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Before the

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES POSTAL RATE COMMISSION

In the Matter of: POSTAL RATE AND FEE CHANGES

Docket No. R97-1

VOLUME 37

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C O N T E N T S

WITNESS DIRECT CROSS REDIRECT RECROSS

LESLIE M. SCHENK

BY MR. LEVY 19930

DOCUMENTS TRANSCRIBED INTO THE RECORD: PAGE

Designated written cross-examination of
various additional witnesses 19871

Christensen Associates additional rebuttal
testimony of Witness Leslie M. Schenk 19922

Cross-examination Exhibit ANM-XE-1 20015

Cross-Examination Exhibit ANM-XE-4 20024

E X H I B I T S

EXHIBITS AND/OR TESTIMONY IDENTIFIED RECEIVED

Designated written cross-examination
of various additional witnesses 19871 19871

Christensen Associates additional
rebuttal testimony of Witness
Leslie M. Schenk 19922 19922

Cross-Examination Exhibit No. ANM-XE-1 19938 20015

Cross-Examination Exhibit No. ANM-XE-2 19941 20023

Cross-Examination Exhibit Nos. ANM-XE-3A 19941 20023

Cross-Examination Exhibit No. ANM-XE-3B 19941 20023

Cross-Examination Exhibit ANM-XE-4 20024 20024

P R O C E E D I N G S

[9:32 a.m.]

1
2
3 CHAIRMAN GLEIMAN: Good morning. Today we resume
4 hearings in Docket R97-1 to continue cross-examination of
5 Postal Service Witness Leslie Schenk. During the hearings
6 on March 20 I directed the Postal Service to attempt to
7 obtain disqualification logs from the 30 sites examined in
8 Ms. Schenk's rebuttal testimony. That ruling appears in the
9 transcript at page 19646.

10 The Postal Service filed the materials it was able
11 to find on Thursday, March 26, as Library Reference H-354.
12 The Alliance of Nonprofit Mailers has reserved the right to
13 cross-examine concerning all aspects of Witness Schenk's
14 survey of the use of nonprofit indicia on Standard A Regular
15 mail.

16 Does any other party intend to cross-examine on
17 this subject?

18 Before we begin I have a few brief housekeeping
19 matters to take care of. A number of participants have
20 designated for incorporation into the record material
21 submitted in response to sponsoring witnesses' completed
22 cross-examination. I directed that such designations be
23 completed by Friday, March 27, and I'll admit these
24 materials into evidence today subject to oppositions filed
25 by April 2.

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1 Two of these requests call for special comment.
2 On March 26 designation of the Office of the Consumer
3 Advocate noted that its request for incorporation of a
4 response by Postal Service Witness Fronk was untimely. OCA
5 explained the cause for the delay, and I find the
6 justification adequate. On March 27 the Newspaper
7 Association of America asked that Library Reference
8 NNA/R97-1, LR-2, be admitted into evidence in its entirety.
9 This document is quite lengthy, and only limited portions
10 have been referred to during this case. I will admit this
11 document into evidence subject to objections filed by April
12 2.

13 I'm handing the reporter two copies of the
14 designated materials, and I'll direct that they be
15 transcribed into the record at this point and admitted into
16 evidence.

17 [Designated written
18 cross-examination of various
19 additional witnesses was received
20 into evidence and transcribed into
21 the record.]

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 1997

Docket No. R97-1

DESIGNATION OF ADDITIONAL
WRITTEN CROSS-EXAMINATION

Party

Interrogatories

WITNESS RESPONSES

James A. Clifton (ABA,EEI&NAPM-T1)
United States Postal Service

USPS/ABA,EEI&NAPM-T1-40j-k, 41

James A. Clifton (ABA&NAA-T1)
United States Postal Service

Written responses to questions posed during oral cross-examination at Tr. 21/11061, lines 13-14, 22-23, and Tr. 21/11062, lines 9-12

Val-Pak Direct Marketing Systems, Inc.
Val-Pak Dealers' Association, Inc. and
Carol-Wright Promotions, Inc.

Written response to question posed during oral cross-examination at Tr. 21/11028, lines 6-8

Kevin Neels (UPS-T1)
United States Postal Service

USPS/UPS-T1-49-51

Kevin Neels (UPS-ST1)
Office of the Consumer Advocate

OCA/UPS-ST1-1

Ralph J. Moden (USPS-T4)
American Business Press

ABP/USPS-T4-19 (updated 12/24/97)

Mark A. Smith (USPS-ST45)
Postal Rate Commission

Supplemental Response to POIR No. 15,
Questions 1-2

Michael D. Bradley (USPS-ST55)
Office of the Consumer Advocate

OCA/USPS-ST55-1

Carl G. Degen (USPS-RT6)
Postal Rate Commission

Written response to question posed during oral cross-examination at Tr. 36/19434-35

Party

Interrogatories

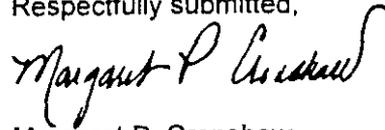
INSTITUTIONAL RESPONSES

United States Postal Service
Office of the Consumer Advocate

Postal Rate Commission

OCA/USPS-120-125
OCA/USPS-T32-2-6 redirected to USPS
NAA/USPS-RFA-1

Respectfully submitted,



Margaret P. Crenshaw
Secretary

Response of ABA/EEI/NAPM Witness Clifton
to Interrogatories of USPS

USPS/ABA/EEI/NAPM-T1-40

Suppose that First-Class letter rates were increased by 10 percent across the board.

- j. Please confirm that single-piece First-Class letters are less price inelastic than workshared First-Class letters with respect to the price of First-Class letters. Please explain any negative response.
- k. Does this suggest that single-piece First-Class letters have more competitive alternatives than workshared First-Class letters? Please explain any negative answer.

RESPONSE

j. The exercise in parts a. through g. shows that First-Class single-piece letters have a greater response to an increase in the price of all First-Class letters than do First-Class workshared letters using Thress's coefficients. The exercise in parts a. through g. does not show that First-Class single-piece letters are more elastic than First-Class workshared letters. The term price elastic (*i.e.*, response to a change in the good's own price) refers to the response of quantity demanded (mail volume in this case) to a change in the price of the good being examined with all other factors held constant. Parts a. through g. of this question have examined the effect of a change in the prices of both First-Class single-piece letters and First-Class workshared letters. The response of First-Class single-piece letters to a change in the prices of both First-Class single-piece letters and First-Class workshared letters should not be confused with the response or elasticity of First-Class single-piece letters to a change in the price of only First-Class single-piece letters, holding the price of First-Class workshared letters constant. This elasticity is -0.189.

- k. No. Please see my response to part j.

**Response of ABA/EEI/NAPM Witness Clifton
to Interrogatories of USPS**

USPS/ABA/EEI/NAPM-T1-41

Please refer to your response to USPS/ABA/EEI/NAPM-T1-13. In response to a request that you calculate the elasticity shown in your Technical Appendix A.4, using total mail processing labor (direct plus overhead), for the periods FY 90 to FY 92 and FY 91 to FY 93, you indicated that you were unable to do so because you did not have the necessary data. The necessary data, from the Cost & Revenue Analysis reports for the aforementioned fiscal years, are attached. Please calculate the elasticity shown in your Technical Appendix A.4 for the periods FY 90 to FY 92 and FY 91 to FY 93 using total mail processing labor (direct and overhead).

First-Class Presort Mail Processing Labor Costs FY1990 to FY1993

Fiscal Year	(1) Mail Processing Labor Direct and Overhead Costs (in 000s of \$)	(2) Volumes (in 000s)	(3) Mail Processing Labor Direct and Overhead Costs Per Piece (Cents/Piece)
1990	925,766	27,584,597	3.356
1991	1,003,478	28,805,316	3.484
1992	1,064,887	31,231,742	3.410
1993	1,131,980	32,650,138	3.467
Sources:	CRA Segments & Components for FY1990 to FY 1993	CRA for FY1990 to FY 1993	C1/C2

**Response of ABA/EEI/NAPM Witness Clifton
to Interrogatories of USPS**

RESPONSE

Assuming the accuracy of the data provided by USPS in the attachment, the response is as follows:

	First-Class Presort Mail Processing Labor Direct and Overhead Costs <u>(Cents per Piece)</u>	<u>Nonautomation Share</u>	
	[1]	[2]	
1990	3.356	87.30%	
1991	3.484	78.50%	
1992	3.410	62.35%	
1993	3.446	48.17%	
			<u>Elasticity of Unit Cost with Respect to Nonautomation Share</u>
	<u>Percent Change</u>		[3]
1990 to 1992	1.59	-28.58	-0.0557
1991 to 1993	-1.08	-38.64	0.0281

For test year 1998 forecasting purposes, these elasticities are far less useful than the one I calculate in my direct testimony based on more recent data. In time series analysis, the standard error of forecast is greater the farther back in time the data is drawn from.

Sources:

[1]: Attachment to USPS/ABA/EEI/NAPM-T1-41.

[2]: Direct Testimony of Thomas Thress in Docket No. 97-1, USPS-T-7, WP-1. Nonautomation mail in nonpresort ZIP+4 letters, 3/5-digit Presort ZIP+4 letters, and presort nonautomation letters.

