

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
)
CUSTOMIZED MARKET MAIL) Docket No. MC2003-1
MINOR CLASSIFICATION CHANGES)

Volume 2
Designated Written
Cross-Examination of
Postal Service Witnesses
Ashe and Hope

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

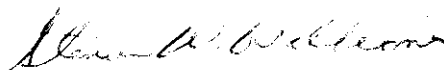
Customized Market Mail
Minor Classification Changes

Docket No. MC2003-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

<u>Party</u>	<u>Interrogatories</u>
<u>United States Postal Service</u>	
Christopher C. Ashe (USPS-T-1)	
American Postal Workers Union, AFL-CIO	DBP/USPS-T1-3, 7 OCA/USPS-T1-2-4, 6, 7b, 20-21, 23-24
Office of the Consumer Advocate	DBP/USPS-T1-1-7 OCA/USPS-T1-2-6, 7b, 9-12, 14-18, 19a-b, 20-28, 30
Laraine B. Hope (USPS-T-2)	
American Postal Workers Union, AFL-CIO	OCA/USPS-T2-1 OCA/USPS-T1-1, 13, 29 redirected to T2
Office of the Consumer Advocate	OCA/USPS-T2-1 OCA/USPS-T1-1, 8, 13, 29 redirected to T2

Respectfully submitted, ,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

United States Postal Service

Christopher C. Ashe (USPS-T-1)

DBP/USPS-T1-1	OCA
DBP/USPS-T1-2	OCA
DBP/USPS-T1-3	APWU, OCA
DBP/USPS-T1-4	OCA
DBP/USPS-T1-5	OCA
DBP/USPS-T1-6	OCA
DBP/USPS-T1-7	APWU, OCA
OCA/USPS-T1-2	APWU, OCA
OCA/USPS-T1-3	APWU, OCA
OCA/USPS-T1-4	APWU, OCA
OCA/USPS-T1-5	OCA
OCA/USPS-T1-6	APWU, OCA
OCA/USPS-T1-7b	APWU, OCA
OCA/USPS-T1-9	OCA
OCA/USPS-T1-10	OCA
OCA/USPS-T1-11	OCA
OCA/USPS-T1-12	OCA
OCA/USPS-T1-14	OCA
OCA/USPS-T1-15	OCA
OCA/USPS-T1-16	OCA
OCA/USPS-T1-17	OCA
OCA/USPS-T1-18	OCA
OCA/USPS-T1-19a	OCA
OCA/USPS-T1-19b	OCA
OCA/USPS-T1-20	APWU, OCA
OCA/USPS-T1-21	APWU, OCA
OCA/USPS-T1-22	OCA
OCA/USPS-T1-23	APWU, OCA
OCA/USPS-T1-24	APWU, OCA
OCA/USPS-T1-25	OCA
OCA/USPS-T1-26	OCA

Interrogatory

OCA/USPS-T1-27

OCA/USPS-T1-28

OCA/USPS-T1-30

Designating Parties

OCA

OCA

OCA

Laraine B. Hope (USPS-T-2)

OCA/USPS-T2-1

OCA/USPS-T1-1 redirected to T2

OCA/USPS-T1-8 redirected to T2

OCA/USPS-T1-13 redirected to T2

OCA/USPS-T1-29 redirected to T2

APWU, OCA

APWU, OCA

OCA

APWU, OCA

APWU, OCA

United States Postal Service

**Christopher C. Ashe
(USPS-T-1)**

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--1. On page 11 lines 13-14, you state that additional permits will not be required. Confirm, or explain, that a normal Standard Mail permit will be required for CMM mailing and if postage is paid by permit imprint, a separate permit for that will be required.

RESPONSE:

Confirmed. Please see my testimony at p. 9, line 21, through p. 10, line 8. It should be noted, however, that existing Standard Mail and permit customers will be able to enter CMM mailings under their standing authorizations.

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--2. On page 7 line 23, you indicate that drop shipment must be by Priority Mail or Express Mail. May drop shipments be made by First-Class Mail or Parcel Post and if not, why not?

RESPONSE:

No, when the program is implemented, the only options will be the existing dropshipment options, which include plant verified dropshipment (PVDS) or Express or Priority Mail dropshipment. The reason is that CMM would be designed to fit within existing dropshipment options.

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--3. If I have 400 CMM pieces for delivery in Englewood NJ 07631 and each piece weighs one ounce, please advise the total postage for this mailing and provide a detailed explanation on how this value was determined. If the physical dimensions of the mailpiece can affect the postage [assuming that it meets the minimum and maximum size limits and still weighs one ounce], please provide separate responses for each criteria. Assume that it does not meet the Nonprofit criteria.

RESPONSE:

It is assumed that the mailer in this hypothetical avails itself of the plant verified dropshipment (PVDS) entry option. If CMM is elected, then the price would not vary based on the physical dimensions of the mailpiece. The postage cost in this hypothetical situation would be \$229.60, or \$0.574 per piece. The unit price represents the sum of (i) the per-piece non-destination entry rate for the Basic Nonletter category in the Regular subclass (\$0.344) and (ii) the residual shape surcharge (\$0.23).

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INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--4. Provide a similar response to DBP/USPS-T1-3 if each piece weighs 4 ounces.

RESPONSE:

CMM pieces are eligible only for the Basic category nonletter per-piece rate. Hence, the maximum weight for items entered as CMM would be 3.3 ounces. Please see my testimony at p. 9, lines 1-4.

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--5. What is the maximum weight permitted for a CMM piece? If the postage calculations performed in response to DBP/USPS-T1/-3 and -4 would be different for weights of other than one or four ounces [other than the obvious different total weight of all 400 pieces], please provide the criteria and perform a separate calculation.

RESPONSE:

Customized MarketMail pieces must weigh 3.3 ounces or less. Thus, the total postage for a given CMM piece would not vary based on weight.

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T1--6. Does the entering of the mail at a DDU mean that the box section for PO Boxes and/or the city delivery/rural/HCR carriers are located at [for PO boxes] or depart [for carriers] from that single building? If not, please explain.

RESPONSE:

Given the depth and breadth of the Postal Service's delivery operations, the Postal Service operates delivery functions under a variety of models. In the majority of cases, the box section for post office box service and the in-office areas dedicated to city delivery, rural, and highway contract route (HCR) carriers are located in a single building. In other instances, the post office box section is located in a separate facility from the facility from which city delivery, rural, and/or HCR carriers depart to deliver the mail to customers receiving mail along delivery routes. The locations of the post office box sections and carrier delivery operations are made by the Postal Service on a case-by-case basis depending upon the delivery requirements of the geographic area in question.

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DBP/USPS-T1--7. On page 12 you indicate that the mailpiece will be left at the addressee's location. Why is the delivery of a CMM any different than a non-CMM piece. If a customer pick-up notice is required for a similarly sized mailpiece, why is a notice left for the non-CMM piece while the CMM piece is left?

RESPONSE:

The proposed requirement for the use of the carrier release marking on Customized MarketMail (CMM) mail pieces will enable carriers to deliver CMM pieces on the first delivery attempt, subject to carrier release guidelines. Without the carrier release marking, if the piece does not fit in the receptacle and the customer is not home, the carrier would likely have to leave a delivery notice requesting that the recipient travel to the station to retrieve the CMM piece. Because it is believed that customers would not want to incur the time and expense of traveling to a delivery unit to retrieve a piece of advertising mail, the product description has incorporated features that eliminate most handling procedures after the first delivery attempt. If the carrier is unable to make a delivery on the first attempt, the piece would be returned to the delivery unit for destruction. Thus, the use of a carrier release benefits not only the recipient, but also the advertiser, since the advertiser would not ordinarily want customers to be inconvenienced.

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OCA/USPS-T1-2. The following question addresses potential increases in the amount of carrier handling and delivery time needed for the delivery of an irregularly shaped CMM mail piece as compared to the delivery of current nonletter mail.

(a) Please explain whether or not you performed any analysis or relied upon any studies that examined the carrier time needed to handle and deliver a CMM mail piece (CMM) as opposed to the time needed to deliver a Standard nonletter mail piece. If so, please include in your response copies of all documents, analyses, notes, workpapers and data sources used in performing the analysis. Provide copies of all source documents relied upon, cite all sources used and show the derivation of all calculated numbers.

(b) If no analysis was performed, please explain fully why not.

