002-2. Outside of those changes, given the vast predominance of letters in both the overall First-Class Mail mix and Capital One's mail mix, use of the system average is reasonable. Also, given Capital One's very high mail volume (see my response to POIR #2, question 7), assuming a national scope average number is reasonable. If, for example, all its mailings were mailed from, mailed to, and returned from the Washington, DC area, then assuming a national scope number without adjustment might be questionable. That is not the case here. Please also refer to witness Plunkett's response to VP/USPS-T2-7(c).

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NAA/USPS-T3-20. Please describe all major problems or obstacles that inhibited or prevented the development and use of a specific unit cost estimate that is tailored to and reflects the particular circumstances of Capital One.

RESPONSE:

Please see my response to NAA/USPS-T3-19 and witness Bizzotto's response to

NAA/USPS-T1-7.

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NAA/USPS-T3-21. Please confirm that the costs presented in USPS-LR-1/MC2002-2 page 1, used to develop the total average physical return costs of Capital One mail of 53.47 cents per piece that you present, use the average cost of returning First-Class Mail as a proxy for the specific cost of returning Capital One's non-forwardable UAA mail? If you cannot confirm, please explain why not.

RESPONSE:

Partially confirmed. Please refer to my response to NAA/USPS-T3-19.

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NAA/USPS-T3-22. In your opinion, how good (or how poor) is the proxy (the average unit cost of returning First-Class letters cards, flats, parcels, and IPPs) for the specific cost of returning Capital One's non-forwardable UAA First-Class Mail? Please explain.

RESPONSE:

Assuming that Capital One's returns have the same mix as the First-Class Mail that it sends out, then the proxy is valid. Both Capital One returns and the average FCM returns have a very high proportion of letters.

CERTIFICATE OF SERVICE

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

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