[3]: Ratio of percentage change for the relevant years of First-Class workshared mail processing direct labor and overhead unit costs to percentage change of nonautomation share.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

Tr. 21/11028, lines 6-8. ". . . could you cite us to a particular, any instance where the Postal Rate Commission has ever used the definition of cross-subsidy that you are recommending?"

This question goes to several asked by counsel for VP-CW, AMMA and USPS about my definition(s) of marginal cost and incremental cost in relation to the issue of whether Standard A commercial mail, and the second and third ounces of that mail in particular, is subsidized, and whether that subsidy takes the form of an "apparent cross subsidy" from First Class Mail, and the revenue from the second and third ounces of that workshared mail in particular.

In reviewing past Commission practice in relation to my definition of cross-subsidy and my related definition of incremental cost, the discussion in the Commission's Opinion and Recommended Decision in Docket No. R87-1, pages 96-125, seems most germane and is consistent with and in part focused on the issues I was raising over the assignment of fixed and common costs in an incremental cost test in relation to the problem of cross-subsidy. The Commission's discussion of Professor Baumol's incremental cost test indicates its view that such incremental cost tests alone are insufficient to prevent cross-subsidy. Indeed, the Commission recognized the practical limitation of an incremental cost test except in a world where 100 percent of the costs are attributed:

The most obvious question, in the case of a common fixed cost, is how we might be sure that one or more of the services causally linked with the cost is not cross-subsidizing the other(s). The incremental cost test, as described above, is incapable of answering this question.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

Docket No. R87-1 Opinion, Page 120.

While, as I have testified, I have not tried to prove the existence of an actual cross-subsidy from First Class workshared extra ounce mail to Standard A commercial extra ounce mail, the Postal Service's proposed 920 percent cost coverage for First Class extra ounce workshared mail, compared to a 154 percent cost coverage for Standard A piece-rated mail, is pretty good evidence of such a cross-subsidy. As the Commission stated in Docket No. R87-1: "if supernormal returns from a non-competitive service are possible, it is also possible to cross-subsidize a competitive one." Docket No. R87-1 Opinion, page 99.

As to the particulars of my definitions, the definition of incremental (and marginal) cost I am using is a standard one, as exemplified by the following definitions from a leading economics text in industrial organization.

Suppose that $C(q_1, q_2)$ represents the cost of a firm that produces q_1 units of Product 1 and q_2 units of Product 2. The marginal cost of producing Product 1 at any given output level is defined, as in the single-product case, as the incremental cost of producing one more unit of Product 1 – except now it is necessary to specify not only how much of Product 1 is being produced but also how much of Product 2.

Notice that the incremental cost of producing q_2 units of product 2 includes any fixed cost associated with the production of q_2 and depends on the assumed production of q_1 .

Source: Carlton, Dennis, and Perloff, Jeffrey, Modern Industrial Organization, Harper Collins, 1990, pp. 58 and 60, respectively.

Note in particular that the definition includes fixed costs and that it does not exclude the inclusion of fixed costs that are non-attributable. In testifying on behalf of

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

the Postal Service in Docket No. R87-1, Prof. William Baumol offered a similar definition of fixed cost allocation in the context of incremental cost:

The incremental cost of a service is the addition to the total cost of the enterprise that is caused when the enterprise supplies the current output of that service as compared to the total cost the enterprise would incur in all of its other operations in none of the service in question were supplied by it. The incremental cost of a particular service includes the specific fixed costs of that service, that is, the costs that do not vary with the volume of that service supplied, but which are nevertheless incurred on behalf of that service and serve no other output of the enterprise.

If a fixed outlay simultaneously benefits consumers of services A and B but not customers of service C, then none of that outlay is included in the incremental cost of service C, for obvious reasons. Moreover, none of that outlay is included in the incremental cost of service A by itself, or the incremental cost of service B by itself However, though it is excluded from the incremental cost of either A or B alone, in this case the fixed outlay must be included in the (combined) incremental cost of A and B (so that the combined incremental cost of A and B is in general not equal to the incremental cost of A plus the incremental cost of B).

Source: R87-1, USPS T-3, Direct Testimony of William J. Baumol, pp. 22-23.

In this proceeding, other witnesses have raised this issue in different ways. For example, NAA witness Chown illustrates the problem with institutional cost assignment under current practice. Delivery costs are largely institutional cost whereas mail processing costs are defined as largely attributable. As I read Chown's testimony, it is possible that under a properly constructed incremental cost test we could find that First Class mail is subsidizing the delivery of Standard A mail. Her weighted approach to institutional cost assignment could relieve some of that burden.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

I would also note that the public's attitude towards advertising mail in recent volumes of the USPS Household Diary Study is evidence that Standard A commercial rates in general are subsidized, while even a casual glance at USPS relative volumes makes it clear that only First Class mail could be the source of any material subsidy to Standard A mail. Fully 50 percent of the public surveyed in the recent November 1996 Study indicate that they wished they received less advertising mail, up from the 45 percent so indicating in the immediately preceding Study of December 1995. This indicates a fundamental and growing problem insofar as the relative rate structure of the Postal Service appears to be increasingly deviating from the preferences of the general public. This suggests that currently the Postal Service is undercharging advertising mail, which could be further evidence of a cross-subsidy.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

Tr. ²¹18/11061, lines 13-14: "Would those volume numbers refer to commercial and nonprofit Standard mail together combined?"

The volume of numbers of second and third ounces that I reference in my technical appendices (see Tr. 18/11060, lines 22-25) are for commercial volumes only.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

Tr. ²¹18/11061, lines 22-23: "Would those volume figures also include all shapes of Standard A mail?"

The volume numbers of second and third ounces that I reference in my technical appendices include flats as well as letters.

ANSWERS OF ABA/NAA WITNESS CLIFTON
TO QUESTIONS POSED DURING HEARING

Tr. ²⁾18/11062, lines 9-12: "Do you know whether the weight distribution for Standard A noncarrier-route presort letters is the same as the weight distribution for all shapes within Standard A?"

Such a detailed weight distribution by volume is not relevant to my analysis. Nevertheless, based on Tables 3 and 4 of Library Reference LR-H-182, the volume distribution of Standard A noncarrier-route presort letters by weight is different from the volume distribution of all Standard A shapes by weight.

**ANSWER OF UNITED PARCEL SERVICE
WITNESS NEELS TO INTERROGATORY OF
THE UNITED STATES POSTAL SERVICE**

USPS/UPS-T1-49. Please refer to your article, "Reducing Energy Consumption in Housing: An Assessment of Alternatives" (*International Regional Science Review*, May 1982), cited in your response number 1 to questions posed at hearing, filed March 9, 1998.

- (a) Please confirm that the Housing Assistance Supply Experiment (HASE) data set you employed was a panel data set.
- (b) Please confirm that you described this panel data set as "a rich set of data describing both cross-sectional and longitudinal differences in behavior" (p. 70).
- (c) Please confirm that your analysis measured the energy use of residential properties as a function of the physical characteristics of the property, the behavioral characteristics of the property's occupants, and the weather.
- (d) Please confirm that you specified twenty regressors to capture the characteristics described in part (c).
- (e) Please confirm that you stated that "unobserved housing attributes and/or household habits that cause a property to display unusually high or low energy use [your dependent variable] are likely to have effects that persist over time . . . leading to a correlation between the error terms for successive observations on the same property. Such correlation violates the assumptions of the classical linear model. . ." (p. 72-73).
- (f) Please confirm that you solved the "problem" described in part (e) by employing a "variance components estimator" described in a 1966 paper by Balestra and Nerlove (p. 73).
- (g) Please confirm that the Balestra and Nerlove "variance components estimator" may also be called a "random effects" model. If you do not confirm, please

**ANSWER OF UNITED PARCEL SERVICE
WITNESS NEEDS TO INTERROGATORY OF
THE UNITED STATES POSTAL SERVICE**

explain the basis for your disagreement with Hsiao (Analysis of Panel Data, p. 93-95. Cambridge University Press, 1996).

(h) Please confirm that your model of energy use by residential properties is a version of equation 1.3.1 in Hsiao's monograph (p. 9):

$$y_k = \alpha_i + \sum_{k=1}^K \beta_k x_{k,k} + u_k.$$

Response to USPS/UPS-T1-49.

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.
- (e) Confirmed.
- (f) Confirmed.
- (g) Confirmed.
- (h) Confirmed.

**ANSWER OF UNITED PARCEL SERVICE
WITNESS NEELS TO INTERROGATORY OF
THE UNITED STATES POSTAL SERVICE**

USPS/UPS-T1-50. Please refer to your article, "Direct Effects of Undermaintenance and Deterioration" (in *The Rent Control Debate*, Paul L. Niebanck, ed. Chapel Hill: University of North Carolina Press, 1985), cited in your response number 1 to questions posed at hearing, filed on March 9, 1998.

(a) Please confirm that you used the HASE panel data set to estimate the "maintenance model" described in the article.

(b) Did you use an estimation procedure, such as a fixed effects or random effects model, to control for unobserved attributes of properties in the specification of the "maintenance model"? If so, please explain fully.

Response to USPS/UPS-T1-50.

- (a) Confirmed.
- (b) No.

