

SECTION

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NEEDHAM TO INTERROGATORIES OF
DAVID B. POPKIN, REDIRECTED FROM THE POSTAL SERVICE
(DBP/USPS-25(A-B, E-K, M-S), 26(A-B, E-G), 38(A-B, E-G),
53(F-G, I, O, Z, AA), 60-61, AND 66),
AND MOTION FOR EXTENSION OF TIME TO RESPOND TO
DBP/USPS-21, 37, 54, AND 62
(September 29, 1997)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of David B. Popkin: DBP/USPS-T25(a-b, e-k, m-s), 26(a-b, e-g), 38(a-b, e-g), 53(f-g, i, o, z, aa), 60-61, and 66, filed on September 10, 1997, and redirected from the Postal Service. The Postal Service also moves for extension of time to reply to interrogatories DBP/USPS-21, 37, 54, and 62. Because of the variety of areas covered by these interrogatories, and the press of responding to other discovery, witness Needham has not been able to complete responses to these lengthy interrogatories, but will be filing responses later this week.

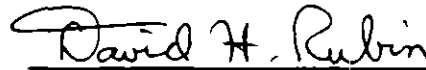
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

A handwritten signature in cursive script that reads "David H. Rubin". The signature is written in dark ink and is positioned above a horizontal line.

David H. Rubin

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September 29, 1997

RESPONSE OF WITNESS NEEDHAM TO
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DBP/USPS-25 [a] Confirm, or explain if you are unable to do so, that the proposed fee for Certified Mail will be \$1.55, for Return Receipt for Merchandise will be \$1.75, and for individual Certificate of Mailing will be \$0.60. [b] Confirm, or explain if you are unable to do so, that the cost coverage Certified Mail will be 133%. [c] What will the cost coverage be for Return Receipt for Merchandise? [d] What will the cost coverage be for an individual Certificate of Mailing? [e] Based on the fees shown in subpart a and the cost coverage values shown in subparts b through d, what will the costs be for each of the three services listed in subpart a. [f] Is the cost value determined by dividing the proposed rate by the decimal value of the cost coverage percent [for example, a fee of \$2.00 with a cost coverage of 164% would have a cost of \$2.00 divided by 1.64 or \$1.22] [g] If not, explain how it is calculated. [h] Is there any interaction between the rates and costs for Certified Mail vs. those for Return Receipt service or have the two rates been evaluated independently of each other? [i] Fully explain any interaction. [j] What percentage of Certified Mail articles utilize Return Receipt Service? [k] With respect to these three services, confirm, or explain if you are unable to do so, that there is no added service or costs associated with the processing or handling of the article from the time of the completion of its acceptance into the mail stream at the acceptance postal facility to the time at which it becomes necessary to "trap" the article at the delivery office so that it may be properly handled for the type of service being requested. [l] Confirm, or explain if you are unable to do so, that there are no costs associated at the delivery office with respect to articles for which a Certificate of Mailing had been issued and therefore there will be no costs associated with this service once the completion of its acceptance into the mail stream at the acceptance postal facility has been completed. [m] For each of the three services, list each of the specific cost elements which relate to and are charged to that service and the costs associated with that element for the time up until dispatch of the article from the acceptance postal facility. These cost elements should include the following [if the costs for any of these elements are not charged to the service, so indicate. If any additional items apply, so indicate them and provide the data]: 1. Cost of advertising the service, 2. Cost of training employees regarding the service, 3. Cost for designing and printing the necessary forms, 4. Cost for shipping, storing, and distributing the forms, 5. Cost for window services to explain the service, and 6. Cost for the acceptance of the article by the acceptance office, including, but not limited to, observing the article, postmarking the receipt, discussion with the customer, and possible record keeping. [n] For Certified Mail and Return

