

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE IN OPPOSITION TO
DOUGLAS CARLSON MOTION TO COMPEL A RESPONSE TO DFC/USPS-35
(July 18, 2006)

The United States Postal Service hereby responds in opposition to the Douglas Carlson motion to compel a response to the following interrogatory, filed on June 19, 2006: DFC/USPS-35. The question reads:

DFC/USPS-35. Please provide the following information, in a PC-readable format such as a text file or Microsoft Excel file, from the Collection Point Management System database for every collection box in the database: location ID number, box address, description of address, service class, type of box, area of box, posted weekday collection times, posted Saturday collection times, and posted holiday collection times.

The Postal Service objected on June 29 on the grounds of relevance, materiality, and burden. Mr. Carlson filed his motion to compel on July 11.

Relevance and Materiality

Mr. Carlson (Motion at 2, 5) seeks to highlight the fact that collection service is explicitly mentioned as a ratemaking factor in the “value of service” section of the statute, but he fails to explain the intended purpose of application of that factor in the pricing process. The purpose is actually quite limited – the collection factor is included merely to distinguish classes of mail that receive collection service from classes that do not. Mr. Carlson (Motion at 2) cites the following language of section 3622(b)(2), which specifies factors for the Commission to consider:

(2) the value of the mail service actually provided each class of mail and type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery.

The Kappel Report (Towards Postal Excellence: The Report of the President's Commission on Postal Organization, June, 1968), which is the clear genesis of this language, explains its import as follows:

There are wide differences in the types of postal services available. Some classes receive priority handling, others do not; some get guaranteed privacy of treatment, others do not. *Some mail enters the system via collection boxes; other mail must be ZIP Coded, presorted, bundled, and brought to the Post Office.*

Kappel Report at 134 (emphasis added). These broad differences in service, the Kappel Report continues, should be reflected in the share of institutional costs that each class is expected to bear. *Id.* It is abundantly obvious, therefore, that to give full weight to the collection factor as intended within subsection 3622(b)(2), it is necessary to know which subclasses benefit from the collection network and which subclasses do not, but it is patently unnecessary to examine minute operational details regarding each and every collection box in the country, as Mr. Carlson now erroneously insists.

The basic relevance of collection matters in a rate case is limited to a one/zero binary assessment of each subclass and service – does it benefit from collection service, or not.¹ The detailed box-level data requested by Mr. Carlson would shed no additional light on this issue. Mr. Carlson makes clear throughout his motion that the focus of his concern is First-Class Mail. Without resort to empirical collection box data of any kind, every school child knows that First-Class Mail (of both the letter and card

¹ Accordingly, the testimony of the Postal Service's rate policy witness fully addresses the collection factor within subsection (b)(2) when discussing the availability (or unavailability) of collection service for each of the major subclasses of mail. See the testimony of witness O'Hara, USPS-T-31, at pages 9, 17, 21, 23, 25, 2728-29, and 31.

subclasses) is routinely deposited in collection boxes. Because the relevant facts are so obvious, the Commission has been able to apply the collection factor within section 3622(b)(2) in rate cases since 1971 without serious contention, and without any hint of a need to address the details of nationwide collection service matters, much less a box-by-box analysis of the type currently envisioned by Mr. Carlson. The Motion to Compel is premised on a fundamental misconception of the limited role within the ratemaking process intended to be played by the availability of collection service for certain subclasses.

Moreover, even assuming *arguendo* that some more extensive consideration of collection matters might be appropriate beyond the limited role originally contemplated by Congress, Mr. Carlson has not presented a legitimate framework in which the actual value to customers can be evaluated. The fundamental flaw in Mr. Carlson's argument is his assumption that it is appropriate to attempt a bottom-up analysis of the value of collection service. He wants to start at the bottom, and examine the features of each collection box. Where is it, what type of box is it, and when are the pickup times? He argues forcefully that each of these elements is absolutely necessary to appreciate the full importance of each box. See Motion at 5-7. But what Mr. Carlson utterly fails to address is how such box-specific information can be translated into a meaningful measure of the value of the collection *network*. To the limited extent that consideration of collection service is warranted in the pricing process, the exclusive focus must be on value at the *network* level.