**ANSWER OF UNITED PARCEL SERVICE
WITNESS NEEDS TO INTERROGATORY OF
THE UNITED STATES POSTAL SERVICE**

USPS/UPS-T1-51. Please refer to your article, "The Effects of Urban Development Patterns on Transportation Energy Use" (with Melvin D. Cheslow, *Transportation Research Record*, No. 764), pages 72-75, cited in your response number 1 to questions posed at hearing, filed March 9, 1998.

(a) Please confirm that as part of this article, you estimated a number of regression models relating urban travel patterns to urban characteristics. Please also confirm that these were models of neighborhood transit availability, automobile driver trip speed, automobile driver trip length, mass transit use for all trips, and mass transit and carpool use for work trips.

(b) Please confirm that all of the models listed in part (a) could be written in the form $y_j = \alpha_i + \sum_{k=1}^K \beta_k x_{ijk} + u_j$, where i indicates the metropolitan area, j indicates neighborhoods within the metropolitan area, and u is a random disturbance term with classical properties. If you do not confirm, please explain fully, reconciling your response with the text of your article as needed.

(c) Please confirm that you estimated the parameters α_i from the equation in part (b) of this interrogatory by including dummy variables for each metropolitan area in the regression models.

(d) Please confirm that the estimates of the models listed in part (a) of this interrogatory are, therefore, fixed effects estimates, where the fixed effects pertain to metropolitan area characteristics. If you do not confirm, please explain fully.

**ANSWER OF UNITED PARCEL SERVICE
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Response to USPS/UPS-T1-51.

(a) Not confirmed. The models were: neighborhood transit availability; Auto driver trip speed; Auto ownership; Transit share of all home-based trips; Transit share of all home-based work trips; Auto occupancy; Auto trip length; and Home-based vehicle trips per household.

- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.

**ANSWER OF UNITED PARCEL SERVICE
WITNESS NEELS TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/UPS-ST1-1. On page 3, line 15, of your supplemental testimony you provide the formula for the F statistic.

- a. Please provide a citation for the formula.
- b. In the denominator you have the expression $(T-kn-n)$. Is this expression correct or is there a typographical error?

Response to OCA/UPS-ST1-1.

- a. See *Econometric Analysis* by William H. Greene, Third Edition, Section 7.4, for a discussion of the basic principles.
- b. The formula is basically correct. The unrestricted model attempts to estimate $k+1$ coefficients for each of n sites. The actual number estimated is somewhat less because of the necessity of dropping variables from the site-specific models in those cases where the data series for a site covers only one of the time periods flagged by Bradley's time trend variables. The degrees of freedom have been adjusted to account for such cases.

UPDATED 12/24/97

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MODEN
TO INTERROGATORIES OF AMERICAN BUSINESS PRESS**ABP/USPS-T4-19**

[a] In reference to your original response to ABP/USPS-T4-12[b], has the field testing of barcode readers on the FSM 1000 begun?

[b] If your response to [a] is affirmative, when did the testing begin, and where are the tests being conducted?

[c] Please provide notice when the "formal recommendation" to the Governors to purchase and deploy bar code readers for the FSM 1000, to which you refer to in ABP/USPS-T4-12[b], occurs.

Response:

- a. Yes.
- b. Prototype testing started in Syracuse, New York in June of this year. Additional testing, using production software, will be conducted later this year and the site(s) have yet to be determined.
- c. We have completed field testing of the barcode reader on the FSM 1000. The formal recommendation to add a barcode reader to all of the FSM 1000s was submitted and approved at the December Board of Governors meeting. Deployment is scheduled to begin in July 1998 and continue through February 1999.

SUPPLEMENTAL RESPONSE
OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15

1. Please refer to USPS LR-H-77, Part I at page 3, and to Appendix One of the Partial Response of the USPS to ANM/USPS-1-17, as Directed by Presiding Officer's Ruling No. R97-1/69.

Please provide the calculations, using the formulae shown in Appendix One, which develop the Base Year mail processing piggyback costs for segment 11 cleaning and protection costs shown in LR-H-77, Part 1, page 3 at column 14. Show the derivation and calculation of all variables used in the formula shown in Appendix One.

Response:

As indicated in the March 13, 1998 partial response to this POIR, in reviewing the materials pertinent to this question (and question 2 of this POIR as well), we found errors in both USPS-LR-H-77 and Appendix One (Tr. 19A/8575-76) which relate to the calculation for base year and test year piggyback factors. The errors and the corrections to these errors are described in response to question 2 of this POIR. The discussion below pertains to USPS LR-H-77 (as revised on March 18, 1998) and Appendix One (as revised on March 18, 1998). The calculations using formula in the unrevised Appendix One are also described as well.

There are three steps to the calculation of the portion of segment 11 cleaning and protection costs that go into the mail processing piggybacks in revised formula (d1) of Appendix One of the Partial Response of the USPS to

SUPPLEMENTAL RESPONSE
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ANM/USPS-1-17.¹ The first step calculates that portion of cleaning and protection costs associated with space that is used by mail processing operations. The second step determines the portion of cleaning and protection costs associated with employee facilities space used by mail processing related labor. The third step determines the portion of cleaning and protection costs associated with office space used by mail processing related labor. These three steps correspond to the three terms of Equation (d1) from the revised Appendix One shown below:²

$$\{(a) \times \text{line 52}\} + \{(a) \times \text{DK1}\} + \{(a) \times \text{DK5}\}.$$

If we rearrange these terms, as follows,

$$(a) \times \{\text{line 52} + \text{DK1} + \text{DK5}\},$$

and substitute for the terms in the above equation using the formulas from the revised Appendix One, we obtain the following:

$$= (\text{N074/D1099}) \times \{ 1097 + ((\text{line 12} + \text{line 13} + \text{line 14}) \times (\text{N1047/D947})) + ((\text{line 3} + \text{line 13} + \text{line 14}) \times (\text{N1044/D944})) \}.$$

As indicated below, the "line number" variables in these formulas are as defined in Appendix One.³ The remaining variables, which are component

¹The separately filed errata for Appendix One of the Partial Response of the USPS to ANM/USPS-1-17 indicate that formula (d1) should be corrected to replace "line 53" with "line 52" and formula (d2) should be corrected to replace "line 59" with "line 58." In addition, in formulas (a1) and (a2), the term "direct cost component(s)" should be corrected to read "(line 12 + line 13 + line 14)." Finally, in formulas (c1) and (c2), the term "direct cost component(s)" should be corrected to read "(line 3 + line 13 + line 14)."

²Note that there are no VMF space costs assigned to mail processing because mail processing related labor personnel do not use these facilities. VMF space costs require a fourth term, as shown in revised Appendix One.

³The March 18, 1998 revision to Appendix One does not change the "line number" definitions.

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numbers, are from witness Alexandrovich, USPS-T-5, as indicated below. All of these variables are described below as follows:

- line 12 Mail processing related labor costs by product, as defined in Appendix One, are the sum of the lines 1 to 11.⁴ This is calculated in column 11 on revised page 3 of USPS LR-H-77.
- line 13 Higher level supervision costs associated with mail processing by product, as indicated in Appendix One. This is calculated in column 12 on revised page 3 of USPS LR-H-77.
- line 14 General office and clerical costs associated with mail processing by product, as indicated in Appendix One. This is calculated in column 13 on revised page 3 of USPS LR-H-77.
- line 3 Quality control clerk costs associated with mail processing by product, as indicated in Appendix One. This is calculated in column 4 on revised page 2 of USPS LR-H-77.
- 1097 Percentage of space used, by product, for mail processing functions. (See USPS-LR-5, page 207, for the list of space categories contained in mail processing. These factors are contained in the workpapers of witness Alexandrovich (USPS-T-5). See Workpaper A-3, pages 27 to 46.)
- D1099 Total percentage of space used by all functions, 100%. (See Alexandrovich WP A-3, page 46.)
- N1047 Total percentage of space used by employee facilities. (See Alexandrovich WP A-3, page 42.)
- N074 Total accrued cleaning and protection costs. (See Exhibit USPS-T-5A, page 36.)
- D947 Total accrued cost for employees (using employee facilities space), as per the employee facilities space distribution key. (See USPS LR-H-5, page 186, for the list of employee costs included in the employee facilities distribution key.)

⁴ The component numbers shown in revised Appendix One are detailed in USPS LR-H-5, Section 2.

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- N1044 Total percentage of space used by offices located at plants and post offices. (See Alexandrovich WP A-3, page 42.)
- D944 Total accrued cost for employees (using office space), as per the office space distribution key. (See USPS LR-H-5, page 185, for the list of employee costs included in the office space distribution key.)⁵

An example of the revised calculation of cleaning and protection costs for the base year mail processing piggyback factor for First-Class single-piece letters, flats and parcels is provided as Attachment 1 to this supplemental response to POIR No. 15, Question 1. The cost for each element of the above formula, revised equation (d1), is shown and the result which is obtained from calculating revised equation (d1) for this case is \$111,984. This is the same cost shown on revised page 3 of USPS LR-H-77 in column 14, row 1, which is being filed concurrently.

⁵The unrevised equation (d1) differs from that given above only in the terms (line 12+line 13+line 14) and (line 3+line 13+line 14). To obtain the unrevised equation (d1), replace these terms with mail processing labor costs, component 035, by product. This would cause the third term for office space costs to be zero, leaving the first two terms.

