

UNITED STATES OF AMERICA  
Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES )

Docket No. R2006-1

RESPONSES OF OFFICE OF CONSUMER ADVOCATE  
WITNESS PAMELA A. THOMPSON TO INTERROGATORIES OF  
UNITED STATES POSTAL SERVICE (USPS/OCA-T4-1-6)  
(OCTOBER 13, 2006)

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The Office of Consumer Advocate hereby submits the responses of Pamela A. Thompson to interrogatories USPS/OCA-T4-1-6, dated September 29, 2006. The interrogatories are stated verbatim and are followed by the response.

Respectfully submitted,

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ANSWER OF OCA WITNESS PAMELA A. THOMPSON  
TO INTERROGATORIES USPS/OCA-T4-1-6

USPS/OCA-T4-1. Please refer to your testimony, OCA-T-4, on page 3, lines 21-23, where you state:

The letter monopoly exists to hold down rates for the more costly pieces of mail and provide mail service to all. If the monopoly did not exist, people would pay at least what the mail piece costs to process and rates would be set to reflect those costs.

- a. Please explain the basis for your statement that a purpose of the Private Express Statutes is to hold rates down for the more costly pieces of mail. Provide copies of all supporting documents.
- b. Please confirm that, in many postal subclasses and rate categories, irrespective of the application of the Private Express Statutes to matter sent via those subclasses and rate categories, higher cost pieces are averaged with lower cost pieces to establish the basis upon which rates are designed. Please explain if you are not able to confirm.

RESPONSE TO USPS/OCA-T4-1.

- a. I am not a lawyer. However, section 3623(d) states:

The Postal Service shall maintain one or more classes of mail for the transmission of letters sealed against inspection. The rate for each such class is to be uniform throughout the United States, its territories and possessions.

Among other factors, Section 3622 (b) charges the Commission with insuring that rates and fees proposed by the Postal Service are fair and equitable and that the Postal Service and the Commission take into consideration the effect of the increase on the general public, and the available mailing alternatives.

The general public has few, if any, alternatives available to it to mail a First-Class single-piece letter at a reasonable price. If the monopoly did not exist, rates would be set to at least recover all applicable costs. Uniform rates across the country for a mail piece that is similar in all respects except for the distance it travels would not exist.

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- b. When you average costs, there are implicitly some pieces that cost more to process and some that cost less to process.

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USPS/OCA-T4-2. Please refer to your testimony, OCA-T-4, on page 4, lines 1-7,  
where you state:

However, the monopoly's existence is such that one does not have to give large discounts to those mailers of cleaner mail (automation compatible) and shift more of the cost of the universal service to those mailers who are unable to provide discounted mail. Under the monopoly, those mailers that might otherwise be eligible for large discounts should not be given deeper discounts because First-Class mail exists to provide a reasonably priced mail stream in support of universal service.

- a. Please confirm that Postal Service's Docket No. R2006-1 First-Class Mail rate design proposal targets equal unit contribution from both single-piece and presort mail. If you cannot confirm, please explain.
- b. Please review the revised USPS Library Reference L-129, workpaper WP-FCM-12. Confirm that the Postal Service's Docket No. R2006-1 TYAR Revenues and Costs of single-piece and presort categories within the First-Class Mail Letters and Sealed Parcels subclass actually do result in similar per-unit contributions. If you do not confirm, please explain.
- c. Please confirm that the implicit cost coverages of single-piece and presort categories within the First-Class Mail Letters and Sealed Parcels subclass proposed by the Postal Service in Docket No. R2006-1 are 186 percent and 312 percent, respectively.

RESPONSES TO USPS/OCA-T4-2

- a. USPS-T-32 at page 16 states:

The goal of similar unit contributions from these two mail categories [workshare and single-piece mail] is not an absolute one; other rate design and rate impact considerations may require the Postal Service and the Commission to deviate from this goal. However, to the extent practicable, the Postal Service's intention going forward is to equalize the unit contribution from the Single-Piece Letter category and from the Presort Letter category.

- b. USPS-LR-L-129, revised 8-24-2006, worksheet "Revenue – SP." TYAR unit contribution for First-Class single piece is \$0.242. First-Class Presort per unit contribution is \$0.230.

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- c. Confirmed that those values appear in REV 8-24-06 LR-L-129.xls, worksheet  
"Revenue – SP&Presort."