RESPONSE:

(a) & (b) The Postal Service did not perform any analysis or studies that examined the carrier time needed to handle and deliver Customized MarketMail (CMM) mail pieces. It is not believed that the entry of such pieces will have any noticeable impact on handling/processing and delivery operations at destination delivery units (DDUs). As stated in my testimony at p. 8, the operating plan for CMM mail pieces larger than letter-sized mail pieces would follow the delivery unit handling and casing procedures currently utilized for flat size mail, and, if necessary and, as appropriate to their physical size and shape, for parcels. For instance, at the DDU, CMM pieces would be distributed to carriers for casing and delivery. When piece distribution to carriers is necessary, it typically would be accomplished by sorting the CMM pieces into letter or flat cases, as appropriate to their physical size and shape, prior to placing them at the carrier cases. The carrier would then handle the piece in the manner he or she deems most efficient, depending upon the specific size of the individual piece. In order to eliminate additional handling issues associated with CMM mail pieces at the

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DDUs, the proposal strives to minimize the handling operations of these pieces throughout the chain of production. Specifically, the maximum size for CMM has been aligned with that of other flat-size mail (12 by 15 inches) and includes specifications for flexibility and delivery that are more stringent than existing standards. The Postal Service has also proposed that CMM mail pieces will have to be sufficiently flexible to enable safe handling and delivery without damage to accommodate for the unique shapes and sizes that these pieces will present to carriers; other flats do not have such standards. Additionally, to preclude further handling if a CMM piece cannot be placed in the addressee's mailbox, CMM mail pieces will be barred from any ancillary services (like forwarding or return) and will bear a "Carrier Release" endorsement and the exceptional address format ("or current resident") to indicate that a deliverable CMM piece is to be left in a practical location near the recipient's mail receptacle if it cannot be placed inside the receptacle because of its size or inflexibility. To avoid the possibility that CMM pieces could be introduced into the mailstream after failure of delivery, undeliverable-as-addressed CMM would be discarded.

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OCA/USPS-T1-3. In developing the CMM proposal, did you discuss the proposal with any operations personnel to see if there were potential operational concerns regarding the handling of CMM mail pieces?

(a) If so, please provide copies of all documents including notes taken or summaries made regarding their reaction to your proposal. If no notes or summaries were made of the discussions, summarize the input operations personnel gave regarding CMM mail pieces.

(b) If not, please explain why operations personnel were not consulted.

RESPONSE:

(a) A partial objection to this subpart has been filed. Discussions with Postal Service Operations personnel were conducted throughout the product development process, thereby assuring that the proposal would be structured in a manner that would not contravene operational objectives. Operations indicated that current mail processing capabilities and automation would be incompatible with Customized MarketMail (CMM) pieces. Operations further explained that in order to eliminate manual handling costs in mail processing, the processing of CMM pieces from origin to delivery unit should be avoided. To address this concern, CMM has been developed so that CMM mailings must be prepared in 5-digit and carrier route(s) containers that must be entered at, or drop shipped to, the corresponding destination delivery units. Other features in the product design, such as the proposed requirement for the use of a carrier release, also reflect Operations personnel input. Specialists from Postal Service Delivery Support also reviewed the sample CMM pieces at a delivery unit, and determined that such pieces could be accommodated with existing work methods. When the sample pieces were reviewed by city and rural carriers, their feedback verified this view.

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(b) Not Applicable

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OCA/USPS-T1-4. In developing the CMM proposal, did you discuss the proposal with any rural route or city carriers to see if they anticipated any difficulties in casing and subsequently delivering CMM mail pieces?

(a) If so, please provide copies of all notes taken or summaries made regarding these discussions. Indicate how many carriers were contacted and include in your response all documents, analyses, notes, workpapers and data sources developed or used as a result of these consultations. Cite all sources and provide the derivations of all calculated numbers.

(b) If not, please explain why carriers were not consulted.

RESPONSE:

(a) A partial objection to this subpart has been filed. See response to OCA/USPS-T1-3(a).

(b) Not applicable.

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OCA/USPS-T1-5. Excluding focus group facilitators, please provide the number of participants in attendance at each of the four focus groups reported in USPS-LR-2 and provide copies of all summary notes, data and other information developed as a result of each focus group discussion. If no documentation or data was collected, please explain how National Institute conducted its analysis.

RESPONSE:

A partial objection to this subpart has been filed. Excluding focus group facilitators, attendance at the four focus groups reported in USPS-LR-2 were as follows:

Focus Group 1: Thursday, September 26, 2002, 10 respondents.

Focus Group 2: Tuesday, October 8, 2002, 10 respondents.

Focus Group 3: Wednesday, October 9, 2002, 8 respondents.

Focus Group 4: Thursday, October 10, 2002, 8 respondents.

A copy of the advertiser discussion guide is attached.

Attachment to OCA/USPS-T1-5

Customized MarketMail Study Advertisers Discussion Guide

I. INTRODUCTION

- **Ground Rules:** Audiotaping, confidentiality, candor, one person at a time, no cell phones or pagers, etc.
- **Background & Discussion Objectives:** The purpose of our discussion is to focus on three topics: 1) process for creating print and direct mail advertisements; 2) emerging needs and requirements for developing such mail pieces; and 3) reactions to new ideas/new regulations

Please think about the objectives of the various campaigns you are responsible for and how those objectives are translated into direct mail piece designs and executions

- **Introductions**
 - Type and size of company work for
 - Role/responsibilities (Probe: media selection, layout/design, copy or text)
 - Types of campaigns responsible for
 - Types of outside partners used for these campaigns (e.g., ad agency, etc.)

II. PRINT/DIRECT MAIL DESIGN & IMPLEMENTATION PROCESS

(Goal is to develop a detailed process map outlining the steps and key players for specific types of objectives/applications)

- Identification of Process Steps – differentiate legacy vs. new campaigns
 - Who generates the ideas to do...
- Print vs. other media (e.g., broadcast)?
- Type of print (e.g., FSI vs. magazine)?
- Type of direct mail (e.g., stand alone, shared)?
 - What steps are involved from inception to completion? (Probe use of in-house staff versus outside agency like ad agency)
- Idea generation
- Media selection
- Content and Design
- Production
- Distribution
- Response
- Fulfillment
 - Where is the emphasis placed? Why?
 - How, if at all, does this vary by different direct mail campaign objectives?
- Direct response – direct selling
- Traffic building
- Lead generation
- Awareness & brand building
- Identification of Key Decision-makers and Influencers (focus on direct mail)
 - Who is responsible for the content?
 - Who is responsible for the design/layout/format – size and shape, etc.?
 - Who is responsible for postal-related decisions?
- Type of postage – Standard, First-Class, etc.

- Amount of worksharing
- Actual size/shape
- Type of working relationship with USPS (e.g., is there a specific person they are working with at USPS)?
 - Who is responsible for mail distribution for large campaigns?
- Use of internal personnel vs. outsourcing
- Why or why not?
- Direct Mail Campaign Experience
 - Response rate goals
- Success measures
 - Expected vs. actual response rates by campaign type
- Awareness building
- Acquisition
- Direct response
- Loyalty/retention

III. CURRENT DIRECT MAIL REGULATIONS & CONSTRAINTS

(Goal is to identify level of knowledge and specific problem areas)

- Knowledge of Current Restrictions
 - What are the factors that influence the design of direct mail pieces?
 Probe...
- Size of budget
- Postal restrictions (e.g., size/shape constraints, delivery windows, etc.)
- Stringent development timetables
- Mailbox clutter
- Consumer perceptions and consumer response
- Etc.

- How much, if at all, does it vary by the direct mail campaign objective?
- Loyalty/retention vs. acquisition campaigns
 - What are you doing now to thwart these problems?
- Impact & Perceptions of Current Restrictions
 - What is the impact of specific postal restrictions on direct mail use?
- Probe...
- Size and shape requirements
- Thickness/stiffness requirements
- Sortation requirements
- Delivery standards
- Addressing requirements
- Etc.
 - Which of these has the greatest limitation on the creative? Why?
 - Specific ideas/designs that get “nixed” because of existing constraints
- What are the characteristics of these ideas/designs?
- Where in the process do these get rejected?
- Who decides?
- What, if anything, gets developed instead?
- How often, if at all, is direct mail rejected because of constraints?
- How often, if at all, is the campaign rejected because of constraints?
 - Which constraints, if any, should be lifted? Relaxed? Eliminated? Why?
 - How might these be implemented?