**SUPPLEMENTAL RESPONSE
OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15**

Calculation of the Cleaning and Protection Costs for
First-Class Single-Piece Letters, Flats and Parcels
for the Base Year Mail Processing Piggyback Factor
Using the Appendix One Formula (d1)

Variable Names	Data from Witness Alexandrovich, USPS-T-5 and LR-H-77	Sources:
N1044	11,557,546	USPS-T-5, WP A-3, page 42.
D944	\$ 2,996,626	USPS-T-5, WP A-3, page 16.
1097	13,422,273	See page 2 of this attachment.
D1099	100,000,000	USPS-T-5, WP A-3, page 46.
N1047	7,131,611	USPS-T-5, WP A-3, page 42.
N074	\$ 751,687	USPS-T-5A, page 36.
D947	\$ 38,798,106	USPS-T-5, WP A-3, page 16.
line 12	\$ 5,552,805	USPS LR-H-77, revised page 3, column 11, row 1
line 13	\$ 13,930	USPS LR-H-77, revised page 3, column 12, row 1
line 14	\$ 88,236	USPS LR-H-77, revised page 3, column 13, row 1
line 3	\$ 10,864	USPS LR-H-77, revised page 2, column 4, row 1

Cleaning and Protection Costs Based on above inputs:

\$ 111,984

SUPPLEMENTAL RESPONSE
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TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15

Calculation of Component 1097 for
First-Class Single Piece Letters, Flats & Parcels

Component	Data from Witness Alexandrovich, USPS-T-5, WP A-3, pages 27 to 46.
1099	20,550,941
1001	1,695,921
1002	
1003	
1010	8,300
1039	1,887,150
1040	276,830
1041	460
1044	1,502,132
1046	
1047	1,634,278
1048	123,597
1049	
1050	
1051	
1053	
Total 1001 to 1053	7,128,668
1099 - Total 1001 to 1053 = 1097	
1097	13,422,273

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2. Attachment one is a table showing the TYBR segment 11 cleaning and protection piggyback costs from LR-H-77, by class of mail. The sum total of these costs are compared to the cleaning and protection costs from witness Patelunas, Workpaper E, Table C at 9-10.

Please explain how the sum total of the piggyback cleaning and protection costs from LR-H-77 for some subclasses of mail can be greater than the total cleaning and protection costs estimated by the roll forward model for those subclasses of mail.

Response:

The sum total of the piggyback cleaning and protection costs from USPS LR-H-77 exceeds the costs estimated by the roll forward model for some subclasses because of an error in the H-77 calculation of the test year mail processing piggyback factors, which is described below. The sum total of the piggyback cleaning and protection costs should be equal to or less than the costs estimated by the roll forward for all subclasses. The former are less than, rather than equal to, the latter because the six functional areas included in these piggyback factors do not include all the activities utilizing space, as discussed below. Correction of the H-77 calculation of the mail processing piggyback factors restores the expected relationship between piggybacked and roll forward costs, as shown below.

The error in the mail processing piggyback factor calculation is contained in both the base year and test year piggyback factors as originally filed in USPS LR-H-77, pages 1 and 41. It is due to an error in two lines of the SAS program. This error leads to an overstatement of the cleaning and protection costs associated with employee facilities, which is the second step of the calculation of

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cleaning and protection costs described in response to POIR No. 15, Question 1. This error also affects the other facility-related costs developed in the USPS LR-H-77 mail processing piggyback factors. Correcting this error⁶ reduces the cleaning and protection costs, as well as all the other space related costs, contained in the mail processing piggyback factors in Part I of LR-H-77. This reduces the base year and test year mail processing piggyback factors contained in Part I of LR-H-77, as discussed further below.

In responding to this question, we also found an additional error related to the calculation of facility space-related costs for the piggyback factors in part I of LR-H-77: the formulas in original Appendix One for the facility related costs for employee facility space and office space did not include all the relevant costs. This latter error causes a small understatement of facility space related costs associated with all the piggyback factors which are listed in Attachment One (from the PRC) to this question.⁷ Correcting this error leads to the revisions in several formulas (DK1, DK2, DK5, and DK6) of Appendix One and to the related SAS code. This results are very small increases in the space related costs contained in these piggyback factors.

⁶ Specifically, to amend the SAS program so that the mail processing piggyback factors are consistent with the original (unrevised) Appendix One of the Partial Response of the USPS to ANM/USPS-1-17 (Tr. 19A, 8575-76), formulas (d1) and (d2), the following changes should be made on page 15 of original USPS LR-H-77. On line 316, substitute "COMP(.17)" for "COMP(.15)." On line 318, substitute "COMP(.17)" for "COMP(.16)." However, as discussed below, further revisions to the SAS program are needed because of revisions made to Appendix One which are being filed concurrently.

⁷ This error does not cause or contribute to the negative difference in column 9 of Attachment One to this question.

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Except for the base year and test year mail processing piggyback factors, the change in the piggyback factors to correct the errors described above is *de minimus*. Pages 1 and 2 of Attachment Two to this response (provided by USPS), show the corrected Base Year and Test Year mail processing piggyback factors, which generally decline about one to three percent from those provided in the originally filed USPS LR-H-77 (pages 1 and 41).⁸ The reduction in the piggyback factors is the largest for those subclasses for which there is a negative difference shown in column 9 of Attachment One (provided by the PRC) to this question. Applying the revised USPS LR-H-77 piggyback factors lowers the resulting unit costs one to three percent.⁹ Errata to LR-H-77 are being filed concurrently with this POIR response.

⁸ The mail processing piggyback factors for special services decline by as much as eight percent, as in the case for registry. However, it does not appear that the mail processing piggyback factors for special services are utilized in cost studies.

⁹We have been able to determine that these piggyback factors are used in the following cost studies: 1. mail processing unit costs by shape in USPS LR-H-106, which is incorporated into my testimony USPS-ST-45; 2. Witness Nelson's testimony, USPS-T-19, Exhibit USPS-T-19D, page 3 for Express Mail delivery related cost per piece; 3. Witness Crum's testimony, USPS-T-28, Exhibit USPS-T-28C for outgoing mail processing costs at non-BMC facilities avoided by DBMC parcel post; and 4. LR-H-107, for the following special services costs – Address Correction Service, Certificate of Mailing, Correction of Mailing List, Insurance, Merchandise Return, and Zip Coding of Mailing List.

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Attachment three to this response (provided by USPS), is a modified attachment one (provided by PRC). Attachment three compares the cleaning and protection costs in the revised LR-H-77 piggyback factors to the roll forward costs. It shows that there is no longer any subclass for which the piggyback cleaning and protection costs exceed the roll forward cleaning and protection costs. The cleaning and protection piggybacked costs are less than the total included in the roll forward because of the portion of these costs related to postmasters, claims and inquiry, and post office box space, as discussed below.

Attachment One (PRC) and Attachment Three (USPS) show the roll forward cleaning and protection costs to be much higher than the cleaning and protection costs contained in the piggyback factors for the category listed alternatively as "LOCK & CALL BOX" in Attachment One and "POST OFFICE BOX" in Attachment Three. The roll forward costs are higher because none of the piggyback factors, including those for window service, include the cleaning and protection costs for the space associated with the post office boxes themselves.¹⁰ The cleaning and protection costs for this space accounts for most all of the remaining difference.

¹⁰The window service piggyback factor for Post Office Boxes is for the window portion of the costs at plants and delivery units, not all post office box costs.

	Segment 11 Cleaning & Protection piggyback costs from LR-H-77							Total TYBR	
	MP (1)	WS (2)	CDC (3)	VSD (4)	SDM (5)	RC (6)	TOTAL (7)	Seg 11 Clean & Prot Costs (8)	Difference (9)
1-LETTERS&PARCELS	120,954	14,113	17,041	195	7	2,519	154,829	157,964	3,135
-PRESORT LET&PAR	31,945	656	8,600	125	3	2,368	43,697	46,157	2,460
-PRIVATE CARDS	2,741	929	817	1	-	168	4,656	4,972	316
-PRESORT PRI CDS	1,137	28	392	-	-	122	1,679	1,805	126
PRIORITY	24,821	1,421	1,486	143	14	131	28,016	26,714	(1,302)
EXPRESS	4,535	739	297	9	589	45	6,214	6,070	(144)
MAILGRAM	1	-	2	-	-	-	3	4	1
2-IN COUNTY	477	14	242	15	-	119	857	898	31
-REGULAR RATE	15,909	64	2,271	205	-	940	19,389	19,024	(365)
-NONPROFIT	2,597	6	585	40	-	286	3,514	3,543	29
-CLASSROOM	162	-	16	1	-	7	186	180	(6)
3-SINGLE PIECE	2,819	78	307	3	-	11	3,218	3,118	(100)
-BRR CAR PRESORT	10,475	181	7,872	266	-	2,439	21,233	22,690	1,457
-BRR OTHER	53,225	720	8,458	263	-	2,932	65,598	65,283	(315)
-BRNP CAR PRESORT	1,082	28	498	13	-	125	1,746	1,817	71
-BRNP OTHER	10,885	250	1,861	43	-	644	13,683	13,737	54
4-ZONE RATE PARCELS	9,656	196	549	179	-	94	10,674	9,967	(707)
-BND PRNTEd MATTER	3,900	20	681	94	-	96	4,791	4,604	(187)
-SPECIAL RATE	3,809	97	337	34	-	46	4,323	4,066	(257)
-LIBRARY RATE	770	3	54	4	-	11	842	785	(57)
USPS PENALTY	2,065	338	111	7	-	11	2,532	2,531	(1)
FREE FOR BLIND	471	6	35	3	-	6	521	490	(31)
INTERNATIONAL MAIL	5,860	665	248	37	94	22	6,926	7,072	146
SS-REGISTRY	4,748	269	62	-	-	17	5,096	4,526	(570)
-CERTIFIED	2,165	1,218	1,033	-	-	513	4,929	5,014	85
-INSURANCE	61	363	28	-	-	25	477	496	19
-COD	156	82	22	-	-	26	286	287	1
-SPECIAL DEL	-	-	1	-	-	-	1	1	-
-MONEY ORDERS	-	2,534	-	-	-	12	2,546	2,677	131
-STAMPED ENVLPS	-	32	-	-	-	-	32	35	3
-SPECIAL HNDLG	18	16	-	-	-	-	34	32	(2)
-LOCK&CALL BOX	-	1,850	3	-	-	-	1,853	70,977	69,124
-OTHER	2,781	187	82	-	-	-	3,050	2,968	(82)
TOTAL ATTRIBUTABLE	320,225	27,103	53,991	1,680	707	13,735	417,441	490,504	73,063