Mr. Carlson is just flat out wrong in his "assessment" that "convenience and value are directly proportional to the number of boxes in service (assuming each box in

service receives more than zero pieces of mail).” Motion at 2. His mistake is symptomatic of his misguided emphasis on individual boxes, instead of the larger collection network. It is entirely plausible to imagine a collection network in which convenience and value are improved with X number of collection boxes in the right locations, versus a network of 2X boxes in the wrong locations. Moreover, there are other avenues of access to the collection network besides collection boxes. Mailers who choose to leave outgoing mail for collection in their delivery mail boxes are likely to perceive no diminution in value or convenience if the number of collection boxes they formerly might have used were to be reduced.

In fact, Mr. Carlson’s reflexive equation of “convenience” with “value” permits no allowance for the absolute decline in the volume of mail going through the Postal Service’s collection network. As single-piece First-Class Mail volume erodes, and volume through the collection network commensurately declines, simple logic suggests that the optimal number of collection boxes reasonably may be expected to likewise decline. Under such circumstances, it may be possible that, in some sense, the average “inconvenience” associated with depositing each remaining piece into the reduced number of collection boxes increases, but even assuming that to be the case, since there are fewer pieces incurring such inconvenience, the appropriately measured aggregate “value” of the collection network should not decline. Mr. Carlson’s misguided “assessment” does not take into account such real world complexities, and once again forces an erroneous conclusion. His logic would suggest, for example, that the Postal Service should never remove or relocate a collection box, no matter how the surrounding community, and its mailing needs, might have changed.

In reality, it is impossible to derive valid conclusions concerning the value of the collection network from a bottom-up analysis of individual collection boxes. Customers do not assess value based on an individual collection box, they assess value based on the entire collection network (i.e., their ability to deposit mail in a manner that works for them, be it in collection boxes, in home delivery boxes, at work, etc.). Customers may be much more flexible in their willingness to accommodate changes in the collection network than Mr. Carlson is willing to admit.² No amount of detailed *operational* information about individual collection boxes will shed any light on how *customers* value the collection network. By omitting the most important half of the value calculation – customers – Mr. Carlson’s proposed approach is guaranteed to miss the forest for the trees, obviating the alleged purpose of the entire exercise.

Mr. Carlson manifests utter confusion on the issue of customer value and relevant input data. In footnote 3 on pages 2-3 of the Motion, he appears to at least acknowledge the possibility that customers might place higher value on a collection network with earlier collection times, but higher degrees of reliability. He immediately disagrees with this suggestion, however, positing in the text of the Motion (page 2) that a later collection is unconditionally more valuable to customers than an earlier

² For example, if I live in the middle of a 5-house block, and the Postal Service removes a collection box on the corner 2 houses from mine, and instead I have to use a remaining box 3 houses away on the other corner, no one would seriously contend that there has been any tangible reduction in the value of the collection network to me. And while that example may seem contrived, the same logic supports the same conclusion if a box 2 blocks away from me is removed, and I must instead travel (in those instances when I am making a separate trip to deposit my mail) to a box 3 blocks in the other direction. In either circumstance, customers generally adjust and move on with their lives, and do not necessarily equate such evolutionary change with a reduction in the value of collection service. Under both examples, however, Mr. Carlson, without making any attempt to consult customers, would automatically assume that customer value has been reduced.

collection. He then argues that the potential that the Postal Service might suggest that customers in some circumstances may value reliability more than later pick-ups should not impede his ability to obtain data to support his argument to the contrary. But none of the data he has requested will either support or refute his assertion that customers always prefer early collection over reliability. The data are plain and simple operational characteristics, they contain no input whatsoever from customers. If Mr. Carlson wants to show how customers measure the value of the collection network, he needs to ask customers, and present his results in a statistically representative fashion. The Postal Service, in objecting to his interrogatory, is doing absolutely nothing to impede his ability to support his argument on alleged customer preferences.

Mr. Carlson is likewise off-base to suggest that his request for the CPMS database is comparable to the request an intervenor might make for raw data in order to be able to replicate an empirical result presented by the Postal Service based on analysis of that raw data. See Motion at 7-8. First of all, the result presented by the Postal Service, as one of the building blocks of its direct case, will be relevant to a material issue in the case. (Stated differently, no dispute comes to mind in the many decades of litigation under the Act in which an element of the Postal Service's direct case has been challenged on the grounds of relevance or materiality.) Mr. Carlson, on the other hand, does not even purport to suggest that he would use the information he requests to identify which subclasses benefit from collection and which do not, which is the only inherently relevant aspect of collection with respect to an omnibus rate proceeding.