IV. PERCEIVED FUTURE DIRECT MAIL DESIGN NEEDS/REQUIREMENTS

(Goal is to determine desired creative characteristics without any constraints)

- Potential New Direct Mail Design Ideas
 - Suppose no USPS or budget constraints, what types of pieces might be created?
- Over-sized or irregularly shaped
- Free-standing (not in envelopes)
- Product sample-like
- Different colorings/aesthetics/materials/printing
- Etc.
 - Would these changes improve direct mail or not? Why or why not?
- Specific Examples of How Design Characteristics Would Change Today
 - Ask participants to describe how one of their current direct mail pieces might have changed if they could produce an “unconstrained” piece
- Why would such a change have been made?
 - Ask how changes would have impacted...
- Creativity
- Design process
- Size of mailout/campaign
- Overall budget
- Other improvements (e.g., better response)

V. REACTIONS TO MARKETMAIL CONCEPT

(Goal is to show sample MarketMail pieces and determine level of interest)

- Initial Reactions and Perceived Usage Barriers & Inducements
 - Size of piece and mailbox impact
 - Widespread applicability
 - Development costs

- Production costs
- Etc.
- Likelihood to Use It
 - Perceived attractiveness
 - Perceived improvements, if any, to direct mail
 - Potential usage situations/campaigns
- Traffic building, direct response, etc.
- Loyalty/retention vs. acquisition campaigns
 - Frequency of those situations – use on a repeat basis or not?
 - Likely number of pieces to be generated annually
 - Decision-making process & relationship with partners (e.g., ad agency)
- Reactions to Mailing Requirements if Regulations Were Changed
(Describe how USPS would handle and deliver the pieces and attempt to determine willingness to get a “ruling” on a case-by-case basis and pricing sensitivities)

The U.S. Postal Service would permit mailers/advertisers to develop oversized or irregularly shaped pieces each weighing up to 3.3 oz. and sort and bundle them for drop ship delivery to a destinating delivery unit (DDU). The mailer could select one of three desired speeds for the drop ship delivery component – Parcel Select (Fast), Priority Mail (Faster), or Express Mail (Fastest). Once the bundle reaches the DDU, it would be sorted and delivered as a Standard mail piece. The mailer would pay a fee for the drop shipping commensurate with the speed selected and a price per piece for the delivery of each oversized or irregularly shaped piece.

- Willingness to send piece to a committee or review panel for review and approval? Why or why not?

- Willingness to pay for ruling?
- Willingness to be part of a pilot test?
- Speed of drop shipping that would be selected? Why?
- Impact of being able to use only USPS for drop shipping?
- Inducement or barrier?
- Why?
 - Willingness to pay price for drop ship bundle and per piece delivery price?
 - Amount willing to pay for per piece delivery price?
- Compare to existing rates
- Rationale for price willing to pay
 - What value-added information would be desired?
- Tracking information?
- Delivery confirmation or Confirm?
- Other data?
- Potential Impact on Direct Mail & Other Advertising Decisions
 - Would existing direct mail be cannibalized or would the pie grow?
 - What would be the impact on advertising mix? On other direct mail?
 - How would these new design opportunities affect Web advertising, if at all?
 - How would other forms of print advertising be affected, if at all?

VI. REACTIONS TO PROPOSED NAME

- When you first heard the name "Customized MarketMail" what came to mind?
 - What were you expecting?
 - What type of product did you imagine?

- Now that you know about product, what other names, if any, come to mind?
 - Why these names?
 - What do these names communicate that Customized MarketMail does not?
- Should the name have USPS in it (e.g., USPS Customized MarketMail?)
 - What benefits, if any, are there by including USPS in the name?
 - What liabilities, if any, are there in including USPS in the name?

VII. WRAP-UP & THANK PARTICIPANTS

- Last minute comments
- Thank participants

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OCA/USPS-T1-6. On page 4 of your testimony, you state: “advertisers and designers have often sought approval for mailing of such pieces.” What is the basis for your statement and what person or office at the Postal Service received such requests? Please provide the number, or an estimate, of the number of advertisers and designers who have sought approval for mailing such pieces.

RESPONSE:

As stated in my testimony at pages 5-6, there is informal anecdotal history behind what is being called Customized MarketMail (CMM). Many mail classification and marketing professionals in the Postal Service can recall numerous past occasions when they were asked about the mailability of some variations of “CMM” – round or circular mailpieces, for example. I have recently discussed the non-mailability of CMM-compatible pieces with two mailers: the first firm was a creative company engaged in the development of mailings for third-parties; the second firm was a manufacturer of irregularly shaped mailpieces that could potentially be mailed as CMM-compatible pieces. Because the only correct answer to date has been that such pieces cannot be mailed, there is no history of either the source and nature of the requests, how much volume would have been produced, or what revenue might have been generated.

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OCA/USPS-T1-7. On page 6 of your testimony, you state: "we believe that there is a consistent level of interest in CMM...."

(a) Please estimate CMM volumes for each of the first five years of its initial offering. Include in your response all documents, analyses, notes, workpapers and data sources used in making your determination. Provide copies of all source documents relied upon, cite all sources used and show the derivation of all calculated numbers.

(b) If no volume analysis was performed please fully explain why not.

RESPONSE:

(a) An objection to this subpart has been filed.

(b) As described in my response to OCA/USPS-T1-6, there is anecdotal information that there is interest in the Customized MarketMail product, but there is no basis for making volume projections of the sort relied upon to conduct a ratemaking analysis. No quantitative market research exists to inform such an analysis. Moreover, as described in my testimony at p. 6, line 21, through p. 7, line 3, and by witness Hope in her testimony at p. 3, lines 1-3, the expectation is that this will be a low-volume application.

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OCA/USPS-T1-9. Please provide all packaging and addressing requirements that must be followed in order to enter a CMM mailing at the DDU.

RESPONSE:

For proposed Customized MarketMail (CMM) packaging requirements, please refer to my testimony at p. 8, lines 4-14. For proposed CMM addressing requirements, please refer to my testimony at p. 11, line 17 through p. 12, line 7.

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OCA/USPS-T1-10. Assume that a CMM mail piece is presented to the Postal Service at a DDU. The CMM mail piece meets all the dimensional requirements you have stated. However, the CMM mail piece does not have a rigid structure – a well-defined silhouette. Rather, the mail piece is flexible such as soft plastic or rubber and can change shape when handled and still be within the dimensional requirements of a CMM piece. Will this type of CMM mail be allowed into the mail stream at the DDU?

(a) If so, please provide the carrier costs of handling and delivering this type of CMM mail piece. Include in your response copies of all documents relied upon, show the derivation of all calculations and cite all sources.

(b) If not, please identify what dimensional requirement(s) provided would prevent a mail piece of this type from being entered into the mail stream.

RESPONSE:

(a) & (b) Without seeing the particular piece in question, I cannot definitively declare it to be eligible for mailing under the CMM classification provisions. However, if it meets the proposed requirements described in my testimony at pp. 10 to 11, it would be mailable. Having a “silhouette” that can change easily but can never exceed the largest dimensions is difficult to imagine.

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OCA/USPS-T1-11. Have you addressed the mail security impact of accepting CMM mail pieces at DDU's?

(a) If you did not factor potential security issues into your proposal, please explain fully why not.

(b) If you did factor potential security issues into your proposal, please include in your response copies of all documents, 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.

RESPONSE:

(a) Since there were no new procedures envisioned for the acceptance of Customized MarketMail (CMM) (as opposed to other mail), there was no reason to give special consideration to security issues for CMM.

(b) Not applicable.

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OCA/USPS-T1-12. Page 13 of USPS-LR-2 states that advertisers would like to produce more elaborate mail pieces, "but refrain from doing so in order to ensure receipt of postage discounts." Given the stated desire of advertisers to receive postage discounts, why do you believe mailers would be willing to forgo discounts and pay a premium to mail each CMM mail piece?

RESPONSE:

Once a mailer has decided to create a "mailable" piece, it is generally in the shape of a letter or flat. The mailer naturally attempts to secure the lowest possible price, taking into account the worksharing effort he or she wishes to undertake. If the lowest rate is desired, the mailer must adhere to the requirements for the automation discounts. While these requirements may limit mailpiece design, the mailer often sees this as a reasonable tradeoff for the lower price. Some mailers, however, forego discounts in order to be creative in such aspects as address placement. I believe that this point is supported by the information gathered in the qualitative market research commissioned by the Postal Service for Customized MarketMail (CMM). For instance, during the market research (see page 16, USPS-LR-2), discussions with prospective CMM customers indicated that they "recognized that Customized MarketMail would be more costly to produce than a traditional Standard Mail letter or postcard." To this point, one attendee stated "I know it would be worth a little extra if we were allowed to do this. Everyone needs to differentiate - whether it's a tongue depressor or chalk or candy you need something and this [CMM] would definitely help." My statement was not meant to imply that *all* mailers refrain from more "elaborate" or non-typical pieces.