Sources:

All Segment 11 Cleaning & Protection piggyback costs from USPS LR-H-77:

- Col. 1 MP: Col. 14, P. 43
- Col. 2 WS: Page 63
- Col. 3 CDC: Page 82
- Col. 4 VSD: Page 105
- Col. 5 SDM: Page 121
- Col. 6 RC: Page 140

USPS-T-15, Col. 8-Col. 7
W/P E, Table C
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ATTACHMENT TWO (USPS) TO QUESTION 2
PAGE 1

SUPPLEMENTAL RESPONSE
OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15

MAIL PROCESSING PIGGYBACK RATIOS AS REVISED 3/16/98

BASE YEAR 1996

OBS	--CLASSES-- SUBCLASSES SPEC.-SVCS	PIGGYBACK -RATIOS-
1	FIRST-CLASS:-LTRS.& PCLS.	1.53588
2	-PRESORT LTRS. & PCLS.	1.57943
3	-POSTAL CARDS	.
4	-PRIVATE POST CARDS	1.49863
5	-PRESORT PRVT P CARDS	1.51643
6	TOTAL FIRST-CLASS MAIL	1.54269
7	PRIORITY MAIL	1.49323
8	EXPRESS MAIL	1.51142
9	MAILGRAMS	1.25316
10	SECOND-CL: WITHIN COUNTY	1.43932
11	OUTSIDE THE COUNTY:	.
12	REG. RATE PUBLICATIONS	1.47939
13	NONPROFIT PUBLICATIONS	1.48464
14	CLASSROOM PUBLICATIONS	1.48070
15	TOTAL SECOND-CLASS MAIL	1.47909
16	THIRD-CLASS: SINGLE PIECE	1.54667
17	B.R.REG. CARR.PRESORT	1.53223
18	B.R.REG. OTHER	1.51991
19	TOTAL BULK RATE REGULAR	1.52172
20	B.R.NONP.CARRIER PRESORT	1.54590
21	B.R.NONP.OTHER	1.50567
22	TOTAL BULK RATE NONPROF.	1.50861
23	TOTAL THIRD-CLASS MAIL	1.52030
24	FOURTH-CLASS: ZONE RATE	1.65188
25	BOUND PRINTED MATTER	1.64091
26	SPECIAL FOURTH CL. RATE	1.69552
27	LIBRARY RATE	1.64704
28	TOTAL FOURTH-CLASS MAIL	1.65842
29	USPS PENALTY MAIL	1.47210
30	FREE MAIL	1.57671
31	INTERNATIONAL MAIL	1.50478
32	TOTAL ALL MAIL	1.53361
33	SPECIAL SERVICES:-REGISTRY	2.48766
34	-CERTIFIED	1.77118
35	-INSURANCE	1.61209
36	-C.O.D.	1.74971
37	-SPECIAL DELIVERY	3.40631
38	-MONEY ORDERS	.
39	-STAMPED ENVELOPES	.
40	-SPECIAL HANDLING	1.71612
41	-POST OFFICE BOX	.
42	-OTHER	1.54278
43	TOTAL SPECIAL SERVICES	1.73127
44	TOTAL ATTRIBUTABLE	1.53589

ATTACHMENT TWO (USPS) TO QUESTION 2
PAGE 2

SUPPLEMENTAL RESPONSE
OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15

MAIL PROCESSING PIGGYBACK RATIOS AS REVISED 3/16/98

TEST YEAR

OBS	--CLASSES-- SUBCLASSES SPEC.-SVCS	PIGGYBACK -RATIOS-
1	FIRST-CLASS:-LTRS.& PCLS.	1.56054
2	-PRESORT LTRS. & PCLS.	1.59619
3	-POSTAL CARDS	.
4	-PRIVATE POST CARDS	1.52835
5	-PRESORT PRVT P CARDS	1.53168
6	TOTAL FIRST-CLASS MAIL	1.56655
7	PRIORITY MAIL	1.53508
8	EXPRESS MAIL	1.52433
9	MAILGRAMS	1.28619
10	SECOND-CL: WITHIN COUNTY	1.46618
11	OUTSIDE THE COUNTY:	.
12	REG. RATE PUBLICATIONS	1.50567
13	NONPROFIT PUBLICATIONS	1.51381
14	CLASSROOM PUBLICATIONS	1.50784
15	TOTAL SECOND-CLASS MAIL	1.50576
16	THIRD-CLASS: SINGLE PIECE	1.57071
17	B.R.REG. CARR.PRESORT	1.54879
18	B.R.REG. OTHER	1.55125
19	TOTAL BULK RATE REGULAR	1.55089
20	B.R.NONP.CARRIER PRESORT	1.57400
21	B.R.NONP.OTHER	1.54072
22	TOTAL BULK RATE NONPROF.	1.54325
23	TOTAL THIRD-CLASS MAIL	1.55033
24	FOURTH-CLASS: ZONE RATE	1.70702
25	BOUND PRINTED MATTER	1.67144
26	SPECIAL FOURTH CL. RATE	1.72837
27	LIBRARY RATE	1.67559
28	TOTAL FOURTH-CLASS MAIL	1.70153
29	USPS PENALTY MAIL	1.48843
30	FREE MAIL	1.60985
31	INTERNATIONAL MAIL	1.54779
32	TOTAL ALL MAIL	1.56071
33	SPECIAL SERVICES:-REGISTRY	2.81491
34	-CERTIFIED	1.78969
35	-INSURANCE	1.63769
36	-C.O.D.	1.80722
37	-SPECIAL DELIVERY	.
38	-MONEY ORDERS	.
39	-STAMPED ENVELOPES	.
40	-SPECIAL HANDLING	1.78795
41	-POST OFFICE BOX	.
42	-OTHER	1.56947
43	TOTAL SPECIAL SERVICES	1.78313
44	TOTAL ATTRIBUTABLE	1.56320

**SUPPLEMENTAL RESPONSE
OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 15**

	<u>Segment 11 Cleaning & Protection piggyback costs from LR-H-77</u>						<u>Total TYBR Seg. 11 Clean. &</u>		
	<u>Corrected MP (1)</u>	<u>WS (2)</u>	<u>CDC (3)</u>	<u>VSD (4)</u>	<u>SDM (5)</u>	<u>RC (6)</u>	<u>TOTAL (7)</u>	<u>Prot Costs (8)</u>	<u>Difference (9)</u>
1-LETTERS&PARCELS	115,093	14,113	17,041	195	7	2,519	148,968	157,964	8,996
-PRESORT LET&PAR	30,283	656	8,600	125	3	2,368	42,035	46,157	4,122
-PRIVATE CARDS	2,683	929	817	1	-	168	4,598	4,972	374
-PRESORT PRI CDS	1,096	28	392	-	-	122	1,638	1,805	167
PRIORITY	22,463	1,421	1,486	143	14	131	25,658	26,714	1,056
EXPRESS	4,094	739	297	9	589	45	5,773	6,070	297
MAILGRAM	1	-	2	-	-	-	3	4	1
2-IN COUNTY	444	14	242	15	-	119	834	898	64
-REGULAR RATE	14,736	64	2,271	205	-	940	18,216	19,024	808
-NONPROFIT	2,413	6	585	40	-	286	3,330	3,543	213
-CLASSROOM	150	-	16	1	-	7	174	180	6
3-SINGLE PIECE	2,623	78	307	3	-	11	3,022	3,118	96
-BRR CAR PRESORT	9,662	181	7,872	266	-	2,439	20,420	22,690	2,270
-BRR OTHER	49,551	720	8,458	263	-	2,932	61,924	65,283	3,359
-BRNP CAR PRESORT	1,000	28	498	13	-	125	1,664	1,817	153
-BRNP OTHER	10,214	250	1,861	43	-	644	13,012	13,737	725
4-ZONE RATE PARCELS	8,657	196	549	179	-	94	9,675	9,967	292
-BND PRNTE MATTER	3,527	20	681	94	-	96	4,418	4,604	186
-SPECIAL RATE	3,428	97	337	34	-	46	3,942	4,066	124
-LIBRARY RATE	697	3	54	4	-	11	769	785	16
USPS PENALTY	1,951	338	111	7	-	11	2,418	2,531	113
FREE FOR BLIND	431	6	35	3	-	6	481	490	9
INTERNATIONAL MAIL	5,524	665	248	37	94	22	6,590	7,072	482
SS-REGISTRY	4,092	269	62	-	-	17	4,440	4,526	86
-CERTIFIED	1,899	1,218	1,033	-	-	513	4,663	5,014	351
-INSURANCE	54	363	28	-	-	25	470	496	26
-COD	136	82	22	-	-	26	266	287	21
-SPECIAL DEL	-	-	1	-	-	-	1	1	-
-MONEY ORDERS	-	2,534	-	-	-	12	2,546	2,677	131
-STAMPED ENVLPS	-	32	-	-	-	-	32	35	3
-SPECIAL HNDLG	15	16	-	-	-	-	31	32	1
-POST OFFICE BOX	-	1,850	3	-	-	-	1,853	70,977	69,124
-OTHER	2,565	187	82	-	-	-	2,834	2,968	134
TOTAL ATTRIBUTABLE	299,482	27,103	53,991	1,680	707	13,735	396,698	490,504	93,806