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-25 Continued

Receipt for Merchandise services, list each of the specific cost elements which relate to and are charged to that service and the costs associated with that element for the time starting at the point at which the article is "trapped" at the delivery office. These cost elements should include the following [if the costs for any of these elements are not charged to the service, so indicate. If any additional items apply, so indicate them and provide the data]: 1. Cost of "trapping the article" at the delivery office, 2. Cost of any special handling that may be required to process these at the delivery office, 3. Cost of turning accountability for the articles over from the processing employee[s] to the delivery employee, 4. Cost associated with the delivery of the article by the delivery employee to the addressee, 5. Cost for "clearing" the delivery employee of the accountability after the return to the office, 6. Cost for subsequent delivery attempts for articles returned after the first attempt, 7. Cost for returning undeliverable articles, 8. Cost for filing delivery receipts, 9. Cost for handling inquiries received for the article, 10. Cost for processing the PS Form 3811 for Return Receipt for Merchandise service at the delivery office before it is entered into the mail stream, and 11. Cost for transmission of the PS Form 3811 from the delivery office back to the original sender of the parcel. [o] If subparts k and l result in any added cost elements, provide the data requested in subparts m and n for them. [p] With respect to the three separate costs that you provide for each of the three services in your response to subpart m, if the value is different between the three services for the same cost element, fully explain the difference for each separate cost element. [q] Same as subpart p except for the two services and your responses to subpart n. [r] Same as subpart p for any responses to subpart o. [s] If all of the costs enumerated in subparts m through o do not add up to the corresponding total cost provided in subpart e, explain the reasons for the difference. [t] Do the costs specified in subpart n-item 11 match the cost of processing and delivery of a post card or stamped card? [u] If not, explain why not.

RESPONSE:

a) Confirmed for certified mail.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-25 Continued

- b) Not confirmed. The proposed cost coverage for certified mail is 137.7 percent as presented in USPS-T-39 WP-17, page 1, revised August 22, 1997.
- c) Answered by witness Plunkett.
- d) Answered by witness Plunkett.
- e) The cost for certified mail is presented in USPS-T-39 WP-17, page 1, revised August 22, 1997. It is not derived from the fees and cost coverages provided in response to parts a-b.
- f) No, in order to calculate a cost coverage the cost of the service and the revenue from the service must be known. The revenue is divided by the cost.
- g) The total certified mail cost is from Exhibit USPS-15J, revised August 22, 1997. The unit cost is presented in USPS-T-39, WP-17, page 1, revised August 22, 1997.
- h) The **two fees** were evaluated and proposed independently by two separate witnesses.
- i) Not applicable.
- j) See USPS-T-39, page 27, lines 5-6.
- k) Confirmed for certified mail.

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
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DBP/USPS-25. Continued

l) Answered by witness Plunkett.

m-s) See my response to DFC/USPS-T39-12.

t) Answered by witness Plunkett.

u) Answered by witness Plunkett.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-26 [a] Confirm, or explain if you are unable to do so, that when delivering a Certified Mail article, that the delivery employee must obtain a single signature from the addressee on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest]. [b] Confirm, or explain if you are unable to do so, that when delivering a Certified Mail article which contains a Return Receipt, that the delivery employee must obtain two separate signatures from the addressee, one on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest] and the second on the Return Receipt card PS Form 3811. [c] Confirm, or explain if you are unable to do so, that when delivering a Return Receipt for Merchandise article, that the delivery employee must obtain two separate signatures from the addressee, one on the Postal Service delivery record [irrespective of whether there is a single article to deliver this way or multiple articles for delivery on some form of manifest] and the second on the Return Receipt card PS Form 3811. [d] Confirm, or explain if you are unable to do so, that the time and therefore costs for obtaining both signatures for Return Receipt for Merchandise service are charged to that service since there is a single fee. [e] With respect to a Certified Mail - Return Receipt Requested article, how are the time and costs allocated between the two separate services? [f] Explain the rationale for such an allocation. [g] Confirm, or explain if you are unable to do so, that the time that it takes to obtain the second signature will usually be less than the time that it takes to get the first signature, or in general, the time that it takes to obtain both signature will be less than twice the time to obtain only one signature.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Answered by witness Plunkett.
- d) Answered by witness Plunkett.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-26 (Continued)