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OCA/USPS-T1-14. No one is willing to pay for such a review; rather, they believe that the Postal Service should provide the service without a fee because it will benefit from added mail volume if such pieces were permitted.

(a) In establishing the price of mailing a CMM mail piece, did you incorporate the cost of reviewing the specification drawings or prototypes of a CMM piece?

(b) If your response to part "a" of this interrogatory is affirmative, please provide your estimate of the cost of the review. Please include copies of all documents, analyses, notes, workpapers and data sources used in developing the estimate. Provide copies of all source documents relied upon, cite all sources used and show the derivation of all calculated numbers.

(c) If your response to part "a" of this interrogatory is negative, please explain why you did not include the cost of reviewing a CMM mail piece.

RESPONSE:

(a) - (c) Not applicable. As stated in my testimony at p. 11, lines 14-16, "[d]esign approval would not be required, and physical or graphic content would be subject to existing standards and statutes."

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OCA/USPS-T1-15. The following refers to USPS-LR-2, question number 6, part 2, page 3, of the questionnaire titled "Screener – Chicago MarketMail Advertisers." Please explain what the acronym "FSIs" stands for and provide a copy of an example.

RESPONSE:

The acronym "FSIs" stands for free-standing inserts. It is a commonly used advertising term that corresponds to the advertisements that are inserted into newspapers (most typically on Thursdays, Saturdays, and Sundays) as stand-alone pieces. They are distinguished from "ROPs," which are "run-of-press" ads. ROPs are placed in newspapers on the same pages as news and feature stories. These terms are very familiar to both advertising executives (e.g., account managers, etc.) and advertisers. Respondents were not shown a copy of a typical FSI, since they were screened by telephone. It was not necessary to show such a sample during the focus group sessions, since the focus was on Customized MarketMail. Several examples of pages from FSIs from last Sunday's *Washington Post* are attached.

**SUPER
VALUE!****BUY ONE
GET ONE FREE!****32-CARD GENUINE LEATHER CREDIT CARD CASE****FREE!**For each set of 2
ordered @ \$4.97

www.DreamProductsCatalog.com

**Holds Up To 32
Credit Cards,
ID's & Photos!****Compact for
Pocket or Purse**

Dept 3018 © 2001 Dream Products, Inc.

**Get It All Together
For Under \$5.00!**

Organize all your cards and photos in one handy place. Compact 3" x 4" leather case holds up to 32 credit cards, IDs or photos to take with you anywhere. Beautifully crafted in imported leather with brass corner accents. A great gift for him or her. Fits easily in pocket or purse. In fabulous fashion colors.

**Satisfaction Guaranteed
or Return For Your Money Back**

32-CARD CREDIT CARD CASE - Buy 1 Get 1 FREE! Please Indicate Qty Of Color For: \$4.97 Case & Free Case) Dept 3018

Color ↓ Price →	BLACK	BROWN	BURGUNDY	TAN	TOTAL
@ \$4.97 each	88546	88549	88550	88551	\$
@ FREE	88552	88553	88554	88555	FREE
CA residents must add 7% sales tax					\$
Must Add S/H: \$3.95/1st set of 2, (\$4.97 & FREE One)					\$
Add \$1.00 for each addnl. set of 2, (\$4.97 & FREE One)					\$
Please Print Clearly					TOTAL \$

Enclosed is my check or money order payable to Dream Products, Inc.
Charge m.v. ☐ VISA ☐ MasterCard ☐ Discover/NOVUS™ Cards
Card# _____ Exp. / /

NAME _____

Address _____

City _____ ST _____ Zip _____

Phone # _____

Dream Products, Inc., 412 DREAM LANE, VAN NUYS, CA 91496

The Danbury Mint
47 Richards Avenue
Norwalk, CT 06850

Violet
by Cindy Marschner Rolfe

Send
no money
now

Name _____
Address _____

(Please print clearly)

City _____

State _____

Zip _____

Signature _____

*Orders must be prepaid.

Reserve full payment.

After 30 days after initial payment for shipment.

8331K100

Your heart will melt for...

Violet

by Cindy Marschner Rolfe

A breathtaking porcelain
replica of the 2001
Doll Reader® Magazine
award winner!

Little Violet looks absolutely precious as she sits ready to blow a blossom in your direction! Designed by Cindy Marschner Rolfe, the original doll was honored with two coveted awards from *Doll Reader* Magazine — a 2001 DOTY™ Industry's Choice and a 2001 DOTY™ "Public's Choice" Award. Now, the Danbury Mint brings you a special collector's edition of this adorable porcelain doll.

**Exquisitely crafted.
Order today!**

Violet's wide-eyed innocence will take your breath away. The doll's head, torso, arms and legs are crafted of fine porcelain, and her features are expertly painted by hand. She wears a garland of violets in her hair, is dressed in a stunning violet tunic, and is playfully posed sitting upon an upturned wicker basket accented with more violets. Violet can be yours for just \$119, payable in four installments of \$29.75 (plus a \$12 total shipping and service charge). Your satisfaction is guaranteed. Order today!

Doll shown smaller than actual seated height of approximately 13", including basket.

the Danbury Mint

Dolls of the Year™ and DOTY™ are registered trademarks of Doll Reader® © MB

EXTRA! EXTRA! EXTRA COUPONS ONLINE AT... SmartSource.com PRINT YOUR OWN MONEY-SAVING GROCERY COUPONS ANYTIME!

Experience
Long Lasting Freshness
 from start
 to finish...



with the same great scents from
Gain® and Bounce®.

©2003 P&G

CONSUMER: Redeem ONLY by purchasing the brand size(s) indicated. May not be reproduced. Void if transferred to any person, firm or group prior to store redemption. You pay any sales tax. Any other use constitutes fraud. **LIMIT ONE COUPON PER PURCHASE.**

DEALER: Sending coupons to Procter & Gamble, 2150 Sunnybrook Drive, Cincinnati, Ohio 45237 signifies compliance with "Requirements for Proper Coupon Redemption." Copy available by writing to the above address. Cash value 1/100 of 1¢. 030316

33990

MANUFACTURER COUPON

EXPIRES 4/30/03

33990



off two any size
 liquid or powder



5 37000 12533 9 (8100) 0 33990

MANUFACTURER COUPON

EXPIRES 4/30/03

**\$100
 OFF**



5 37000 26276 8 (8100) 0 32003

Visit
caltratecolonhealth.com
For More
Information
on Colon Health

MANUFACTURER'S COUPON EXPIRES 03/31/03
SAVE \$100
on Caltrate® ColonHealth™

RETAILER: Send this coupon to Wyeth Consumer Healthcare,
P.O. Box 880130, E. Palo Alto, CA 94388-0130 for reimbursement
at face value plus 4% handling if submitted in compliance with
the Wyeth Consumer Healthcare Redemption Policy available
upon request. Any other use constitutes fraud. Void if
reproduced, transferred, or where taxed, prohibited or
restricted by law. Customer pays sales tax. Cash value 1-100
of 1¢. LIMIT ONE COUPON PER PURCHASE.

© 2002 Wyeth Consumer Healthcare

652797



NEW! Caltrate® ColonHealth™

Caltrate®
ColonHealth™

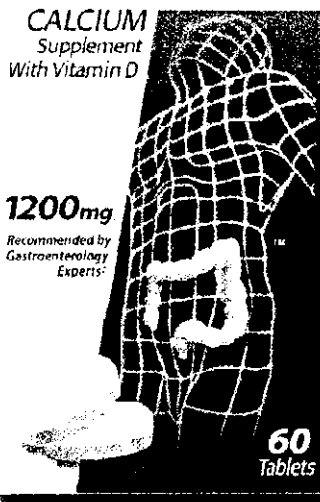
CLINICALLY TESTED Proven
Absorption!