Second, the Postal Service's direct case will have demonstrated that analysis of

the raw data in question can yield an empirical result that fulfills a rate case need.³ As discussed above, however, no amount of analysis conducted on the CPMS database can yield valid conclusions regarding the value to customers of the collection network. In that sense, part of Mr. Carlson's problem is not that the database contains "too much detail" (Motion at 8), but rather that all of the detail that it does contain still does not include any measure or reflection of a necessary element for useful analysis of value – the views of postal customers. Moreover, in the sense that the collection network relied upon by customers includes their own delivery boxes as well as blue collection boxes, the information requested from CPMS does not even encompass the entire collection network.

In denying Mr. Carlson's motion to compel information from the CPMS database in the last case, the Presiding Officer appreciated the limitation of that database for purposes of assessing the value of service associated with the entire collection network:

I agree with the Postal Service that, in the setting of an omnibus rate proceeding, the relevance of the number of collection boxes deployed during various periods of time is likely to be attenuated. While a pattern of change in the receptacles *and other resources available to the public for depositing mail* could well shed light on how value of service may have changed over time, raw counts of the number of mailboxes are likely to be indirect and incomplete indicia, at best.

Presiding Officer's Ruling No. R2005-1/42 (July 7, 2005) at 4 (emphasis added). This ruling undermines Mr. Carlson "direct proportionality" assumption, his basic premise that the number of collection boxes can simplistically be assumed to represent a valid

³ Thus, for example, using procedures such as regression analysis, hundreds or thousands of observations can be distilled into one analytic result necessary for the Postal Service's direct case – an estimate of a cost pool variability, or an own-price elasticity. As noted earlier, however, Mr. Carlson has provided no explanation of how he would distill information about hundreds of thousands of individual collection boxes into a useful analytic result reflecting the value of the entire collection network.

measure of the value of the collection network to customers. Adding more layers of detail beyond the mere number of existing collection boxes would not make the relevance of CPMS data any less attenuated. The value of a network to customers is more than the sum of the parts encapsulated in operational minutia. That is particularly true when, as in this instance, not all of the parts of the network (i.e. “other resources available to the public for depositing mail”) are represented in the collection box database. Ultimately, given that it is customers who determine how they will balance their utilization of the various parts of the network to meet their demands, the relevance of any purported value analysis that is based on a source of information which does not have feedback from customers as its cornerstone will remain too attenuated to justify consideration in an omnibus rate proceeding. Information from CPMS is inherently unsuited for the function to which Mr. Carlson claims he would attempt to use it in this proceeding, and is therefore not relevant to any material issues before the Commission.

Burden

Mr. Carlson seeks to belittle the Postal Service’s assertions regarding undue burden in two ways. First, he accuses the Postal Service of intentionally inflating its estimate of the cost associated with providing him the information he has requested in the format he has requested. Motion at 9-16. Second, he asserts that even if that estimate were accurate, the cost would, in his view, still be insufficient to constitute an undue burden. Motion at 16-17. Both elements of his burden argument should be rejected.

With respect to the cost estimate, it is difficult to engage in civil (to say nothing of productive) discourse with someone who is prepared to question your basic integrity

and veracity. The Postal Service will not attempt to burden the record by addressing every one of the historical accusations flung by Mr. Carlson. Some response is in order, however. First, contrary to Mr. Carlson's claims, the \$7600 cost estimate is an objective estimate, built up from a careful assessment of each of the steps required to meet his request, and the cost associated with each of those steps. As indicated in the Postal Service's objection:

It includes the cost of computer processing, mainframe usage, personal computer usage, computer personnel, testing, and project management. The time involved would be in excess of 60 hours.