- e and f) Postal Service data systems are used to allocate certain costs to certified mail, while return receipt costs are developed using a special study, presented in LR H-107. See witness Plunkett's response to DFC/USPS-T40-5 and my response to DFC/USPS-T39-12.
- g) While I have not studied this, if waiting time is assigned to getting the first signature, the time for the second signature without any waiting time would tend to be lower.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-38 [a] Confirm, or explain if you are not able to do so, that a mailer who is utilizing Registered Mail must declare the full value of the article. [b] Confirm, or explain if you are unable to do so, that this must be done whether or not the mailer desires insurance coverage. [c] Confirm, or explain if you are unable to do so, that a mailer who is utilizing Insured Mail is not required to declare the full value and may purchase whatever value insurance is desired [although a claim may not be filed for more than the value of the article]. [d] Confirm, or explain if you are unable to do so, that the purchase of insurance is not required by a mailer of any class of mail, regardless of the value of the article. [e] What is the logic for requiring the declaration of full value for Registered Mail and not for any other class of mail. [f] Confirm, or explain if you are unable to do so, that insurance may be purchased up to a \$5,000 value. [g] What is the logic for requiring the declaration of full value for Registered Mail having a value of less than \$5,000.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Answered by witness Plunkett.
- d) Answered by witness Plunkett.
- e) Registry service provides insurance up to \$25,000. In order to provide the appropriate security for registered articles, it is imperative that registry mailers declare the full value. The very nature of registered mail is logic enough for a declaration of the full value. Moreover, the fees for registered

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)**

DBP/USPS-38. Continued

e) Continued

mail are based on the declared value, to reflect costs and the value of
service for items of varying values.

f) Confirmed.

g) See response to DPB/USPS-38(e).

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)**

DBP/USPS-53. [f] Confirm, or explain if you are unable to do so, that a parcel containing merchandise may be registered regardless of whether the postage is paid at the First-Class Mail, or Priority Mail rate. [g] Confirm, or explain if you are unable to do so, that when Registered Mail is utilized, there is an accounting for each individual mailpiece between the accountable mail section of the delivering post office and the delivering employee. [i] Confirm, or explain if you are unable to do so, that when Registered Mail is utilized there is an accounting for the mail as it progresses through the mail system form (sic) the acceptance to the delivery. [o] Confirm, or explain if you are unable to do so, that the fee for Registered Mail for an article with a value of \$5,000 insurance would be \$11.65. [z] Confirm, or explain if you are unable to do so, that Express Mail may not be registered. [aa] If so, provide a rationale for such a regulation.

RESPONSE:

f) Confirmed.

g) Confirmed.

i) Confirmed.

o) Confirmed that \$11.65 is the proposed fee.

z) Confirmed.

aa) Express Mail is an expedited mail service with guaranteed delivery.

Registry service involves accountability at every handoff during the acceptance, dispatch, transportation and delivery phases, in addition to any added security procedures. Therefore, it is not feasible to move registered mail through the mail in an expedited fashion while maintaining the necessary levels of accountability and security.

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)**

DBP/USPS-60 [a] Confirm, or explain if you are unable to do so, that post office box service is designed to be a premium service and to provide value to the user. [b] Confirm, or explain if you are unable to do so, that any increase in the number of hours that the box section is accessible to boxholders may increase the value to the boxholder. [c] Confirm, or explain if you are unable to do so, that post office box sections should be accessible to boxholders any time that employees are on duty in the facility. [d] Confirm, or explain if you are unable to do so, that there are there (sic) post office box sections which are accessible to boxholders at times when there is no one on duty in the facility. [e] Provide a listing of the security measure that are utilized in those instances referenced in subpart d. [f] Provide copies of any outstanding regulations or Headquarters directives which relate to the hours for which post office box sections should be accessible to boxholders.

RESPONSE:

- a) Confirmed, except in those situations where carrier delivery is not an option.
- b) Confirmed.
- c) Not confirmed. The decision to provide access to the box section any time when employees are on duty is done on an individual basis. For the obvious reasons of safety and security, not to mention other situations which may be peculiar to a specific facility, access to the box section any time when employees are on duty may not be prudent or practical.
- d) Confirmed.
- e) The security measures used in those postal facilities where box sections are accessible when no postal employees are on duty would vary on an

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-60 Continued

e) Continued

individual basis.

