

USPS-RT-17

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

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REBUTTAL TESTIMONY
OF
SUSAN W. BERKELEY
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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1 **AUTOBIOGRAPHICAL SKETCH**

2

3 My name is Susan W. Berkeley. In this current Docket, I am appearing as
4 the Express Mail pricing witness (USPS-T-34) and one of the special service
5 pricing witnesses (USPS-T-39). My autobiographical sketch, in detail, is
6 contained in both of those testimonies.

7 This is my thirteenth appearance before the Commission.

1 **I. PURPOSE AND SCOPE**

2
3 The purpose of my testimony is to rebut the electronic return receipt
4 portion of Douglas F. Carlson's testimony (DFC-T-1 at 1-14). This testimony will
5 demonstrate that, although witness Carlson claims the cost data are "inaccurate,"
6 he accepts the data for use in his alternative fee proposal. My testimony
7 questions witness Carlson's purported transaction time scenario for electronic
8 return receipt service, and provides information from transactions actually
9 observed in order to ensure that real information, as opposed to speculation, is
10 on the record in this proceeding. This testimony also discusses the planned
11 changes to electronic return receipt service which not only show how the value of
12 this service is increasing, but also show how these service enhancements fly in
13 the face of witness Carlson's rationale for a lower cost coverage. Finally, this
14 testimony will discuss how both my proposed fee and proposed cost coverage for
15 electronic return receipt service are appropriate, especially when considering the
16 ever-increasing value of service derived from this product.

17

1 **II. WITNESS CARLSON USES SELF-DESCRIBED “INACCURATE”**
2 **COST DATA IN HIS FEE DEVELOPMENT**
3

4 In his testimony, witness Carlson states:

5 Unfortunately, the Postal Service still has not accurately
6 estimated the window-acceptance costs for electronic return receipt.
7 According to witness Page, ‘acceptance costs are based upon the return
8 receipt acceptance window transaction time used for traditional return
9 receipts in prior dockets.
10

11 DFC-T-1 at page 6

12
13 Interestingly enough, witness Carlson discounts the per-piece cost from
14 witness Page, yet he uses this per-piece cost in his fee development for
15 electronic return receipt service, and he bases his proposed cost coverage on
16 this per-piece cost. However, his experience in estimating the window costs for
17 electronic return receipt service is limited to the one transaction he conducted
18 himself (see the response to USPS/DFC-T1-3a). Thus, it would not be
19 appropriate for witness Carlson to offer up an alternative cost per-piece. (Please
20 see the next section of this testimony for a detailed discussion about transaction
21 times.)

22 More importantly - should the fee for electronic return receipts be set by
23 using a cost coverage equal to the cost coverage of a different service as witness
24 Carlson is suggesting? In proposing his alternative fee for electronic return
25 receipt service, he uses the Postal Service's proposed cost coverage for green
26 card return receipt service and a nickel rounding constraint. Witness Carlson
27 does not provide any discussion of the pricing criteria of the Postal

1 Reorganization Act, with respect to electronic return receipt service specifically,
2 other than the indirect nod to Criterion 3 as it applies to green card return receipt
3 as proposed in my direct testimony, USPS-T-39. As I will discuss later in this
4 testimony, it is not only appropriate, but necessary, to take into consideration all
5 applicable statutory pricing criteria in developing rates and fees. There are too
6 many differences between the green card return receipt service and the
7 electronic return receipt service to pretend that the proposed cost coverage of
8 one should be used as a proposed cost coverage of the other.

9

10 **III. THE ACCURACY OF WITNESS CARLSON'S TRANSACTION**
11 **TIME PERCEPTION CANNOT BE VERIFIED**
12

13 On pages 6 and 7 of his testimony, witness Carlson speculates as to a
14 typical transaction for electronic return receipt service for customers both familiar
15 and unfamiliar with the service itself. It is not surprising that he would not have
16 observed transactions other than the one he personally conducted. Because of
17 the low volume for electronic return receipts, it would not be that common to find
18 this type of transaction at any given time at any given retail postal facility.

19 Witness Carlson's perception of the transaction dialogue and, subsequently,
20 the associated time are undoubtedly over-simplified. In speaking with several
21 people who have observed electronic return receipt transactions at a retail
22 counter, I have been informed that the typical dialogue taking place is more
23 extensive than witness Carlson presents – particularly for a first-time user of the

1 service. It is not prudent for one to believe that someone could be sold this
2 service for the first time just by receiving a paper with instructions.

3 It is not unreasonable to expect that questions would arise, definitely for
4 first-time users and even for repeat users, considering the nature of the
5 transaction. For example, when a window clerk offers the choice of a green card
6 or electronic return receipt it is safe to assume that the fees for each would also
7 be given by the clerk or asked for by the customer. Also, it would not be unusual
8 to expect that the customer would want the window clerk to explain specifically
9 how to access the electronic copy of the signature, and, whether it could be
10 provided on the Postal Service's part automatically without any action by the
11 customer.

12 Also, the question could arise as to whether or not the electronic copy of the
13 signature was satisfactory for their needs (something that the window clerk would
14 not know without knowing whatever specific legal requirements may be
15 necessary). The transaction could also include a query as to whether there was
16 tracking with the electronic return receipt service, particularly if the host service
17 being used was one that provided access to delivery information. The customer
18 could be aware of that and wonder if the "extra" service from the electronic return
19 receipt provided more than access to the electronic copy of the signature. It is
20 also possible that a customer might be under the impression that in purchasing
21 electronic return receipt, the e-mail information provided by the customer later
22 over the Internet would, in some way, notify the Postal Service where to "send"
23 the green card.

