

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997 )

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE  
INTERROGATORY TO UNITED STATES POSTAL SERVICE  
WITNESS DAVID E. TREWORGY  
(OCA/USPS-T22-18-29)  
September 16, 1997

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests production of documents. Instructions included with OCA interrogatories 1-7 to the United States Postal Service dated July 16, 1997, are hereby incorporated by reference.

Respectfully submitted,



GAIL WILLETTE

Director

Office of the Consumer Advocate



SHELLEY S. DREIFUSS

Attorney

OCA/USPS-T22-18. Please refer to LR H-247, Delivery Confirmation Infrastructure Acquisition. It is stated:

Federal Express (FedEx), UPS, and Roadway Package System (RPS) have all used information technology to increase their competitive positions. FedEx and UPS spend \$500 to \$750 million annually on track and trace and other related information technology. Analysis of competitors' market share suggests that information about delivery status helped them to sustain higher levels of growth than would have occurred with service improvement alone. Market research shows that a similar effect may be expected for Priority Mail when delivery confirmation is implemented.

Please submit all market research documents showing that "a similar effect may be expected for Priority Mail when delivery confirmation is implemented." For commercially sensitive information, OCA will agree to appropriate protective conditions.

OCA/USPS-T22-19. In your direct testimony at page 2, you state: "It is planned that the scanners will serve a variety of purposes, including delivery and collection management, service performance measurement, and mail item information acquisition. Delivery confirmation, the focus of this testimony, is an example of mail item information acquisition." On pages 2-3 of your direct testimony, you discuss various delivery and collection management and service performance measurement uses of the scanning system.

- a. Please describe fully when all delivery and collection management and service performance measurement uses of the scanning system will be implemented.

- b. Please describe fully how the other uses of the scanning system discussed in (a) are reflected in the Scanning Infrastructure Capital and Program Costs set forth in Worksheet C-1.

OCA/USPS-T22-20. At page 18 of your direct testimony, you state: "I have developed certain capital and program costs for the scanner infrastructure program . . . ." You also refer to Worksheet C-1, Scanning Infrastructure Capital and Program Costs.

- a. Are these "certain capital and program costs for the scanner infrastructure program" *all* the capital and program costs for the scanner infrastructure, or are other costs of the scanner infrastructure being distributed elsewhere? Please discuss fully.
- b. Please provide all documents relating to your development of "certain capital and program costs for the scanner infrastructure program" that you consulted or generated, and that have not previously been submitted to this docket.
- c. Referring to Worksheet C-1, please discuss how and why you distributed costs to "Overall carrier cost system" each time you did so.
- d. Worksheet C-1 shows total capital costs (in thousands) of \$65,313.2 and program costs (in thousands) of \$120,543.8, for the test year. However, LR H-247 states: Capital investment of \$628.1 million and expense investment of \$76.2 million, totaling \$704.3 million, are recommended to acquire and implement the proposed delivery confirmation system. Of this investment, \$541.4 million will be used to acquire carrier scanners . . . ." Please reconcile

the Worksheet C-1 figures and the LR H-247 figures, showing the derivations of any such reconciliation.

- e. When H-247 was first distributed within the Postal Service, were there any attachments to it? If so, please provide them to the extent they have not been submitted to this docket.
- f. What was the purpose of H-247 institutionally within the Postal Service?
- g. Please provide all documents relating to return on investment of the proposed delivery confirmation.

OCA/USPS-T22-21. Please confirm that at Table 7, you show information systems costs per transaction to be \$0.0047 for Priority Mail electronic delivery confirmation (PMB DC) and for Standard B electronic delivery confirmation (SBE DC). If not confirmed, please explain.

- a. Please show how you derived these costs per transaction in the test year. Include in your derivation a complete explanation of how the capital and program costs in Worksheet C-1 were calculated for the test year. If depreciation methods were used, please explain those methods fully, and why they are appropriate for these types of capital and program expenditures
- b. Would the derivation in (a) employ the projected volumes of 4,404,949 for SBE DC and 7,047,652 for PMB DC, as those volumes are set forth at Input Sheet B-4? Please explain.

OCA/USPS-T22-22. Please refer to your response to OCA/USPS-T22-6(c): "While I have not developed estimates of the cost of obtaining delivery confirmation via the Internet, I expect that it would be less than that of using the corporate call management system."

