

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

EXPERIMENTAL PREMIUM  
FORWARDING SERVICE

Docket No. MC2005-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
WITNESS SAMUEL J. KOROMA  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T4-1-2, 4-10)  
(December 13, 2004)

The United States Postal Service hereby provides the responses of witness Koroma to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T4-1-2 and 4-10, filed on November 29, 2004. A response to interrogatory OCA/USPS-T4-3 will be filed shortly.

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

/s/  
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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
KOROMA TO INTERROGATORY FROM THE  
OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T4-1.** Please refer to your testimony at page 7 where you rely upon the Household Diary Study for the year 2003 as indicating the average household received about 2.53 pounds of mail per week.

- (a) Did you rely on any other studies for your decision to assume the average weight per week for reshipped mail will be less than 3 pounds?
- (b) Did you rely on any of the observations referred to by witness Abdirahman (USPS-T-3) of informal reshipment services conducted at small, medium and large delivery units?

**RESPONSE:**

- (a) No. I relied on the Household Dairy Study to estimate the average weight of a household's mail per week.
- (b) No. It is my understanding that witness Abdirahman did not specifically monitor weight, nor did anything he reported seem to conflict with my data or approach.

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**OCA/USPS-T4-2.** Please refer to page 8 of your testimony where you propose a fee of \$2.85 to cover the \$2.76 cost of repackaging the PFS mail. If the cost for repackaging were shown to be significantly higher than \$2.85, such as greater than \$3.50, would you modify your recommendation to charge \$10.00 for the cost of reshipment?

**RESPONSE:**

I did not perform “what if” scenarios for cost levels significantly higher than \$2.85. If the repackaging costs had been different, I would have considered those costs in concert with other costs, and developed a sound pricing proposal.

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**OCA/USPS-T4-4.** Have you estimated the number of pieces that will be forwarded per year through PFS for each of the following classes of service? If so, please provide your estimates.

- (a) First Class letters
- (b) Periodicals
- (c) Standard Mail
- (d) Parcels

**RESPONSE:**

Note that PFS pieces will be “reshipped” rather than “forwarded”. See the response of witness Cobb to DBP/USPS-T1-6. No such estimates have been made. However, using Attachment C’s estimates of pieces per household, and assuming that entire households use PFS and that the average duration of service is 10 weeks with 342,000 customers, the following would be estimates of the number of pieces reshipped per year through PFS:

- (a) Approximately 35 million pieces.
- (b) Approximately 4 million pieces.
- (c) Approximately 44 million pieces.
- (d) Approximately 1 million Package Services pieces.

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**OCA/USPS-T4-5.** (a) Please estimate the number of First-Class letters forwarded by PFS that will be migrating from other forwarding services available to First-Class letters. (b) Please confirm that this number should be lower than the total number of First-Class letters that will be forwarded by PFS because some letters that will be forwarded by PFS may not otherwise be forwarded due to, for instance, personal arrangements with neighbors or other persons within the household.

**RESPONSE:**

(a) Note that PFS pieces will be “reshipped” rather than “forwarded”. See the response of witness Cobb to DBP/USPS-T1-6. No data are currently available to estimate the number of First-Class Mail letters that would have been forwarded via other forwarding services if PFS were not available.

(b) This statement intuitively seems correct, especially in light of existing alternatives available to customers (see section IV of USPS-T-1, at 10).

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**OCA/USPS-T4-6.** Please confirm that the latest Postal Service "estimate of the unit cost to forward a First-Class letter is the 30.7 cents as presented in Docket No. MC2002-2" for FY 2000 as testified to by witness Ayub in Docket No. MC2004-4 in response to interrogatory VP/USPS-T1-6. If not, please provide the latest estimate.

**RESPONSE:**

Confirmed.

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**OCA/USPS-T4-7.** Did you estimate for each PFS customer, and for all PFS customers, the savings to the Postal Service resulting from eliminating cost-free forwarding of First-Class Mail for customers using PFS? If so, please provide those calculations.

**RESPONSE:**

No. As reflected in my response to OCA/USPS-T4-5, I am unaware of data that would permit me to make such an estimate. However, the existence of any such cost savings would constitute an additional reason supporting the proposed cost coverage.

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**OCA/USPS-T4-8.** If you did not make the estimates referred to in OCA/USPS-T4-7, above, what is the appropriate cost savings to apply to each piece of PFS First-Class Mail that is not forwarded individually? In other words, please estimate the cost to the Postal service [sic] to forward a piece of First-Class Mail.

**RESPONSE:**

I have not estimated the cost to the Postal Service to forward a piece of First-Class Mail. See also witness Ayub's response to interrogatory VP/USPS-T1-6 in Docket No. MC2004-4.

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**OCA/USPS-T4-9.** According to your testimony, the current proposal to charge a \$10.00 fee to reship PFS mail is based upon the current \$7.15 Priority Mail 3 pound, zone 6, rate. If the next rate case modifies that rate, the proposed DMCS language you discuss on page 13 of your testimony and included in the application provides for altering the \$10.00 rate to reflect the new rate. How do you plan to maintain the simplicity and convenience of a fee rounded to a whole dollar amount of \$10.00 if the Priority Mail 3 pound, zone 6, rate changes following the next rate case?

**RESPONSE:**

My testimony does not speculate as to the timing of the next rate case, which might or might not be implemented prior to consideration of a request for PFS' permanent authorization. Rather, it notes that the structure of the fees hinges upon the zone 6, 3 pound rate for Priority Mail. While \$10 is certainly simple and convenient, it is not necessarily true that all other prices would be complicated and inconvenient.

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**OCA/USPS-T4-10.** Please refer to page 11 of your testimony where you indicate that you reduced witness Rothschild's estimate of customers in the first year by 80 percent because her projections "assume that all potential customers would be aware of a choice between forwarding and PFS" and "to account for any other factors that might limit participation or awareness of the experiment in the early years...."

- (a) Please explain how you derived the 80 percent figure as, opposed say, to a 90 percent or 95 percent figure.
- (b) Did you consider the accuracy of witness Rothschild's market estimates in previous marketing test analyses for the Postal Service? If so, did you consider her estimates for Mailing Online?
- (c) Did witness Rothschild's market estimates have any bearing on your recommendation for the pricing of PFS?

**RESPONSE:**

Please see section VI of my testimony, which describes my judgmental approach to volume projections, including the fact that witness Rothschild's estimates rely upon a level of awareness inapplicable to the beginning of an experiment. Note that different market research estimates would not affect the price levels, since all PFS costs are volume variable. USPS-T-4 at 11.

## 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.

/s/  
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December 13, 2004