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3 **IV. ELECTRONIC RETURN RECEIPT SERVICE IMPROVEMENTS**
4 **ARE EXPECTED BY THE TEST YEAR**
5

6 Witness Carlson (DFC-T-1) asserts that

7 information extracted through discovery suggests that
8 electronic return receipt is not faster than regular return receipt
9 -- and may even be slower. The normal time to post electronic
10 return receipt is two to four days (a time that possible is a range
11 for the *median*, with the average being four or more days),
12 whereas regular return receipt should arrive in one to three
13 days (or two to four days in some instances, if the green cards
14 are mailed one day after delivery). The Postal Service has not
15 demonstrated that electronic return receipt speeds delivery of
16 the recipient's signature.

17
18 DFC-T-1 at 12.
19

20 However, by the test year, electronic return receipt should generally provide
21 customers with access to the signature on the day of delivery. Presently,
22 delivery employees are beginning a new process that captures the recipient's
23 signature at delivery, greatly reducing the amount of time it takes to electronically
24 link the signature to the mailpiece. New scanners are currently being tested and
25 distributed to the field, and are expected to be fully in use by the test year.

26 These scanners allow the carrier to scan the signature at the time of delivery, or
27 shortly thereafter. Signatures would no longer be sent to Computerized
28 Forwarding System (CFS) units for scanning into the centralized database and
29 would be available for access generally within eight hours after the scanner is
30 cradled. This means that the signature access would, in most cases, be

1 available the day of delivery, thus making the electronic return receipt option
2 highly valuable for those customers wanting a short turnaround time.

3

4

5 **V. THE POSTAL SERVICE IS PROMOTING GREATER USAGE OF**
6 **ELECTRONIC RETURN RECEIPT SERVICE**

7

8

9 In addition to the scanner deployment which can make an electronic return
10 receipt available the same day as delivery, the Postal Service is taking a
11 proactive approach to increase usage of electronic return receipt service. For
12 example, publications for postmasters and retail personnel encourage employees
13 to offer electronic return receipt as an option to green card return receipts,
14 particularly at tax time when the volume of return receipts can be the highest all
15 year. Further, the staff managing electronic return receipt service from a product
16 perspective plan to develop a more formal communications platform to continue
17 to promote awareness and use of the service over the next couple of years.

18 The Retail Service Equipment group at Postal Service Headquarters is
19 currently working on a modification to the Automated Postal Centers (APCs)
20 which would allow the purchase of electronic return receipt service at APCs when
21 an applicable host special service is purchased. The target live-in-the-field date
22 for introducing electronic return receipt service on all APCs nationwide is August,
23 2007. As the popularity of APCs grows, more APCs will be deployed in postal
24 facilities throughout the country, thereby bringing the availability of the electronic
25 return receipt service to an unlimited number of potential customers. I have been

1 working on a task force for this software release, so I know firsthand the
2 importance to the Postal Service in promoting electronic return receipt service on
3 the APCs.

4

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6 **VI. THE POSTAL SERVICE'S PROPOSED FEE AND COST COVERAGE**
7 **ARE APPROPRIATE**

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10 In Docket No. R2005-1, electronic return receipt was priced at \$1.35, for an
11 implicit cost coverage of 151.8 percent. The alternative basic return receipt was
12 priced at \$1.85, with a lower implicit cost coverage of 129.1 percent.

13 In this proceeding, costs have been adjusted downward by 45 cents for
14 electronic return receipt service. See USPS-T-23 at 14-15. In response, the
15 Postal Service proposes to lower the electronic return receipt fee by 50 cents, to
16 85 cents. The Postal Service's goal is to maintain the per unit contribution from
17 electronic return receipt, so the proposal reduces this contribution only slightly,
18 from 46 cents to 44 cents. The Postal Service's proposal also matches the
19 current per-unit contribution from basic return receipt service of 42 cents. Under
20 the Postal Service's proposal, the per-unit contribution from electronic return
21 receipt service would be less than two-thirds of the 68-cent per-unit contribution
22 from basic return receipt service.

23 Witness Carlson proposes to apply the basic return receipt cost coverage to
24 electronic return receipt service. As a result, he proposes to lower the electronic
25 return receipt fee by 70 cents, to \$0.65. The Postal Service opposes this

1 proposal because it would reduce the per unit contribution from electronic return
2 receipt by half, from 44 cents to 22 cents. With such a low markup, there would
3 be considerable risk that the fee would not cover costs for any transactions in
4 which the customer has significant questions for the clerk.

5 It is important to remember, and, as alluded to earlier in this testimony,
6 green card return receipt service and electronic return receipt service are two
7 distinctly different services with different service features, values of service, and
8 prices. The fact that both services require a signature from the recipient of the
9 mailpiece is really the only common thread. Since these two services vary in
10 practically every other way, it is appropriate to consider all applicable pricing
11 criteria individually for each service. Generally speaking, the rather cavalier
12 application of a cost coverage for one service in developing a proposed fee for
13 another service, as witness Carlson has done, has the potential of violating
14 Criterion 1, fairness and equity.

15 Finally, under Carlson's proposal, the contribution from electronic return
16 receipt would be less than one-third the contribution from green card return
17 receipt. The Postal Service should not have a substantial financial incentive to
18 encourage customers to use one return receipt option (green card), rather than
19 another (electronic).

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