- a. Confirm that in Table 7 of your direct testimony, you assign corporate call management costs of \$0.0847 for a manual delivery confirmation transaction. If not confirmed, please explain.
- b. Confirm that a customer using the Internet to obtain delivery confirmation information will not cause the Postal Service to incur these costs. If not confirmed, please explain.
- c. Would the costs to the Postal Service of a customer using the Internet to obtain delivery confirmation information be similar to those for electronic delivery confirmation? For Express Mail? Please discuss.

OCA/USPS-T22-23. Describe all operational difficulties, if any, that would be encountered by the Postal Service if, in addition to electronic delivery confirmation, it offered two forms of "manual" delivery confirmation, one using Internet tracking (similar to that used for Express Mail) and one using telephone tracking (i.e., using the corporate call management system). Under this hypothetical dual system for manual delivery confirmation, the customer would be charged different rates (and, potentially, a lower rate for Internet tracking). If you need to make further assumptions to complete the hypothetical, please state what those are.

OCA/USPS-T22-24. At Input Sheet B-6, corporate call management project attributable costs are said to be \$288,576,217. The figure refers one to footnote 3, which states: "Based on information provided by USPS Marketing Department for FY 1999 'full up' corporate call management project budget."

- a. Please describe in full the derivation of these corporate call management project attributable costs.
- b. Please provide all documents from the Marketing Department that you consulted in the preparation of your testimony on these costs.

OCA/USPS-T22-25. Please refer to your Worksheet C-2.

- a. In the column "CS 6 & 7," please confirm that the "Total Costs" figure of \$11,461,475 is the Base Year (herein BY) accrued cost of Cost Segments 6 & 7. If you do not confirm, please explain.
- b. Please confirm that the BY accrued cost of Cost Segments 6 & 7 is \$11,461,471, found in W/S 6.0.4 of USPS-T-5, WP B. If you do not confirm, please explain.
- c. Please identify the source for, and provide citations to, all figures in the column "CS 6 & 7."

OCA/USPS-T22-26. Please refer to your Worksheet C-2.

- a. In the column "CS 10," please confirm that the "Total Costs" figure of \$3,377,062 is the BY accrued cost of Cost Segment 10. If you do not confirm, please explain.
- b. In the column "CS 10," please confirm that the "Attributable" figure of \$1,509,985 is the sum of \$1,373,846 (Evaluated Routes) and \$136,139 (Other Routes) from W/S 10.0.1 of USPS-T-5, WP B. If you do not confirm, please explain.
- c. Please identify the source for, and provide citations to, all figures in the column "CS 10."

OCA/USPS-T22-27. Please refer to your Worksheet C-2. Please confirm that, in the Base Year, you are distributing 0.002217 percent, or \$1,150, of the volume variable scanning infrastructure capital and program costs to post office boxes. If you do not confirm, please explain.

OCA/USPS-T22-28. Please refer to your testimony at page 1. Please confirm that delivery confirmation service will be provided only to Priority Mail and Standard B customers. If you do not confirm, please explain.

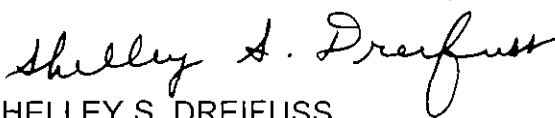
OCA/USPS-T22-29. Please refer to your Worksheet C-2.

- a. Please confirm that the \$51,851,000 of volume variable Scanning Infrastructure Capital and Program Costs are distributed to the mail classes and services identified in Worksheet C-2. If you do not confirm, please explain.

- b. Please confirm that the \$51,851,000 of volume variable Scanning Infrastructure Capital and Program Costs are distributed to determine Base Year attributable costs for the mail classes and services identified in Worksheet C-2. If you do not confirm, please explain.
- c. Please explain the rationale for distributing \$51,245,900 ( $\$51,851.0 - (\$420.8 + \$184.3)$ ) of volume variable Scanning Infrastructure Capital and Program Costs to mail classes and services that are ineligible for delivery confirmation service.
- d. Please identify Postal Service witnesses that utilize the figures in the column "Distributed amount."

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

  
SHELLEY S. DREIFUSS  
Attorney

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