Sources:

All Segment 11 Cleaning & Protection piggyback costs from revised USPS LR-H-77:
 Col. 1 MP: Col. 14, P. 43
 Col. 2 WS: Page 63
 Col. 3 CDC: Page 82
 Col. 4 VSD: Page 105
 Col. 5 SDM: Page 121
 Col. 6 RC: Page 140

USPS-T-15, Col. 8-Col. 7
 W/P E, Table C
 Page 9-10

Response of United States Postal Service Witness Bradley
to
Interrogatories of OCA

OCA/USPS-ST55-1. In reviewing your conclusions on page 10, lines 11-17, of your statement filed on February 6, 1998 (styled above as supplemental testimony, ST55) you concluded that the 27 different regression coefficients are not identical across sites and indicate that this is not surprising. Please confirm that you did not test for the equality of the regression coefficients of the TPH variable alone, disregarding the equality or inequality of any other variable coefficients. If you do not confirm, please explain.

OCA/USPS-ST55-1 Response:

Confirmed.

WRITTEN RESPONSE OF POSTAL SERVICE WITNESS DEGEN TO
ORAL QUESTION OF AMERICAN BUSINESS PRESS AT TR. 36/19434-35

Q. [With respect to the 43 percent figure at the top of page 31 of USPS-RT-6,] would you check your math and see ... whether the five-digit percentage is 43 percent or some lower number and report back?

RESPONSE:

On page 31, line 1, of my rebuttal testimony, USPS-RT-6, I report the percentage of mail on 5-digit pallets decreases from 43 percent to 11 percent when comparing the 1993 and 1996 Mail Characteristics Studies. During my cross-examination, I was asked whether I meant to include "carrier route" and "3-digit carrier route" pallets in the numerator. Upon review, it appears that my testimony would have been more accurate if I had said that the decline from 43 percent to 11 percent occurred in pallets "made up more finely than a standard 3-digit preparation." For purposes of the calculation, I did include "carrier route" and 3-digit carrier route" pallets in the numerator. Excluding the "3-digit carrier route" pallets from the numerator would reduce the proportion to 35 percent, as indicated on the cross-examination exhibit at Tr. 36/19437. As I stated at Tr. 36/19438, however, my conclusion is the same in either case: there appears between 1993 and 1996 to have been a significant increase in the use of more aggregate pallets, corresponding to the overall increase in regular rate Periodicals unit costs over the same time period.

COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO REQUEST FOR ADMISSION OF THE NEWSPAPER ASSOCIATION OF
AMERICA

NAA/USPS-RFA-1. Please admit the existence of a document entitled "United States Postal Service 1998 Marketing Plans" of which the attached is a copy of the cover page. If you cannot completely confirm, please explain.

RESPONSE:

The Postal Service affirms that the Marketing Plan is in fact a document prepared for internal use by the Postal Service.¹ As such, the document is used to inform postal employees, particularly those in marketing, about market trends and perceptions. As an internal document, it is not only used for informational purposes, but used to exhort postal employees to improve service and promote the benefits of the services they provide.

As a general matter, the Postal Service favors growth in its core businesses, including advertising mail. To achieve that goal, the Postal Service must communicate to its internal audiences the importance of improving service, promoting ease of use, and controlling cost and rate increases. These are worthwhile goals for almost any endeavor, whether public or private. In fact, they are fully consistent with the mandate of the Postal Service set out in the opening of the Postal Reorganization Act, namely that the Postal Service "shall provide prompt, reliable, and efficient services" And if any given institution, public

¹ The Marketing Plan is a 300-plus page document of broad scope which was intended to inform and motivate an internal audience. It is not intended for external use and reliance or use of it by persons or entities outside the Postal Service could lead to misinterpretation or misuse of statements within it. As such, small pieces of it can be taken out of context and used to infer a variety of motivations on the part of the Postal Service.

COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO REQUEST FOR ADMISSION OF THE NEWSPAPER ASSOCIATION OF
AMERICA

or private, succeeds in improving service and promoting ease of use, and accomplishes these objectives at a reasonable price, one can reasonably expect its constituency to recognize the value and increase its use of that institution's products and services.

The above themes can be expressed in a variety of ways. Moreover, expressions of the existence of competition or intent to compete should be understood to serve as motivational tools which recognize current market realities, and not as a battle cry against private sector providers of alternative media. Thus, any given statement in the marketing plan cannot be understood or used in isolation, but rather must be placed in the appropriate context.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-120. Please provide the Postal Service budget numbers for total Postal Service expenses, revenues and volumes, by accounting periods, for FY 1998 of the type which are referenced by the Chief Financial Officer in his earnings expense, revenue and volume comparisons during presentations at public meetings to the Board of Governors.

RESPONSE:

A copy of the FY 1998 operating plan is attached. Please note that the FY 1998 operating budget is not comparable to the Docket R97-1 rate filing because of timing differences. In particular, the Docket R97-1 FY 98 estimate was hypothetical in nature, assuming that new rates were implemented on October 1, 1997, while the FY 98 operating budget assumed that new rates would not be effective until the fourth quarter of FY 1998.

ATTACHMENT TO
CCA/US1 120

U.S. POSTAL SERVICE
FY 1998 OPERATING PLAN
(THOUSANDS)

	AP 1	AP 2	AP 3	AP 4	AP 5	AP 6	AP 7	AP 8	AP 9	AP 10	AP 11	AP 12	AP 13	TOTAL
OPERATING REVENUE	4,769,360	4,810,160	4,688,002	4,738,739	4,766,694	4,565,390	4,724,597	4,645,966	4,514,455	4,514,262	4,431,531	4,563,307	4,696,447	60,430,910
APPROPRIATIONS	5,161	5,161	5,161	5,160	5,161	5,161	5,161	5,160	5,161	5,161	5,161	5,160	5,161	67,090
INVESTMENT INCOME	<u>0,079</u>	<u>2,079</u>	<u>2,077</u>	<u>33,025</u>										
TOTAL REVENUE	4,762,600	4,817,400	4,695,242	4,745,978	4,773,934	4,572,630	4,731,837	4,653,205	4,521,695	4,521,502	4,438,771	4,570,546	4,705,665	60,531,025
TOTAL EXPENSE	<u>4,440,399</u>	<u>4,482,100</u>	<u>4,521,289</u>	<u>4,716,337</u>	<u>4,635,754</u>	<u>4,642,407</u>	<u>4,669,061</u>	<u>4,700,420</u>	<u>4,683,435</u>	<u>4,679,501</u>	<u>4,875,173</u>	<u>4,793,008</u>	<u>5,064,118</u>	<u>60,723,000</u>
NET INCOME (LOSS)	<u>342,201</u>	<u>335,300</u>	<u>173,953</u>	<u>29,641</u>	<u>138,180</u>	<u>(69,777)</u>	<u>62,776</u>	<u>(47,215)</u>	<u>(161,740)</u>	<u>(157,999)</u>	<u>(236,402)</u>	<u>(222,460)</u>	<u>(378,453)</u>	<u>(181,975)</u>
CONVERSION TO GFY NET INCOME (LOSS)														<u>(36,023)</u> <u>(228,000)</u>
TOTAL MAIL VOLUME	15,950,570	16,315,842	15,337,581	14,762,922	15,622,747	15,131,447	15,304,526	15,102,037	14,630,420	13,868,559	13,806,529	14,145,108	14,900,793	184,701,081
CONVERSION TO GFY TOTAL GFY VOLUME														<u>940,854</u> 185,641,735

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-121. Please provide the current Postal Service budget estimates for total Postal Service expenses, revenues and volumes by accounting periods, for FY 1999 comparable to those requested in OCA/USPS-120. Please indicate the assumptions regarding the effective date, if any, of the present rate request in this Docket No. R97-1.

RESPONSE:

The FY 99 operating budget, which allocates expenses, revenues, and volumes by accounting period, has not yet been developed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-122. Please provide the current Postal Service estimate of net income for FY 1998. Please indicate the assumptions regarding the effective date of any rate increase during the period.