As Mr. Carlson correctly observes, this estimate was first made in the course of responding to the FOIA request he has made for the same material. As Mr. Carlson also states (Motion at 11), he has challenged this estimate in FOIA litigation in federal court. The Postal Service would not be maintaining the estimate under these circumstances were it not convinced that the estimate was based on a solid and reasonable assessment of the facts.⁴

Second, the Motion attempts to disparage the current CPMS estimate by reference to earlier statements with regard to a similar exercise involving the previous database, CBMS. Motion at 13-14. Two points bear mention here. First, the original estimate of "on the order of a couple of hours" to extract the CBMS database from the mainframe was simply an off-the-cuff estimate by a postal attorney put on the spot

⁴ Mr. Carlson acknowledges (Motion at 13) that the database is maintained by third-party contractors, but fails to appreciate the significance of this when he argues (Motion at 14) that there would be little out-of-pocket costs to the Postal Service in fulfilling his request because postal employees would receive the same paycheck anyhow. The point is, contactors are not employees, and are paid on a task-order basis. The postal resources that would be consumed responding to Mr. Carlson's request are quite real, and would ultimately have to be picked up by all postal rate payers.

during oral argument, as the Motion itself clearly shows in the materials reproduced on page 13. That estimate was not the result of a careful assessment by the actual personnel involved, and, in fact, that estimate was understated by several hundred percent. The actual operator time to extract the CBMS material provided Mr. Carlson was 7 hours.

Second, Mr. Carlson's insistence (page 13, 15) that CPMS's status as a new and improved database relative to CBMS should necessarily indicate that a shorter time would be required to extract the data in the format he requests, evinces his apparent ignorance of large computer applications. CPMS is designed to improve the Postal Service's ability to manage collection box information for *its own* operational purposes. Those purposes do not include the use that Mr. Carlson wishes to impose. Systems specifically designed to achieve certain objectives may be more difficult to manipulate to achieve unintended objectives than were earlier systems with other objectives. Mr. Carlson's claim that all of the beneficial aspects of CPMS relative to CBMS should make it easier to extract nationwide information for every single collection box is baseless.

The rules require the Postal Service to estimate the expected burden when claiming that burden to be undue. The Postal Service has provided its best estimate, which is a cost of \$7600. Mr. Carlson's attempts to cast aspersions on this estimate should be rejected.⁵

⁵ Mr. Carlson himself raises the issue of his motivation for posing his request (Motion at 8-9), and implies that, unlike most intervenors, he has no financial stake in postal matters (*id.* at 9). Without further comment, the Postal Service will simply note that Mr. Carlson obviously sought access to the CPMS database before this rate case, he has been informed that to obtain it under FOIA would cost him \$7600 (less two hours of free

Mr. Carlson is also wrong to assert that a burden of that magnitude for producing the CPMS database would not be undue. His assertion in this regard is premised on the same fundamental misconception of relevance debunked in the previous section of this Opposition. Thus, where he argues (Motion at 16-17) that \$7600 would really not be too much to pay for “an analysis of the value of service that the collection system provides,” he fails to appreciate that CPMS data will not yield an analysis of the value of the collection network to customers. Moreover, he fails to acknowledge the very limited role that the availability of collection service for some classes was intended to play in the pricing portion of a postal rate proceeding. In the context of a request for material that would not substantially advance the ratemaking process, \$7600 would indeed constitute an undue burden.

Mr. Carlson seeks to compare the estimated burden of producing the CPMS in response to his instant request with the burden undertaken by the Postal Service in the last case in responding to a request from Mr. Popkin. Motion at 17. Mr. Popkin asked the Postal Service to compute and present summary nationwide percentage breakouts of last pickup times. Mr. Carlson goes so far as to suggest (page 17, footnote 24) that the reason the Postal Service conducted and presented the analysis requested by Mr. Popkin may have been “to deflect a request for raw data similar to [the instant request].”⁶ Mr. Carlson conveniently overlooks the fact that the inquiry posed by Mr.

search time), and he now seeks the same material at no cost to himself in the rate case.
⁶ Mr. Carlson’s rather bizarre suggestion is nonetheless revealing. Implicitly, he is recognizing that CPMS is a one-trick pony, and a nationwide summary breakout of last pickup times is essentially the only information even arguably of interest that the CPMS is capable of yielding. Otherwise, why would anyone believe that production of such summary information could be used “to deflect a request” for the CPMS itself? In that regard, we note the OCA last week withdrew its request for an update of the summary

Popkin in Docket No. R2005-1 was a request to update similar breakout information provided in response to an OCA question in Docket No. R2001-1. Notwithstanding its views regarding the inherent irrelevance of the material in the context of an omnibus rate proceeding, had the Postal Service sought to avoid presenting a similar breakout in Docket No. R2005-1, it faced only the prospect of antagonizing the parties and the Commission, and attracting accusations that circumstances had changed so dramatically since Docket No. R2001-1 that the Postal Service must have had something to hide. Consequently, without conceding its relevance, the Postal Service provided the requested summary breakouts requested by Mr. Popkin. The Presiding Office commented favorably on the Postal Service's efforts to be cooperative in denying Mr. Carlson's request for further collection box information. Presiding Officer's Ruling No. R2005-1/42 at 4 (July 7, 2005).

