

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T40-54-58)

The United States Postal Service hereby provides the responses of witness Mitchum to the above-listed interrogatories of the Office of the Consumer Advocate: OCA/USPS-T40-54-58, filed on July 10, 2006. Interrogatories OCA/USPS-T40-52-53 and 59-60 have been redirected to the Postal Service.

Each interrogatory is stated verbatim and followed by the response:

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 14, 2006

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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T40-54. This interrogatory seeks information on the development of volumes for Confirm service. Please refer to USPS-LR-L-124, the spreadsheet “REV-USPS-LR-L-124_7-3-06.XLS,” and worksheet tab “W-P 4 Confirm.” Also please refer to your response to POIR NO. 4, Question 3, and the attachment thereto, which provides “*an example* showing the derivation of the TYAR volume for a hypothetical subscriber.” (Emphasis added)

- a. In worksheet tab “W-P 4 Confirm,” refer to column (3), “After Rates” (Volumes), and the rows “1st through 9th,” “10th through 89th,” and “90th and more.” Based upon your example showing the development of volumes in POIR No. 4, Question 3, please generalize your example (without revealing any subscriber’s proprietary data) and show the development of “After Rates” volumes for each of the “Blocks of Units” (i.e., 1st through 9th,” “10th through 89th,” and “90th and more”) shown in worksheet tab “W-P 4 Confirm.”
- b. In worksheet tab “W-P 4 Confirm,” refer to column (3), “After Rates” (Volumes), and the rows “1st through 9th,” “10th through 89th,” and “90th and more.” Please provide the estimated number of scans for each of the “Blocks of Units” (i.e., 1st through 9th,” “10th through 89th,” and “90th and more”) separately for First-Class Mail and Other.

RESPONSE:

- a. I do not believe that it would be possible to show the development of the number of blocks without showing proprietary data. As noted in my response to POIR NO. 4, Question 3, the number of blocks at each fee level for each individual existing customer was derived separately. The totals referred to in column (3) were arrived at by summing all the customer-specific numbers.
- b. As noted in my response to OCA/USPS-T23-3(g), there would be 357,143 scans per block, and as shown in my response to OCA/USPS-T40-29, the share of scans that would be on First-Class Mail mailpieces are 55 percent (196,429 scans), with the remaining 45 percent (160,714 scan) assigned to Other classes. These results are assumed to apply to all of the different blocks

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OCA/USPS-T40-55. This interrogatory seeks information on the development of volumes for Confirm service. Please refer to your response to POIR NO. 4, Question 3, and the attachment thereto.

- a. Refer to part 2 of your response. Please explain the basis for the 10 percent decrease in total scans based upon your proposed increase in prices for Confirm service.
- b. Refer to part 2 of your response. Is the 10 percent decrease in total scans based upon your proposed increase in prices for Confirm service proportional for First-Class Mail scans as compared to Other scans? Please explain.
- c. Refer to part 4 of your response. Please explain the basis for the 55 percent and 45 percent split between First-Class Mail and Other, respectively.

RESPONSE:

a. The basis for the 10 percent decrease in demand was the proposed increase in fees.

b. No. Since the distribution of scans was assumed to be 55 percent First-Class Mail and 45 percent Other, the current share of First-Class Mail is overstated slightly.

Therefore, the 10 percent decrease affects First-Class Mail slightly less.

c. The split was partially driven by an effort to reflect the general composition of the mail for the period for which we have data (see my response to OCA/USPS-T40-24(b-c)), and the expectation that demand for First-Class Mail scans would increase relative to Standard Mail as a result of the new rates.

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OCA/USPS-T40-56. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-17(a), where it states, "individual subscribers have purchased four sequential subscriptions, a new one each quarter."

- a. For Fiscal Years 2003, 2004 and 2005, please provide a table showing the number of individual Silver subscribers that purchased 1 quarterly subscription, 2 sequential quarterly subscriptions, 3 sequential quarterly subscriptions, and 4 sequential quarterly subscriptions.
- b. Please confirm that of the current 16 Silver subscribers that purchased 1 quarterly subscription or 2 sequential quarterly subscriptions, those subscribers will pay higher total fees (i.e., user fee plus fees for blocks of units) in the TYAR under your proposed fee schedule than they did in FY 2005. If you do not confirm, please explain.

RESPONSE:

- a. This information is not available. The basis for my statement was discussions that took place during the collection of data for use in developing the billing determinants for Confirm service.
- b. Not confirmed. As noted in my response to OCA/USPS-T40-17(a), there are not 16 current Silver subscribers. Rather, there were 16 Silver subscriptions in the Base Year. However, if a subscriber were to purchase either one or two silver subscriptions at the current prices, which do not allow the product to cover its costs, in the same fiscal year the fee would be lower than the proposed \$5,000 user fee plus any fees for additional blocks of units that might be purchased under the proposed pricing structure that will cover the costs of the product.

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OCA/USPS-T40-57. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-19(a), where it states, "the total expenditure will depend upon usage." Assume the following: All 45 current subscribers to the Platinum service use the same number of First Class Mail and Other scans in the TYAR as they did in FY 2005. Notwithstanding your response to OCA/USPS-T40-19(a), assuming the same usage as in FY 2005, please confirm that all 45 subscribers to Platinum service will pay higher total fees (i.e., user fee plus fees for blocks of units) under your proposed fee schedule than in FY 2005. If you do not confirm, please explain and state how many subscribers under this assumption would pay higher fees. Also, show all calculations, and provide citations to all sources used.

RESPONSE:

Not Confirmed. 29 of the Platinum subscription holders would have had a total expenditure of less than their existing \$10,000 fee. Any subscriber who chose to use fewer than 169,000,000 units would pay less under the proposed fee schedule. In addition to paying the \$5000 annual fee, the user could buy 168 blocks of scans and still spend under \$10,000 ($\$5,000 + \$4987.50 (9*70+90*35+69*17.50)$). Using the 357,143 scans per million units derived in OCA/USPS-T40-29, the 168 blocks would provide 60,357,167 scans. 29 of the Platinum subscribers were estimated to use less than that number of scans during the subscription period.

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OCA/USPS-T40-58. This interrogatory seeks to determine the impact of the proposed fee schedule on Confirm subscribers. Please refer to your response to OCA/USPS-T40-24(b)-(c). For Fiscal Years 2003, 2004 and 2005, for Destination and Origin services, and First-Class and Other mailpieces, please provide the average number of scans for each of these separate types of Confirm mailpieces. If you are unable to provide this data for the 4th quarter (July, August and September, 2005) of FY 2005, please explain.

RESPONSE:

As noted in my response to OCA/USPS-T40-24(b)-(c), full-year data for FY 2003 and FY 2005 are not available, as the data are limited to the period from October 2003 to July 2005. For FY 2004 the average numbers of scans are:

Destination	2.59
Origin	1.86
First-Class Mail	2.43
Other	2.39