NEW
**Caltrate®
ColonHealth™**

CALCIUM
Supplement
With Vitamin D

1200mg

Recommended by
Gastroenterology
Experts*



60
Tablets

A major clinical study†
suggests that taking
2 Caltrate Colon Health
tablets daily may help
promote colon health.*

Gastroenterology experts now recommend
1200 mg of calcium daily from calcium
carbonate (as in 2 Caltrate Colon Health
tablets daily) to help promote a healthy colon!*

*THESE STATEMENTS HAVE NOT BEEN EVALUATED BY THE FOOD AND DRUG ADMINISTRATION.
THIS PRODUCT IS NOT INTENDED TO DIAGNOSE, TREAT, CURE OR PREVENT ANY DISEASE.

Wyeth

© 2002 Wyeth Consumer Healthcare † Study used 600 mg tablets of Caltrate.

From Bone Health To Colon Health
It's Never Too Late For Caltrate®



Priceless Portraits

with **No Sitting Fees
or Hidden Costs!**

**NEW
Backgrounds!**



WAL★MART®

Portrait Studio

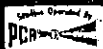
\$4.88

One-10x13, Two-8x10s,
Three-5x7s, Four-3 1/2x5s
and 21 Wallets

**Open 7 days a week! Sunday thru Friday 10am - 7pm (Closed for Lunch 2-3pm)
Saturday 9am - 8pm**

Portrait Studios are located in select Wal-Mart stores.
Call 1-800-599-4343 or go to www.goPortraits.com to find the studio nearest you.
Appointments available. Walk-ins welcome.

NO SUBJECT FEES OR ADDITIONAL CHARGES. Limit one advertised package per family, please. Up to six additional poses taken for custom collection with no obligation to purchase. Sizes approximate. Backgrounds and props may vary by location. Your choice of available backgrounds, some group and age limitations apply.



product
portrait

The Hamilton Collection

9204 Center for The Arts Drive, Niles, IL 60714-1300

Please accept my order for Lori & Samantha, "Rock-a-Bye, Baby" for the issue price of \$20.00*. I need send no money now. I will be billed with shipment. Limit: One figurine per collector.

Signature _____

Ms./Mrs./Mr _____

Address _____

City _____

State _____

Zip _____

Telephone (_____) _____

84541-H27-06

*Add \$3.95 for shipping and handling. Deliveries to FL and IL will be billed appropriate sales tax. All orders must be signed and are subject to credit approval.

Please Respond Promptly Sweet Dreams Little One

A loving mother tenderly cradles her sweet child in her arms and sings her to sleep with a lulling lullaby. Rocking ever so gently, she looks down adoringly at her dear little angel and knows that it's moments like these she'll cherish in her heart forever.

Now **Cherished Teddies**® artist Priscilla Hillman captures their special bond with Lori & Samantha, "Rock-a-Bye, Baby." Available exclusively from Hamilton, this endearing portrait will touch your heart with every hand-painted detail, from their tender expressions to their eyes shining with love.

Our **365-Day Guarantee** assures your complete satisfaction. Order today!

©2002 H.C. All Rights Reserved. ©2002 Priscilla Hillman
Licensor: Elnes Group, Inc.

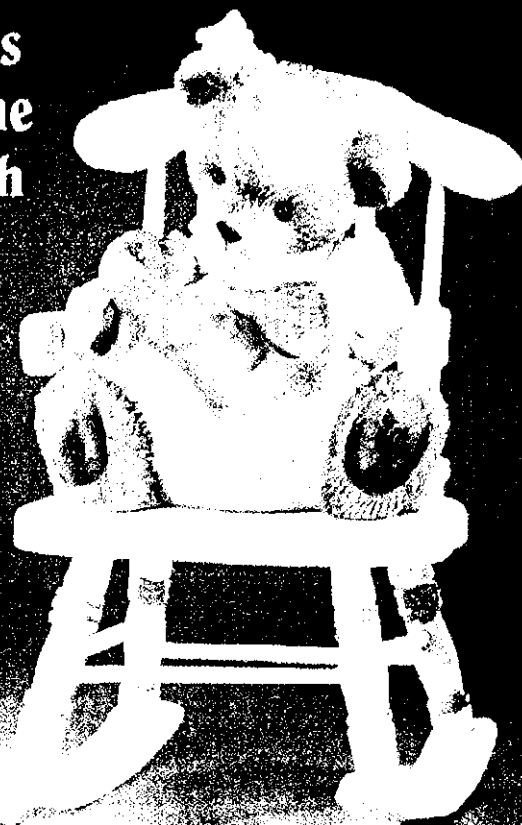
84541-ASD

collectiblestoday.com

Home of The Hamilton Collection and All Things Collectible

A Mother's Love Is One To Cherish

Cherished
Teddies®



Shown actual size of 4 1/4" high

Hard to Find World Trade Center Stamp Sheet – only \$2

Remember the World Trade Center with this commemorative stamp sheet. This scarce sheet is in collector-preferred mint condition.

Send today and also receive a **FREE** bonus collection of 10 U.S. American Flag stamps. We'll also send you special collector's information and other interesting offers on approval. Satisfaction guaranteed. Limit five sheets at this price.

World Trade Center Souvenir Sheet

☒ **Yes!** Send me the World Trade Center Souvenir Sheet. My satisfaction is guaranteed. Limit five sheets.

No. of sheets (limit 5) _____ x \$2.00 each = _____

* NY State residents
add correct sales tax

☐ Check or money order enclosed*

☐ VISA ☐ MasterCard

Exp. Date: ____/____/____

Name _____

Address _____

City/State/Zip _____

Please send payment with coupon to: Mystic Stamp Company
Dept. AR144, 9700 Mill St., Camden, NY 13316-6109

UNITED WE STAND



For hair that shines
with all its strength.

NEW GARNIER FRUCTIS

The First Fortifying Shampoo created
with active fruit concentrate from Garnier

SAVE
\$1.00



Created with vitamin-packed active fruit

concentrate, the Garnier Fructis System*



nourishes hair from root to tip and

strengthens the strand. It's proven: the



Garnier Fructis System makes hair up to

5x stronger and smoother



for brilliant shine.**

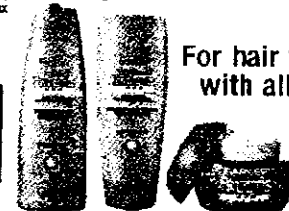
www.garnierfructis.com

Redeemable at drug, food and mass merchandise stores.

CONSUMER: This coupon good only on purchase of product indicated. Any other use constitutes fraud. Limit one coupon per purchase. RETAILER: Garnier, LLC will reimburse you for the face value of this coupon plus \$6 if submitted in compliance with Garnier LLC Coupon Redemption Policy. This coupon is good only when redeemed by you from the consumer at the time of purchasing product indicated. Any other use constitutes fraud. Coupon is void if reproduced or if prohibited, taxed or restricted by law. Good only in the Continental USA, Alaska, Hawaii and Puerto Rico. Cash value 1/20¢. Mail to: Garnier LLC, Box Number 880306, El Paso, TX 79888-0306.

MANUFACTURER'S COUPON EXPIRES 05/03/03

SAVE \$1.00
on any new Garnier Fructis product.



For hair that shines
with all its strength.



© 2003 Garnier LLC. *Garnier Fructis System of Fortifying Shampoo, Conditioner and Deep Conditioner.
**In brushing/conditioning tests, compared to an ordinary shampoo.

...GARNIER

It must be the beans.

Premium Arabica beans. Roasted to perfection. Guaranteed fresh.



Too good to be put in a can.

MANUFACTURER'S COUPON EXPIRES 8/01/03

SAVE \$1.00/2

On Any Eight O'Clock® Coffee Products



Too good to be put in a can.

Coupon valid only on brand/size stated. One coupon per purchase. Void if copied or transferred. Consumer pays any sales tax. GROCER: We will pay face value of coupon plus Be handling on stated product only. Proof of purchase of sufficient stock of product must be provided on request. Coupon void where prohibited, taxed or restricted. Cash Value 1/100¢. Mail coupons to Eight O'Clock Coffee, CMS Dept./11141, One Fawcett Drive, Del Rio, TX 78840.



11141 00033 5 (8100) 0 00175

FRESH FULLY COOKED
LOW FAT
RESEALABLE BAG

PERDUE®
Short Cuts
Carved Chicken Breast
Original Roasted

NET WT.
10 OZ (284g)

VACUUM FRESH PACK
Big & Improved

Roasted Chicken
PERDUE
Chicken Experts™

Salad, Fajita, Pasta...