Mr. Carlson, however, draws an entirely erroneous conclusion from this episode. He asserts (Motion at 17) that, in contrast with requesting the Postal Service to conduct the analysis (as Mr. Popkin and the OCA did), his approach of seeking direct access to the database and conducting his own analysis "will minimize the burden on the Postal Service." Nothing could be further from the truth. To test whatever conclusions Mr. Carlson purported to draw from the CPMS were he to get access, the Postal Service would have to replicate his analyses anyhow. The reduction in its burden would be entirely illusory. Instead of conducting one analysis, with the objective of updating

nationwide breakout. See "Office of the Consumer Advocate Withdrawal of Interrogatory OCA/USPS-66" (July 13, 2006). Mr. Carlson and the OCA apparently share the recognition that direct provision of last pickup time summaries by the Postal Service would entirely undermine the rationale behind Mr. Carlson's claimed need for access to the complete database.

previously provided information in an established format that would allow direct comparisons over time and that would reveal any apparent trends, the Postal Service would be obligated to examine Mr. Carlson's research, identify any flaws, and, if necessary, provide corrected information. Moreover, perhaps even more chilling is the prospect of the burden involved with responding to follow-up inquiries from Mr. Carlson or other intervenors regarding every aspect of every scrap of information regarding each collection box recorded in the CPMS database. Before embarking down this path and incurring these burdens, it is imperative to return to the fundamental question raised by Mr. Carlson's request – is operational information about *individual collection boxes* necessary to the resolution of the material issues in an omnibus proceeding to set *nationwide postal rates*? The Postal Service submits that, for purposes of evaluating the value of service provided each subclass and service, the manifest irrelevance of the incremental information that could be obtained from the CPMS would not justify the burden associated with its provision.

Conclusion

Mr. Carlson's Motion to Compel overstates the intended role in postal ratemaking of information about collection service. The Kappel Report makes clear that the language of subsection 3622(b)(2) regarding collections was intended to guide institutional cost allocations for subclasses that benefit from collection services, relative to those subclasses for which the mail must be tendered at a postal facility under specified conditions. The level of detail contemplated by Mr. Carlson's proffered methodology would vastly exceed the level of detail necessary to achieve the statutory purpose. Moreover, despite the elaborate description by Mr. Carlson of the importance

of each variable in the database, his approach would not and could not incorporate analysis of the most critical elements of value. First, his proposal would be focused at the wrong level of analysis (individual boxes versus a unified collection network). Second, he fails to recognize that value cannot be measured without input from customers. Providing him the information he seeks would not allow him to draw valid conclusion about the issues he proposes to address.

Moreover, there would be a real, substantial, and undue burden associated with providing what he has requested in the format he has requested. The Postal Service has a valid objection to incurring thousands of dollars of expense in an exercise which would not yield useful rate case information. Furthermore, the collateral consequences of allowing the injection into a rate case of collection information at the individual box level, in terms of follow-up interrogatories, objections, and further motions practice, cannot be ignored. The overall burden cannot be justified, given the impossibility of generating useful comprehensive measures of value to customers from this mode of analysis.

In the last case, in Presiding Officer's Ruling No. R2005-1/42, the Presiding Officer concluded that the effort associated with producing the information requested by Mr. Carlson from the CPMS database could not be justified, and denied his motion to compel. That ruling was made against a backdrop in which nationwide summary information on last pickup times had already been provided. That information was once again requested in this case by the OCA, but the request was withdrawn. Nevertheless, given favorable comments in the last case by the Presiding Officer, and the fact that such information has been provided in the same format in the last two cases, the Postal

Service stands willing to provide such information, should the Presiding Officer desire. With or without that material, however, the incremental value to the case of collection information at the individual collection box level would not outweigh the burden that would be created by requiring the provision of the entire CPMS database in response to DFC/USPS-35. The motion to compel should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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July 18, 2006