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USPS/OCA-T4-3. Please refer to your testimony, OCA-T-4, on pages 6-7 where you state:

Under the OCA proposal, the consumer still needs to understand the difference between the three mail shapes, but the weight of the mail piece will be less critical given that 99.8 percent of all First-Class letter-shaped single-piece mail weighs between 0 and 3 ounces and a \$0.42 stamp will be sufficient postage.

Please also refer to OCA-T-4, page 7, lines 11-15, where you state:

While the USPS's proposal limits the weight of First-Class single piece letters to 3.5 ounces, and given the information provided by the USPS, I propose a \$0.42 rate for First-Class letter-shaped mail pieces weighing from 0 to 4 ounces. In addition, if a letter is automatable there is no reason to charge additional ounce rates, because a machinable mail piece is not processed one ounce at a time.

- a. Please provide all cost data or cite to any record evidence in this proceeding that forms the basis for your assertion regarding the "sufficiency" of 42 cents postage for letter shaped pieces weighing between 0 and 3 ounces.
- b. Please provide all cost data or cite to any record evidence in this proceeding that forms the basis for your belief that there is no difference in processing a 3-ounce letter-shaped piece versus a 4-ounce letter shaped piece.
- c. If you have personally observed the processing of letters in a postal facility and are basing your opinion on personal observation, please provide the date and location of the visit and provide copies of any notes of your observations that were recorded contemporaneously with those visits.
- d. Please provide documents underlying any analysis you have performed concerning differences in postal letter mail processing equipment throughput based on differences in the weight and/or thickness of mail pieces.

RESPONSES TO USPS-T4-3.

- a. USPS witness Taufique in USPS-LR-L-129, worksheet "Revenue-

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SP&Presort” for TYAR 2008 Single Piece Test Year unit letter cost is \$0.28 (cell B42).

b. In the test year, the USPS plans to have at least 617 DIOSS-EC machines, which are capable of handling weights up to a maximum of 6 ounces. (USPS-T42 at 7, line 24). See *also*, the response of USPS witness Marc D. McCrery to ADVO/USPS-T42-10. (Docket R2006-1, Tr. 16/2754.)

c. N/A

d. Please refer to the response to part b of this interrogatory.

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USPS/OCA-T4-4. Please refer to OCA-T-4, on pages 8 and 9 and Tables 1 and 2 where you present the OCA's rate design proposal for First-Class Mail single piece mail and the percent increases for various shapes such as letters, flats and parcels for certain weight increments.

- a. Please confirm that you are proposing a rate of 84 cents for First-Class Mail single-piece flat shaped pieces weighing between 0 and 1 ounce. If you cannot confirm, please explain.
- b. Please confirm that your proposed increase for First-Class Mail single-piece flat-shaped pieces will lead to an increase of over 60 percent for pieces weighing between 0 and 1 ounce.
- c. Please confirm that your proposed rate for First-Class Mail single-pieces flats, when applied to the additional mail processing and delivery costs presented in witness Taufique's testimony (USPS-T-32 at 23, also provided in WP-FCM 14, LR-L-129) will lead to a passthrough of 113 percent of the additional costs for single-piece flats. If you can[not] confirm, please explain fully.
- d. Please confirm that you are proposing a rate of \$1.68 for First-Class Mail single-piece parcel-shaped pieces weighing between 0 and 1 ounces. If you cannot confirm, please explain.
- e. Please confirm that your proposed increase for First-Class Mail single-piece parcel shaped pieces will lead to an increase of over 220 percent for pieces weighing between 0 and 1 ounce.
- f. Please confirm that your proposed rate for First-Class Mail single-pieces parcels, when applied to the additional mail processing and delivery costs presented in witness Taufique's testimony (USPS-T-32 at 23, also provided in WP-FCM 14, LR-L-129) will lead to a passthrough of 108 percent of the additional costs for single-piece parcels. If you can[not] confirm, please explain fully.
- g. Please state whether it is your opinion that an increase of over 60 percent proposed by OCA for single-piece flats weighing between 0 and 1 ounce would constitute a rate shock for the mailers who do not have an option of preparing bulk, automation compatible mailing.
- h. Please state whether it is your opinion that an increase of over 220 percent proposed by OCA for single-piece parcels weighing between 0 and 1 ounce

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would constitute a rate shock for the mailers who do not have an option of preparing bulk mailing.

RESPONSE TO USPS-T4-4.