Great-tasting PERDUE® SHORT CUTS® Carved Chicken and Entrées are pre-cooked, pre-seasoned and ready to add to your favorite meals.

So Versatile, it's really up to you.

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MANUFACTURER'S COUPON EXPIRES 5/11/03

PERDUE®

SAVE \$1.50/2

on any TWO packages of
PERDUE® SHORT CUTS® Entrées
or SHORT CUTS® Carved Chicken

Find them in your grocer's fresh meat case!

RETAILER: Perdue Farms Incorporated will reimburse you for the face value of this coupon plus Be if submitted in compliance with our redemption policy. Copies available upon request. Void if copied, prohibited or regulated. Cash value 1/50 cent. Send to: PERDUE FARMS INCORPORATED, P.O. Box 870123, El Paso, TX 88587-0123. ONE COUPON PER PURCHASE. Coupon expires 5/11/03.

143049

72745 45036 0 (8100) 0 14304

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
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OCA/USPS-T1-16. USPS-LR-2 provides copies of the two telephone surveys (Advertisers and Ad Agencies) conducted in Chicago. Were identical telephone surveys used in New York? If not, please provide a copy of each survey used in New York and fully explain where the New York and Chicago surveys differ; and, why they differ.

RESPONSE:

Yes. Identical surveys were used in New York.

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OCA/USPS-T1-17. Please refer to USPS-LR-2, question number 14, page 6, of the questionnaire titled "Screener – Chicago, MarketMail – Advertisers."

a. Please provide a table showing the total number of respondents, New York and Chicago, for each ranking level of interest. For example:

Ranks	1	2	3	4	5	6	Total
Total per rank							Total Rankings

b. Please provide the total number of New York and Chicago advertisers that were called for this survey.

c. For the New York and Chicago advertiser discussions, please provide the total number of advertising personnel that were available on the date of the survey.

d. For the New York and Chicago advertiser discussions, please provide the total number of different advertising firms represented.

RESPONSE:

(a) Eighteen advertiser executives completed the screening form and attended the focus group sessions. As shown in the chart below, 15 of the 18 respondents gave a rating of 5 or 6 to the question regarding how likely or unlikely they would be to send an irregular piece of advertising mail.

1	2	3	4	5	6	Total
---	1	1	1	7	8	18

(b) The telephone portion of this project was merely used to identify eligible companies/respondents who could then be invited to the focus group discussions in each city. The recruiters from the focus group facilities used by National Analysts consulted telephone directories, their own database, and other sources to identify potential advertising executives for screening purposes. They were

RESPONSE OF U.S. POSTAL SERVICE WITNESS ASHE TO
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not specifically asked to keep track of the total number of calls they made to complete their screening/recruiting efforts, as is customary for focus group recruiting. Therefore, the total number of advertisers called is not available.

(c) Ten advertisers were recruited for each group, for a total of 20, with 18 executives ultimately attending the focus groups. This number represents the number of individuals who were screened, eligible, and available to attend the focus group sessions on the dates and times established for these groups.

(d) The unique number of advertisers (companies) represented in these groups was 18. Only one individual per company was recruited.

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OCA/USPS-T1-18. Please refer to question number 9, of USPS-LR-2, page 4 of the questionnaire titled "Screener – Chicago, MarketMail – Ad Agency."

a. Please provide a table showing the total number of respondents, New York and Chicago, for each level of interest. For example:

Ranks	1	2	3	4	5	6	Total
Total per rank							Total Rankings

b. Please provide the total number of New York and Chicago ad agency personnel that were called for this survey.

c. For the New York and Chicago ad agency discussions, please provide the total number of ad agency personnel that were available on the date of the survey.

d. For the New York and Chicago ad agency discussions, please provide the total number of different ad agencies represented.

RESPONSE:

(a) There were a total of 18 advertising firm executives who completed the screening form and attended the focus group sessions. As shown in the chart below, 15 of the 18 respondents gave a rating of 5 or 6 to the question regarding how likely or unlikely they would be to send an irregular piece of advertising mail. Please note that one respondent did not complete this question.

1	2	3	4	5	6	Don't Know	Total
---	---	1	1	2	13	1	18

(b) As noted in OCA/USPS-T1-17(b), no specific records of the number of telephone contacts were maintained, as is customary for focus group recruiting. Therefore, this figure is not available.

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(c) Ten advertising executives were recruited for each group for a total of 20, with 18 executives ultimately attending the focus group session. This number represents the number of individuals who were screened, eligible, and available to attend the focus group sessions on the dates and times established for these groups.

(d) The number of unique advertising agencies represented was 18. Only one individual per agency was permitted to attend the focus group discussions.

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OCA/USPS-T1-19. The following refers to USPS-LR-2, "Customized MarketMail Study Ad Agency Discussion Guide."

- a. Was the same Ad Agency Discussion Guide used in both the New York and Chicago discussion groups? If not, please provide a copy of the second Ad Agency discussion guide.
- b. If the discussion guide used for the two Advertiser groups differed from that used for the ad agency discussions, please provide a copy of each Advertiser Discussion Group Guide used and explain why the advertiser guides differed from the ad agency guides.
- c. In the discussion guide introduction, the ground rules indicate that the discussions may have been audio taped. Please provide copies of all audio tapes and video tapes made during each of the four discussions.

RESPONSE:

- (a) The same Ad Agency Discussion Guide was used in both cities.
- (b) There were two different discussion guides: one for advertising agency executives and one for advertiser decision-makers. The advertiser discussion guide was filed as an attachment to OCA/USPS-T1-5. Many of the same topics were covered in both guides. However, the ad agency guide asked for the executives to think about the clients they service and the various design and production considerations that go into dealing with their clients. The advertiser guide focused explicitly on advertisers' own companies and the philosophies and practices they use for making their direct mail design and production decisions.
- (c) An objection to this subpart has been filed.

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OCA/USPS-T1-20. The following refers to your testimony at page 10, lines 5 through 7. Please explain what you meant by the following: "drop shipment containers would be limited to three sizes per mailing"

- a. What are the three box sizes?
- b. What are the three envelope sizes?
- c. Can a mailing consist of boxes and envelopes?

RESPONSE:

(a) & (b) The Postal Service does not intend to prescribe the exact types and sizes of the boxes and envelopes that would serve as containers eligible for dropshipment of Customized Market Mail (CMM) pieces to delivery units. See my testimony at p. 8, lines 4-11. In order to minimize the complexity of CMM entry verification procedures, a maximum of three different types of containers could be used in a given mailing. For example, a mailer could enter a CMM dropshipment mailing that consists of ten 16" x 16" x 16" Priority Mail boxes, each containing CMM mail pieces; ten 15" x 15" x 15" Express Mail boxes, each containing CMM mail pieces; and ten 14" x 14" x 14" Express Mail Boxes, each containing CMM mail pieces. The mailing would be eligible because it would consist of 30 boxes of CMM mail pieces using no more than three different types of containers.

(c) Yes, a combination of both boxes and envelopes could serve as dropshipment containers for a single CMM mailing.

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OCA/USPS-T1-21. The following refers to page 10, lines 17 to 20 of your testimony. You indicate that the CMM mail piece must be “sufficiently flexible to withstand movement in the mailstream, the normal handling required for casing and delivery, and folding or rolling to fit in a small mail receptacle (such as a post office box).”

a. USPS-LR-1 provides examples of a thin cardboard motorcycle and car cutout. However, the maximum thickness of a CMM mail piece is three-fourths of an inch. Please explain what materials you envision mailers using such that the material is sufficiently flexible when three fourths of an inch thick.

b. In order to understand the dimensional requirements for CMM mail, please provide four examples of CMM qualifying mail pieces that are three-fourths of an inch thick, 12 inches high and 15 inches long.

c. In your testimony at page 10 and 11, you indicate that CMM mail pieces must be sufficiently flexible to fit into a small mail receptacle. Please explain why a sufficiently flexible mail piece that can fit into a small mail receptacle must be marked with a Carrier Release marking. (See also, USPS-T2, page 2, lines 11 through 14.) Include in your response examples of “sufficiently flexible mail pieces” that would not fit into a small mail receptacle.

RESPONSE:

(a) - (b) The Postal Service does not have samples that are responsive to this request. Also, for purposes of clarity, the motorcycle and automobile cut-outs provided in USPS-LR-1 are made of a plastic synthetic material, and not of cardboard, as indicated in the question. A possible example of a CMM piece at $\frac{3}{4}$ ” thickness could be a piece that is constructed out of a sponge-like material.

