

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

CUSTOMIZED MARKET MAIL MINOR
CLASSIFICATION CHANGES

Docket No. MC2003-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS HOPE TO INTERROGATORIES OF THE OFFICE OF CONSUMER
ADVOCATE REDIRECTED FROM WITNESS ASHE (USPS-T-1)
(OCA/USPS-T1—1, 8, AND 13)**

The United States Postal Service hereby provides the response of witness Hope to the following interrogatories of the Office of Consumer Advocate redirected from witness Ashe (USPS-T-1): OCA/USPS-T1—1, 8, and 13, filed on March 21, 2003.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO
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REDIRECTED FROM WITNESS ASHE**

OCA/USPS-T1-1:

The following questions refer to cost differences that may arise due to irregularly shaped CMM pieces being accepted and handled at a DDU compared to the acceptance and handling costs of a nonletter Standard Mail piece.

- a. Please explain your examination of the potential cost differences in accepting and handling nonletter Standard mail pieces versus irregularly shaped CMM mail pieces at the DDU. In your response, include copies of all documents, analyses, notes, workpapers and data sources used in your examination. Provide copies of all source documents relied upon, cite all sources used and show the derivation of all calculated numbers.
- b. If no examination was performed, please explain fully why not.

RESPONSE:

- a. Not applicable.
- b. CMM as proposed involves straightforward, minor classification changes.

Specific costs for accepting and handling CMM pieces at Destination Delivery

Units (DDUs) were not discussed or calculated. As stated in my testimony on p.

3, lines 1-4:

CMM is expected to be a highly-targeted, low-density, low-volume Standard Mail option for mailers. As such, it is not anticipated to significantly change the overall institutional contribution or dynamics of Standard Mail as currently configured (see part V, below).

Nevertheless, to reach any conclusion about contribution effects, I obviously could not simply ignore cost implications. In fact, as described in my testimony regarding rate application, by methodically choosing rate elements that logically follow from the characteristics and requirements for CMM, I conclude that the

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prices are reasonable with regard to costs. That is, there is no reason to conclude that the addition of CMM pieces would significantly alter the relative contribution of Regular, especially given the expected low volume relative to existing Regular mail.

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OCA/USPS-T1-8:

On page 7 of your testimony, you state "...CMM will have no substantial effect on institutional contribution."

- a. Please provide copies of all documents including notes, workpapers, data sources, analyses and studies performed in determining the contribution each piece of CMM mail will make to institutional costs. Cite your sources and provide the derivation of all calculated numbers. If no analysis was performed, please explain fully why not.
- b. Include in your response your rationale for concluding that all of the costs of handling, processing and delivering a CMM mail piece will be covered by the proposed price of a CMM mail piece. Please include in your response copies of all documents including analyses, notes, workpapers and data sources used in making your determination. Provide copies of all source documents, cite all sources used and show the derivation of all calculated numbers. If no analysis was performed, explain fully why not.

RESPONSE:

- a. As explained in my response to OCA/USPS-T1-1, part b, above, quantitative calculations were not performed for CMM.
- b. See response above. The rate elements in the Standard Regular and Nonprofit subclasses, as applied, help to assure that CMM as conceived will generate a positive contribution.

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OCA/USPS-T1-13:

Please give a ballpark estimate of the unit costs of handling CMM mail. State the assumptions made in developing the estimate. Provide any notes, calculations, and references to source materials used to prepare the estimate.

RESPONSE:

See response to OCA/USPS-T1-1, part b, above. I have not calculated a ballpark cost figure. For the reasons discussed in my response to OCA/USPS-T1-8(b), we can be assured that any net contribution change due to the new classification would be minimal. The implicit assumption regarding costs, then, is that they are safely “inside the ballpark”.