- a. Confirmed.
- b. Confirmed.
- c. Implicitly yes. However, I was primarily concerned with customer convenience and not with the amount of the pass-through.
- d. Confirmed.
- e. Confirmed.
- f. Implicitly yes. However, I was primarily concerned with customer convenience and not the amount of the pass through.
- g. Mailers mailing flats in the 0 to 1 ounce weight range may find the rate increase shocking. Such mailers may convert their flats to letters.
- h. Mailers mailing parcels in the 0 to 1 ounce weight range may find the rate increase shocking. Such mailers may seek ways to consolidate shipments.

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USPS/OCA-T4-5. Please refer to your workpaper OCA-LR-L-5, worksheet 'Rate Design SP Flts & Parcels' and worksheet 'Rate Comparison'.

- a. Please confirm that you have estimated the rate for a First-Class Mail single-piece flat shaped piece of 69 cents using a passthrough of 73 percent, using the same cost numbers (mail processing and delivery) that were used by USPS witness Taufique with a different passthrough. If you cannot confirm please explain.
- b. Please reconcile the 69 cents rate discussed in subpart (a) for First-Class Mail single-piece flat shaped piece with your proposed rate of 84 cents that would also be applicable to a 1 ounce First-Class Mail single-piece flat shaped piece.
- c. Please confirm that you have estimated the rate for a First-Class Mail single-piece parcel shaped piece of \$1.30 using a passthrough of 75 percent, using the same cost numbers (mail processing and delivery) that were used by USPS witness Taufique with a different passthrough. If you cannot confirm please explain.
- d. Please reconcile the \$1.30 rate discussed in subpart (c) for First-Class Mail single-piece parcel shaped piece with your proposed rate of \$1.68 that would also be applicable to a 1 ounce First-Class Mail single-piece flat shaped piece.

RESPONSE TO USPS-T4-5.

- a. Confirmed.
- b. My First-Class single piece flat-shaped rate for a one ounce mail piece is \$0.84. My rate design was primarily concerned with customer convenience.
- c. Confirmed.
- d. The rate for a 1 ounce First-Class single piece parcel-shaped mail piece is \$1.68. My proposed rate for a 1 ounce First-Class single piece flat-shaped mail piece is \$0.84. My rate design was primarily concerned with customer convenience.

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USPS/OCA-T4-6. Please refer to OCA-LR-L-5, worksheet 'OCA Rates' and to the note in cell 'a58' which states: 'Note: Collapsed SP letters 4 - 8 oz to 4 - 8 oz flats. Also, collapsed SP letters 8 - 13 oz to 8 - 13 oz flats'.

- a. What is meant by this note?
- b. How were the rates collapsed?
- c. Please provide a precise citation to the portion of your workpapers where this operation was performed.

RESPONSES TO USPS/OCA -T4-6.

a-c. Unfortunately, my footnote is not as clear as it could have been. Rates were not collapsed. I am referring to the fact that First-Class single piece letter-shaped volumes in the 4 to 8 ounce range were added to the TYAR First-Class single-piece flat-shaped volumes forecasted in the 4 to 8 ounce range to determine the total TYAR First-Class single-piece flat-shaped volumes in the 4 to 8 ounce range. See, OCA-LR-L-5, worksheet "VoIFY08BR&FY08AR". The TYAR First-Class single-piece flat-shaped volumes of 683,855,000 –(cell AJ14, rounded) are the sum of the TYAR volumes from the worksheet "Shp&Addl. Ozs. Distribution" for First-Class single-piece letter-shaped volumes in the 4 to 8 ounce range (22,727,631 – cell D96) and the TYAR volumes for First-Class single piece flat-shaped volumes in the 4 to 8 ounce range (661,127, 383 – cell D97).

For the 8 to 13 ounce weight increment, I am referring to the fact that First-Class single-piece letter-shaped volumes in the 8 to 13 ounce range were added to the TYAR First-Class single piece flat-shaped volumes forecasted in the 8 to 13 ounce range to determine the total TYAR First-Class single piece flat-shaped volumes in the 8 to 13 ounce range. See, OCA-LR-L-5, worksheet

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“VoIFY08BR&FY08AR”. The TYAR First-Class single piece flat-shaped volumes of 221,595,000 – (cell AK14, rounded) are the sum of the TYAR volumes from the worksheet “Shp&Addl. Ozs. Distribution” for First-Class single piece letter-shaped volumes in the 8 to 13 ounce range (2,293,242 – cell E96) and the TYAR volumes for First-Class single piece flat-shaped volumes in the 8 to 13 ounce range (219,301,337– cell E97).