(c) The Postal Service does not have samples that are responsive to this request. The proposed requirement for the use of the carrier release marking on CMM mail pieces will enable carriers to deliver CMM pieces on the first delivery attempt, subject to carrier release guidelines. Without knowing the dimensions of the “small mail receptacle” in question, it is difficult to assess the need for a

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carrier release marking on a given piece of CMM mail. Suffice it to say that small mail receptacles come in a variety of shapes and sizes. The requirement is particularly helpful when, despite his or her best efforts, the carrier cannot insert the piece into the small mail receptacle (for example, because the receptacle is stuffed with other items). In such instances, the carrier release marking will permit the carrier to leave the piece in a safe location for the recipient of the mail piece, thereby averting the need for the piece to be returned to the carrier station for further handling. Without the carrier release marking, if the piece does not fit in the mail receptacle and the customer is not home, the Postal Service would likely have to leave a delivery notice at a residential delivery address requesting that the customer travel to the delivery station to retrieve the CMM piece. Because it is believed that customers would not want to incur the time and expense of traveling to a delivery unit to retrieve a piece of advertising mail, the product description has incorporated features that eliminate handling procedures after the first delivery attempt.

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OCA/USPS-T1-22. At page 1 of your testimony, you state:

CMM would be Standard Mail, typically consisting of advertising matter, designed and produced in a unique and unusual shape, with other distinctive features of color or content, to serve as a high impact marketing piece for the delivery of the sender's message.

a. Given the Nonprofit advertising restrictions, how is the Postal Service going to ensure that a Nonprofit CMM Standard Mail piece meets each of the six eligibility requirements (known as the "Six-Step Process") stated in USPS Publication 417, "Nonprofit Standard Mail Eligibility"?

b. Please explain fully how the USPS will ensure that a Nonprofit CMM Standard Mail piece meets all other requirements that must be considered when determining that a mail piece may be mailed, at the Nonprofit CMM Standard mail piece rate? "For example, see the cooperative mail rule and other requirements in 4-3[]" as referred to in USPS Publication 417, at page 25.

c. Please explain fully where the determination of nonprofit eligibility will be made for a Nonprofit CMM Standard Mail piece; for example, the entry DDU.

d. If one Nonprofit CMM Standard mailing is entered at multiple DDUs, will each DDU make its own determination that the CMM mail piece is eligible for nonprofit status?

RESPONSE:

(a) & (b) The Postal Service, through implementation regulations to be proposed, will utilize existing entry and verification procedures to ensure that Nonprofit CMM Standard Mail mailings meet each of the six eligibility requirements stated in USPS Publication 417, "Nonprofit Standard Mail Eligibility", as well as all other relevant requirements for Nonprofit Standard Mail.

(c) The determination would be made depending upon how the Customized MarketMail mailing is entered into the postal network. If entered under the Plant Verified Drop Shipment program, the determination would be made at the

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appropriate plant. If the mailing was entered at individual DDUs, the determination would be made at each respective DDU.

(d) Yes.

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OCA/USPS-T1-23. At page 2 of your testimony, you note that the requirement, among others, of a regular, rectangular shape for the typical letter or flat-size mail piece was established for "efficient handling and delivery of that mail." Please confirm that it is less efficient to handle and deliver a nonrectangular or irregular shape Standard Mail piece than a regular, rectangular shape Standard Mail piece. If you do not confirm, please explain why you do not.

RESPONSE:

A non-rectangular, irregularly-shaped Standard Mail piece may not be automation compatible, and may require manual processing by the Postal Service. This is why the proposal is designed to enable CMM pieces to bypass mail processing operations. In the case of delivery operations, (i) the method by which pieces enter into the delivery unit (either drop shipped by the customer to the delivery unit or entered upstream and processed by the Postal Service), (ii) the degree of sortation, and/or (iii) size and shape could influence the degree of difficulty in the handling and delivery of nonrectangular/irregular mail pieces. Given the aforementioned factors, I cannot confirm that in all cases that it is less efficient to handle and deliver a nonrectangular or irregularly-shaped Standard Mail piece than a regular, rectangular-shaped Standard Mail piece.

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OCA/USPS-T1-24. Have you or anyone in the Postal Service done any studies to determine the impact on the efficiency of handling and delivering mail that is nonrectangular or irregular shape Standard Mail as compared to regular, rectangular shape Standard Mail? If so, please provide those studies, documentation and workpapers.

RESPONSE:

While there are studies on the record from previous rate cases that support the existing residual shape surcharge (RSS) and the non-machinable letter surcharge in Standard Mail, they do not isolate the cost effects of rectangularity versus non-rectangularity. Rather, the studies support the broad groupings of mail to which those surcharges are applicable. Incidentally, the RSS is applied to *anything* that is entered as Standard Mail that is *not* letter- or flat-shaped.

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OCA/USPS-T1-25. You say at page 7, lines 19-21, that the minimum volume requirement would apply to the entire plant-verified drop shipment program (PVDS) mailing rather than the quantity for each DDU. If a large shipment that in total met the minimum volume requirement but was not first verified at an upstream plant under the drop shipment (PVDS) program, and so was delivered to the DDU without prior verification, and if the volume at an individual DDU did not meet the minimum volume, would the mailer lose the opportunity to meet the minimum volume requirement and therefore not qualify for CMM at that DDU?

RESPONSE:

The mailing described in this hypothetical would not qualify for entry as Customized MarketMail at the DDU.

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OCA/USPS-T1-26. Please refer to your testimony at page 11, line 15. Although you say there would not be a requirement for Postal Service design approval, physical or graphic content would be subject to existing standards and statutes. Have you or anyone else in the Postal Service undertaken any studies to determine the per piece and total cost of approving physical or graphic content of these low-volume targeted mailings? Is so, please provide the studies and related documentation.

RESPONSE:

No studies have been undertaken by the Postal Service to determine the per-piece and total cost of approving physical or graphic content of Customized MarketMail mailings.

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OCA/USPS-T1-27. Please refer to your testimony at page 12, line 11. Have you or anyone else in the Postal Service undertaken any studies to determine the per piece savings and total cost savings arising from discarding undeliverable-as-addressed CMM? If so, please provide the studies and related documentation.

RESPONSE:

No studies have been performed by the Postal Service to determine the per-piece savings and total cost savings that would arise from discarding undeliverable-as-addressed Customized MarketMail pieces.

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OCA/USPA-T1-28. Please confirm that the Residual Shape Surcharge is generally assessed on non-letters and flats. If you are unable to confirm, please explain fully.

RESPONSE:

Not confirmed. According to the Domestic Mail Manual section C600.2.0, “[m]ail that is prepared as a parcel or is not letter-size or flat-size as defined in C050 [Mail Processing Categories] is subject to a residual shape surcharge. There is one surcharge for Presorted rate pieces and a different surcharge for Enhanced Carrier Route rate pieces.”

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OCA/USPS-T1-30. Please refer to your response to OCA/USPS-T1-6. You indicate that USPS professionals recall past occasions where they were asked about the “mailability of some variations of ‘CMM’ –round or circular mailpieces.”

- a. Would a $\frac{3}{4}$ inch thick, 12-inch diameter circle qualify as a CMM mail piece?
- b. If your response to part ‘a’ of this interrogatory is other than affirmative, please fully explain why the mail piece would not qualify.
- c. If a circular mailpiece could qualify as a CMM mailpiece, what would be the smallest diameter allowed?

RESPONSE:

(a) Yes, a circular piece with a thickness of $\frac{3}{4}$ inch, and a 12 inch diameter would be eligible for CMM, assuming that it satisfied other applicable mailing requirements. Please see my testimony at p. 11, lines 3-9.

(b) N/A

(c) The smallest permissible diameter for a circle Customized MarketMail piece would be 5 inches. This figure is the minimum proposed piece length for CMM. Please see my testimony at p. 11, lines 3-9.

United States Postal Service

**Laraine B. Hope
(USPS-T-2)**

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OCA/USPS-T2-1:

At page 2 of your testimony you state, "...mailers would have to endorse pieces with the Carrier Release marking..."

- a. Please provide a copy of the Carrier Release marking you refer to.
- b. Please provide an explanation of the conditions under which a Carrier Release marking is required for Standard Mail.
- c. Is the Carrier Release marking used in other classes and subclasses of mail? If so, please explain fully the circumstances under which the marking is used.