f) I am not aware of any changes from Docket No. MC96-3. See Docket No.
MC96-3 transcript volume 3, pages 411, 524-529, 585, and 626.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-61 [a] Confirm, or explain if you are unable to do so, that in Docket MC96-3, Postal Service witness provided the following response, "Well, it's -- as far as setting the fee, like I said, like I had mentioned earlier in one of my interrogatory responses, I had -- I looked for something that would be easily divisible by six, therefore making the refund process go smoothly as opposed to a -- I considered two other fees, one lower, one higher. The one wasn't divisible by six, and \$3 seemed like a sufficient amount based on the value. That is my -- that is my testimony, my opinion. QUESTION Can you tell us here today why \$6 per six months would not be sufficient to reflect the added value of box service to nonresidents? ANSWER Well, my goodness, I'll tell you, \$6 would be \$1 a month. That's a small contribution to the high value of service that these nonresidents get with their boxes, for whatever reasons they use them for. I felt \$3 was a sufficient amount. I didn't see that it needed to be higher, but I felt that \$2 or \$1 was too low, and --"[Transcript page 833]. [b] Confirm, or explain if you are unable to do so, that this testimony indicates that the rate being proposed in that Docket was determined at the belief of the witness as to what was felt to be appropriate based on the value to the customer and without any basis to cost of providing the service. [c] Are there any rates which are being proposed in this Docket which were arrived in a similar manner? [d] If so, enumerate and explain. [e] What consideration, if any, was given to proposing a nonresident box fee in this Docket?

- a) Confirmed that these statements were made by both myself as the Postal Service witness and Mr. Carlson as the intervenor. However, the statements made prior to these on pages 832 and 833 of the Docket No. MC96-3 transcript accurately put into context the above-mentioned portions of text. Specifically, the following discussion immediately precedes the text you have quoted above.

RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)

DBP/USPS-61 Continued

a) Continued

"QUESTION In your response to DFC USPS T7-7 – ANSWER Yes.

QUESTION – you stated that you did not consider monthly nonresident fees of \$1 or \$2 because neither of these amounts seemed sufficient. On what basis did you determine that these amounts were not sufficient? ANSWER I believe I address this in the pricing criteria portion of my testimony with respect to how I came about this proposed fee. I say here in the interrogatory response that I did not feel \$1 or \$2 was a sufficient amount of money to take into consideration the value derived from a nonresident box, so it works out to approximately 10 cents a day. I think it's fair and equitable, and I have described that, like I said, in the criteria. QUESTION Forgive me. I have read your testimony in detail several times and I have not been able to draw from it how you determined that \$18 as opposed to some other amount was sufficient to reflect the added value of box service to nonresidents. How did you determine the value to nonresidents?" Tr. at 832-833.

b) Not confirmed. In Docket No. MC96-3, I discussed Criterion 1, Criterion 4, Criterion 5, and Criterion 7 in addition to Criterion 2 in the

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
(REDIRECTED FROM THE UNITED STATES POSTAL SERVICE)**

DBP/USPS-61 Continued

b) Continued

pricing criteria section for the non-resident fee in my testimony. Since no quantified costs were available, I could not have based the demand-based fee on non-existing cost information.

c) There are no such Postal Service proposed rates.

d) Not applicable.

e) None.

**RESPONSE OF WITNESS NEEDHAM TO
INTERROGATORIES OF DAVID B. POPKIN
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DBP/USPS-66 Refer to interrogatory DBP/USPS-54 which relates to stamped envelopes. [a] If you arrive at a price for any of the following types of envelopes in response to the following subparts of DBP/USPS-54, explain how that price was arrived at utilizing the data which is provided in the specific Fee Schedule for stamped envelopes: subparts d, e, k, and w. [b] Confirm, or explain if you are unable to do so, that the Postal Service issued a "G" rate stamped envelope which was prepared in advance of the last case and was sold with a postage value of 32 cents. [c] Will there be an "H" rate, or other designation, stamped envelope prepared in advance for use with the rate approved in the current case? [d] How many colors will be utilized to print the envelopes referred to in subpart c?

RESPONSE:

- a) See USPS-T-39, page 95, lines 6-21, and page 96, lines 1-13, for the development of the stamped envelope fees.
- b) Confirmed.
- c) This has not yet been determined.
- d) See response to DBP/USPS-66(c).

DECLARATION

I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: SEPTEMBER 29, 1997

CERTIFICATE OF SERVICE

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

David H. Rubin
David H. Rubin

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September 29, 1997