RESPONSE: The Postal Service's FY 98 operating budget continues to reflect a net loss of \$228 million. This assumes that the rates requested in this filing are implemented during quarter four.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-123. Please provide the current Postal Service estimate of net income for FY 1999. Please indicate the assumptions regarding the effective date of any rate increases and their amount during the period.

RESPONSE: The Postal Service's most recent formal estimate of FY 1999 net income, as reflected in the FY 1999 President's Budget, is \$625 million. The President's Budget estimate assumes that the new rates requested in this Docket will be effective during the fourth quarter of FY 1998.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-124. Please refer to Table 53 in witness Tayman's testimony, USPS-T-9 at 42 in which he indicates the prior years' losses on September 30, 1996, were \$5,657,952 and his testimony at Tr. 9/4593 that net income would be applied to reduce the past year losses by a like amount.

- a. Please confirm that the 1997 net income reported in the Postal Service's annual report of \$1.264 billion reduced the past year losses account by a like amount.
- b. Please provide the current account balance for Postal Service prior year losses and state how it was calculated, including any other adjustments starting with the balance at the beginning of 1997.

RESPONSE:

- a. Confirmed.
- b. The information requested has already been provided as an attachment to the Postal Service's response to Notice of Inquiry No. 5.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-125. The Postal Service's Daily News Digest, Thursday, January 22, 1998, includes a portion of the "Friday Report" for January 16, 1998, stating the Postal Service "is now showing a \$731 billion profit in the first half of their 1998 fiscal year." Does the Postal Service currently estimate at least a \$731 billion profit in the first half of its 1998 fiscal year? If not, please explain and state what profit the Postal Service is currently estimating for the first half of its FY 1998.

RESPONSE: As reflected on the attachment to OCA/USPS-120, planned net income through accounting period six is \$949 million, not \$731 billion as reported in the "Friday Report". As information, the Postal Service reported a net income of \$731 million through the end of accounting period 2 of Postal Fiscal Year 1998.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-2. Your testimony at 23 states,

The additional-ounce rate continues to be an important source of revenue for the Postal Service. In 1996, additional ounces generated about \$4.3 billion in revenue, or 13 percent of First-Class Mail revenue for the year.

The proposal to maintain this rate at its current level is consistent with the revenue requirement. A uniform rate of 23 cents for both nonautomated and automated mail is also consistent with the need for simplicity in rate design.

- a. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the First-Class additional-ounce rate? If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-3. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and additional-ounce rate and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-4. At page 17, you note that "First-Class Mail weighing one ounce or less and exceeding standard letter-size dimensions, or not conforming to a specified range of aspect (length to width) ratios, is assessed a nonstandard surcharge." Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the nonstandard surcharge?

- a. If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-5. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and nonstandard surcharge and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-6. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the single-piece card rate?

- a. If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

1 CHAIRMAN GLEIMAN: For your information I will be
2 issuing a ruling today correcting all previous volumes of
3 transcript, so you'll be able to use them and correct
4 citations in initial briefs.

5 Transcript corrections for today's hearing must be
6 filed by April 2, and it is my current intention to close
7 the evidentiary record as soon as possible thereafter,
8 certainly no later than early next week.

9 Does any participant have a procedural matter
10 before we begin today?

11 Ms. Reynolds, if you would introduce your -- oh,
12 you do have a procedural matter?

13 MS. REYNOLDS: I have a very brief procedural
14 matter. On our previous hearing I realized afterwards that
15 I had forgotten to incorporate into the record an addition
16 to Dr. Schenk's Appendix B. This consists of the copy of
17 the survey form which Christensen Associates had used as
18 well as some letters that had accompanied it. It was filed
19 by the Postal Service as an errata to our testimony on March
20 16. However, I mistakenly did not incorporate it into the
21 record. I've got two copies for the reporter and would ask
22 that they be transcribed today.

23 CHAIRMAN GLEIMAN: Mr. Levy, do you have any
24 concerns or --

25 MR. LEVY: We have received them?

1 MS. REYNOLDS: Yes, this was material you had
2 asked for and we'd faxed to you.

3 MR. LEVY: Then I have no objection.

4 CHAIRMAN GLEIMAN: Without objection, if you'd
5 provide the two copies to the court reporter, I'll direct
6 that they be transcribed into the record and entered into
7 evidence in connection with Witness Schenk's testimony.

8 [Christensen Associates additional
9 rebuttal testimony of Witness
10 Leslie M. Schenk was received into
11 evidence and transcribed into the
12 record.]

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Laurits R. Christensen Associates, Inc.
 4610 University Avenue, Suite 700
 Madison, Wisconsin 53705-2164

Voice 608.231.2266 Fax 608.231.2108

TO: SELECTED MANAGERS, BUSINESS MAIL ENTRY

As explained in the enclosed letter from Anita Bizzotto, Christensen Associates is conducting a study for the Postal Service on the frequency with which mail not qualifying for Nonprofit Standard (A) rates is accepted with nonprofit endorsements, and what accounting procedures are used when nonprofit transactions are ruled ineligible for nonprofit rates. This information is vital for the current rate case. In order to inform headquarters in a timely fashion, we need to obtain this information as soon as possible.

We have enclosed a list of questions on nonprofit mailing and accounting practices. These questions outline the information needed. Please determine who at your facility can provide us this information, and fax back the enclosed contact sheet by 4:00 p.m. today (Wednesday, March 4). The contact should be the person who is most knowledgeable of acceptance procedures used at your site. It is anticipated that we may need to talk with more than one person at your site, since we also need information on the procedures used in accounting for postage deficiencies when nonprofit mailings are ruled ineligible – if this is the case, the designated contact person should be someone who can direct us to the knowledgeable personnel for these issues, or who could coordinate a time when we could talk with all relevant personnel at the same time. We will call the designated person(s) at the time noted on the sheet, to discuss the information requested. Note that you do not need to return the questionnaire at this time.

We appreciate your assistance in this matter. This information will help the Postal Service respond to questions arising in the current rate case concerning nonprofit mailing practices. If you have any questions concerning this request, please do not hesitate to call us at (608)231-2266.

Sincerely,

A handwritten signature in cursive script, appearing to read "Leslie M. Schenk".

Leslie M. Schenk
 Senior Economist

A handwritten signature in cursive script, appearing to read "Paul Loetscher".

Paul Loetscher
 Economist

Encl.

MARKETING SYSTEMS
BUSINESS MAIL ACCEPTANCE



February 18, 1998

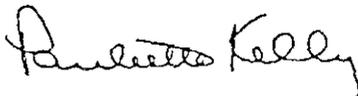
MANAGERS, BUSINESS MAIL ENTRY

SUBJECT: Christensen Associates

The Postal Service has contracted with Christensen Associates to study the frequency with which mail not qualifying for Standard (A), Nonprofit rates is accepted with nonprofit endorsements. This issue has come up in a current rate case. If you are contacted by representatives of Christensen Associates for information regarding our acceptance procedures or any information you may have relating to this issue, please give them your full cooperation.

If you have questions, please contact John Reynolds at (202) 268-2653.

Thank you for your assistance.


for Anita J. Bizzotto
Manager

Contact for Nonprofit Standard (A) Study

Fax to: Leslie Schenk
Christensen Associates
(608)231-2108

Contact Name: _____

Facility Name: _____

Finance Number: _____

Contact Phone Number: _____

Best time to call: _____

QUESTIONS ON NONPROFIT MAILINGS

- I. General Information on Nonprofit Mailings
 - A. Consider the most recent AP. Is this a representative AP for Nonprofit Standard (A) Mail accepted through your office? If not, why? What AP is representative?
 - B. Has the volume of Nonprofit Standard (A) mail that your office accepts changed since FY95? If so, how? (That is to say, has there been an increase or decrease in either the number of nonprofit mailers or the volume of individual nonprofit mailers?)
 - C. How many nonprofit mailings were accepted at your office during the most recent AP (or most recent representative period? What was the total volume and revenue for these transactions?
 - D. What documentation is kept on rejected nonprofit mailings (are logs kept, or notes/memos kept in customers' files)? Is this documentation available for FY96, FY97, FY98 (to date)? What information is usually recorded in the documentation? Permit number? Reason for rejection? Action taken? Revenue, volume or weight?
 - E. Were enforcement practices concerning eligibility for nonprofit mailing (in terms of advertising content or other characteristics that would make the piece ineligible for nonprofit rates) any different in FY96 compared with FY95? With FY97? If so, how?
 - F. Was mailer compliance behavior different in FY96 compared with FY95 and with FY97, with regard to characteristics of the mailpiece that determine eligibility for nonprofit rates? If so, how?

- II. Nonprofit Mailings Rejected or Ruled Ineligible During Acceptance Process
 - A. In the most recent AP (or most recent representative period), how many nonprofit mailings were rejected or ruled ineligible for nonprofit rates?
 - B. Of these, how many were rejected or ruled ineligible because of poor preparation (for example, not presorted correctly)? How many because no Form 3624 was on file? How many because of insufficient funds in the trust account? How many because their content made them ineligible for nonprofit rates?
 - C. For the most recent AP (or most recent representative period), of those rejected or ruled ineligible because of content:
 - a. How many had Permit imprint indicia? Precanceled stamps? Metered indicia?
 - b. How many were accepted under or subsequently required to pay regular rates?
 - c. For those accepted under regular rates:
 1. What regular rate was paid (Standard (A), First-Class, etc.)