RESPONSE:

a,b.) The Carrier Release marking is not currently required for mail in any subclass; it is optional in Standard Mail and other parcel subclasses (see response to subpart (c), below). Further details have been published in the Postal Bulletin, most recently in No. 22096 (2-20-03), which provides:

The Carrier Release Program under Domestic Mail Manual (DMM) section D042.7.0 was designed to increase customer convenience and satisfaction with the delivery of Standard Mail and Package Services materials. It allows letter carriers to leave uninsured parcels in a safe location protected from the weather when no one is available at the address to receive the parcel. There are no restrictions regarding size or subclass of the parcel, only that the mail is not accountable.

The sender requests this service by endorsing the parcel "Carrier – Leave if No Response" as described in DMM D042.7.0. Another option is to use Label 235, Carrier Release, which is applied at the retail counter.

Parcels endorsed under the Carrier Release Program should be left at the delivery address if at all possible. Mailers who use this service do so as a convenience for their customers because in some cases they may lose customers if the parcel is not left at the delivery address. Carriers are not liable for loss or damage under these circumstances. Mailers are aware that risks are associated with this type of delivery but have accepted the risks as reasonable.

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A copy of Label 235 is appended to this response.

Note that this is not a new service. It was first introduced on December 16, 1990.

c.) The Carrier Release program is also optional for parcel mailers in the Package Services subclasses. See DMM D042.7.0 and M012.4.3.

Attachment to
OCA/USPS-T2-1 (Label 235)

**Carrier:
Leave if
No Response**

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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".

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OCA/USPS-T1-29:

The following refers to Tables 5 and 6 of USPS-LR-J-58, Docket No. R2001-1.

- a.) Please confirm that the Test Year cost difference per piece for a Standard Mail parcel and a flat is \$0.936. If you are unable to confirm, please explain fully.
- b.) Please confirm that the Test Year average per piece cost difference between flats and parcels due to differences in presorting and entry profiles is \$0.095 per piece. If you are unable to confirm, please explain fully.
- c.) Please confirm that Docket No. R2001-1, Test Year cost difference upon which the Residual Shape Surcharge is based is \$.841 (\$0.936-\$0.095). If you are unable to confirm, please explain fully and provide the correct values, cite all sources relied upon, provide copies of all source documents and show the derivation of all calculated numbers.
- d.) Please confirm that the Residual Shape Surcharge of \$0.23 passes through approximately 27 percent (rounded) of the cost difference between flats and residual-shaped pieces (\$0.23/\$0.841). If you are unable to confirm, please explain fully and provide the correct values, cite all sources relied upon, provide copies of all source documents and show the derivation of all calculated numbers.
- e.) Given that CMM is a new product offering, please explain fully why you believe passing through only 27 percent of the costs associated with the per piece Residual Shape Surcharge is sufficient to ensure that other non-CMM mailers are not burdened with subsidizing CMM mail pieces.

RESPONSE:

- a.) Confirmed, per revision to USPS-LR-J-58 of 12/17/01.
- b.) Confirmed that \$0.095 cent per piece is the cost difference due to differences in presorting and entry profiles in USPS-LR-J-58.
- c.) Confirmed.
- d.) Confirmed, using the methodology employed by the Commission in its Docket No. R97-1 Recommended Decision (PRC Op., R97-1, paragraphs 5485-86). It should be noted, however, that it is my understanding that approximately

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53 cents of that 84.1 cents difference takes place in mail processing, much of which CMM will bypass, and approximately 10.3 cents in air/highway/water/rail transportation, all of which would be bypassed by CMM (see worksheets 3REG Parcels (detailed) and 3REG Flats (detailed) in USPS-LR-J-58). I should also note that many of the underlying flats mail processing and probably all of the underlying flats transportation costs would also be avoided, further compounding the cost difference between CMM and other residual shapes.

Note that the decision to pass through 27 percent of the cost difference between flats and parcels as the RSS was made independently of and prior to the development of the proposal for CMM.

e.) There are many factors to consider in answering this question. As noted in my response to subpart (d), the decision in Docket No. R2001-1 to pass through 27 percent of the cost difference between flats and parcels as the RSS was made prior to the development of the proposal for CMM. The determination of the appropriate passthrough for the RSS was not revisited for purposes of developing the CMM proposal. Overall, the goal described in my testimony was to identify the rate categories for which eligibility could be reasonably expanded to accommodate Customized MarketMail (CMM). (As noted in my response to OCA/USPS-T1-1(b), specific costs for accepting and handling CMM pieces at Destination Delivery Units were not calculated.)

In my testimony, I explain why CMM best fits within the Standard Regular and Nonprofit subclasses and the Basic Nonletter rate category combined with

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the residual shape surcharge (see USPS-T-2, page 6, line 11 through page 7, line 15). I specifically discuss the Residual Shape Surcharge (RSS) on page 7, lines 13 -15:

The residual shape surcharge is appropriate because CMM in most incarnations would not be (1) prepared as either a letter or a flat or (2) satisfy the specifications of letter or flats as prescribed in the Domestic Mail Manual.

Application of the RSS is a component of the overall rate application strategy for CMM, which differs from parcels in many respects. To begin with, parcels tend to be heavier than letter-or flat-sized mail. In the Standard Mail Regular subclass, in FY 2002, the weight of the average RSS piece was 9.33 ounces; in Standard Nonprofit it was 7.50 ounces. Pieces more than 0.75 inch thick are considered parcels. No Standard Regular RSS pieces are required to be drop-shipped to DDUs; in fact, the majority of pieces are not drop-shipped at all.

This contrasts significantly with CMM as proposed. The physical characteristics of a CMM piece are well-defined: irregularly-shaped, maximum dimensions of 12 inches in height and 15 inches in width; 0.75 inch thick; 3.3 ounces or less, whereas Standard Mail parcels can be thick and bulky. Also, since non-rectangular Standard Mail over 0.25 inch thick is already mailable, it is likely that most CMM pieces will be 0.25 inch thick or less.

The characteristics of CMM as compared to Standard Regular parcels are quite different, and the handling and processing would be different as well. Thus,

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comparing CMM costs to an all-inclusive measurement of parcel costs is not appropriate. To begin with, as noted above, all CMM pieces must be entered at a Destination Delivery Unit (DDU), in contrast to other Standard Regular parcels, which are often not drop-shipped, or which are drop-shipped to either the Destination Bulk Mail Center (DBMC) or Destination Sectional Center Facility (DSCF). Since all CMM pieces would be subject to the Carrier Release Program, no carriers would make second trips to active addresses; thus, no pieces will be returned to the office for pickup by the customer, in contrast to many parcels that are subject to the RSS (see response to OCA/USPS-T2-1).

Also, as noted in my testimony on page 4, lines 14-15, no forwarding or return services would be permitted for undeliverable CMM pieces. These exclusions do not apply to other residual shapes for which forwarding or return is elected, again highlighting the differences between the handling of CMM and other residual shapes and strongly implying that the handling costs of CMM will be less than those for other residual shapes.

This does not mean that the RSS is not applicable to CMM. It merely demonstrates that looking at the currently-available test year cost estimates on which the RSS is based – which represent a passthrough of approximately 27 percent of the cost difference between flats and residual shape pieces (as noted in response to subpart (d), above) – is not particularly helpful in evaluating the precise costs of handling CMM as compared to the costs of handling existing Standard pieces paying the residual shape surcharge, especially given that some

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parts of components of the cost difference that serves as the basis for the surcharge would not apply to CMM. (For example, as explained in my response to subpart (d), CMM will bypass much of the mail processing costs and all of the air/highway/water/rail transportation costs that are included in the base figure from USPS-LR-J-58 of 84.1 cents.)

Merely because some type of mail is logically assigned to a particular rate category does not mean that it takes on the average cost characteristics of that category. Many categories, especially ones that contain a variety of shapes, like RSS categories, have a potentially wide spectrum of pieces with distinct cost characteristics. If anything, application of the RSS to CMM is likely to lower the overall average unit costs in the RSS pool, which includes parcels, rather than to raise them, as is suggested by the above question(s).

As I state in my response to OCA/USPS-T1-13, the CMM product was designed logically. The approach the Postal Service has taken in the CMM proposal is to expand eligibility in existing rate categories to accommodate this low-volume, specialized marketing product. I am very confident that the CMM proposal has achieved this, even though we are unable to quantify the costs, because of the careful manner in which the proposal was designed, using the current rate structure and keeping in mind the conditions under which CMM will be accepted and processed by the Postal Service.