QUESTIONS ON NONPROFIT MAILINGS

2. How was the additional postage accounted for? How were these transactions entered into the PERMIT system? Were they ever entered as Nonprofit then reversed to regular rate?
 3. What were the volumes of each of these transactions?
 4. (If actual volumes unknown: How many accepted under regular rates had volumes < 500 pieces., 500-1,000 pieces., 1,000-5,000, 5,000-10,000, 10,000-50,000, 50,000-100,000 , and >100,000 pieces).
 5. How were these pieces endorsed?
 6. Did the customer ever correct the endorsement before re-entering the mail?
- d. After a mailing is required to pay regular rates, what procedures do you use when the same mailer brings in another nonprofit mailing that you determine has to pay regular rates because of content problems?

[If the logs are available and have enough information, we will ask the sites to provide the logs or to get the information directly from the logs. If they logs do not have enough information or are not available, we will ask them to make informed estimates.]

- D. Do you have records of rejected mailings for FY96 available?

[If FY96 is not available, we will ask them if FY97 is available (so that we can get a complete year of data, if possible).]

- E. In FY96 (or, if not available, for FY97), how many mailings were rejected because of content?
- F. Of those rejected in FY96 (or, if not available, in FY97) because of content:
- a. How many had Permit imprint indicia? Precanceled stamps? Metered indicia?
 - b. How many were accepted under or subsequently required to pay regular rates?
 - c. For those accepted under regular rates:
 1. What regular rate was paid (Standard (A), First-Class, etc.)
 2. How was the additional postage accounted for? How were these transactions entered into the PERMIT system? Were they ever entered as Nonprofit then reversed to regular rate?
 3. What were the volumes of each of these transactions?
 4. (If actual volumes unknown: How many accepted under regular rates had volumes < 500 pieces, 500-1,000

QUESTIONS ON NONPROFIT MAILINGS

pieces, 1,000-5,000, 5,000-10,000, 10,000-50,000, 50,000-100,000 , and > 100,000 pieces).

5. How were these pieces endorsed ?
6. Did the customer ever correct the endorsement before re-entering the mail ?

[If the logs are available and have enough information, we will ask the sites to provide the logs or to get the information directly from the logs. If the logs do not have enough information or are not available, we will ask them to make informed estimates.]

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



A handwritten signature in black ink, appearing to read "Anne B. Reynolds", is written over a horizontal line.

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
March 16, 1998

1 CHAIRMAN GLEIMAN: Is there anything else?

2 If not, then Mr. Levy, you can begin when you're
3 ready.

4 MR. LEVY: Thank you, Mr. Chairman.

5 CHAIRMAN GLEIMAN: Could you flip your mike on?
6 Pull it a little closer then, perhaps.

7 MR. LEVY: Is that better?

8 CHAIRMAN GLEIMAN: The mikes are tired out like
9 the rest of us at this point.

10 MR. LEVY: Is it on?

11 I'll speak up.

12 Whereupon,

13 LESLIE M. SCHENK,

14 a rebuttal witness, having been previously duly sworn, was
15 examined and testified as follows:

16 FURTHER CROSS EXAMINATION

17 BY MR. LEVY:

18 Q Good morning again, Dr. Schenk.

19 A Good morning, Mr. Levy.

20 Q Would you turn to page 2 of your testimony?

21 A I'm there.

22 Q Now there you have a table which shows ways in
23 which mail that is sent at Regular Nonprofit A rates may
24 have nonprofit endorsements. Is that correct?

25 A Yes.

1 Q And you list three ways in which mail may be
2 entered at commercial rates but have nonprofit endorsements.
3 The first one is in which it's disqualified after acceptance
4 and recorded in AIC 119. Right?

5 A Yes.

6 Q And that's -- for that the volume you indicate is
7 negligible?

8 A Yes.

9 Q And the second way in which you could have a
10 mismatch between the postage paid and the marking of the
11 mail is if it's reversed or reversals. Is that right?

12 A Yes.

13 Q And there you have a volume of approximately 6
14 million pieces?

15 A Yes.

16 Q And then the third way in which you could have
17 mail that's marked nonprofit but pays commercial is
18 disqualification at acceptance?

19 A Yes.

20 Q And that you have a little over 30 million pieces?

21 A Yes.

22 Q Okay. Now all of those three categories involve
23 mail that was originally entered at nonprofit rates but at
24 some point was disqualified by the Postal Service. Right?

25 A Not necessarily, and part of the problem there is

1 in making a short title for the source there. The
2 disqualifications at acceptance, that's any activity that
3 during the acceptance procedure it's identified that a
4 mailing was mailed at regular rates but with nonprofit
5 indicia. So it could also include mail that a mailer
6 brought in and originally intended to pay regular rates but
7 it had nonprofit indicia, because that type of activity
8 would be included in the type of activity that would be
9 recorded in the disqualification log. So that's also
10 included in that category.

11 Q All right. Let's be very precise about that, and
12 I want to give you a scenario. Suppose that a nonprofit
13 organization has a large quantity of catalogs which it
14 enters in ten different mailings over a period of several
15 weeks or months. Do you follow that assumption?

16 A I'll accept your hypothesis here for the moment,
17 till I know where it's going.

18 Q Now all of the catalogs have nonprofit markings.
19 Do you understand that assumption?

20 A Yes.

21 Q And assume that in the first of the series of
22 mailings the mailer tries to enter the catalog at nonprofit
23 rates.

24 A Okay.

25 Q The Postal Service refuses to accept it at

1 nonprofit rates, and the next nine times -- the next nine
2 mailings the mailer simply enters the catalogs with
3 commercial postage. Do you understand those assumptions?

4 A Um-hum.

5 Q Is it your testimony that in the last nine
6 mailings -- I've taken my vitamins I guess -- is it your
7 testimony that in the last nine mailings that they would be
8 entered in the logs as disqualified mailings?

9 A No, they would be entered in the logs as a
10 problem, because the mailing came in, the mailer would try
11 to -- is paying commercial rates, but the indicia on the
12 piece would not match the rates that they were trying to
13 pay. So the clerk in first accepting that mail would see a
14 problem. You know, mail that's being mailed at commercial
15 rates should have bulk rate endorsements on them. And so
16 they would write it in the logs. It would be something that
17 they would have to both check with their supervisor, call
18 the mailer, and see what's going on, and so it would be
19 something that would be recorded in the logs as a problem
20 that needs to be investigated.

21 And so since we were asking them for information
22 from these logs and for mailings that had this problem where
23 it got mailed at regular rates but with nonprofit indicia,
24 it would be part of our survey and therefore would be
25 included in the 30 million volume that is recorded that's

1 described as being disqualification at acceptance but really
2 is anything that during the acceptance process was mailed at
3 regular rates but with nonprofit indicia.

4 Q So if a mailer voluntarily enters a catalog at
5 commercial rates, shows up with a Form 3602R, but the
6 catalog has nonprofit markings, is it your testimony that
7 that would -- each time would show up in the
8 disqualification log for that site?

9 A It's supposed to, because mail mailed at regular
10 rates is supposed to have bulk rate endorsements according
11 to the Domestic Mail Manual, so it's something that would be
12 seen as something that has to be investigated during the
13 acceptance process to see why the mail is not being endorsed
14 the same way as the rates that are being paid.

15 Q My question though wasn't whether it's supposed to
16 be done in a certain way. My question is, is it your
17 testimony that if we look at the nonqualification logs we
18 will find every instance in which mail is voluntarily
19 entered at commercial rates but bearing nonprofit markings.

20 A It is my understanding from talking with the
21 clerks and the supervisors that those mailings would be
22 recorded on these logs.

23 Q And we can confirm that by looking at the logs
24 that you produced?

25 A I believe that in looking through the logs I did

1 see -- I did see entries that would fall under that category
2 that there were indicia or meter irregularities. That was
3 one of the categories in the logs, and I saw a number of
4 instances of that in those logs.

5 Q Okay. You would agree with me that the phenomenon
6 of mailing nonprofit pieces at commercial rates is the most
7 widespread phenomenon alleged by Dr. Haldi in his testimony?

8 A I don't recall exactly, but I believe that was one
9 of the higher ones he found in his survey.

10 Q Now let's talk about a related scenario. You've
11 talked in your testimony about Postal Service employees
12 making accommodations for nonprofit mailers?

13 A Yes.

14 Q And sometimes a Postal Service employee even
15 spends time on the premises of a high-volume mailer?

16 A There are detached mail units that are located on
17 the premises of mailers; yes.

18 Q That's like a plant loading arrangement?

19 A Yeah, I believe that's what they would call it.

20 Q Well, let's suppose a Postal Service employee who
21 has a -- who's willing to make accommodations for a
22 nonprofit mailer sees a piece of mail being prepared or a
23 mailing being prepared and says let me give you a heads up.
24 I wouldn't even try to enter that mail at nonprofit rates.
25 It'll be disqualified if you do. You'd better enter it at

1 commercial rates. So the mailer enters the piece without
2 even trying to qualify it for commercial rates, but the mail
3 piece has nonprofit markings.

4 In that scenario, it's your testimony that in each
5 and every instance the piece would be entered in
6 disqualification logs as having been disqualified?

7 A My information from the clerks and supervisors on
8 site was that that would be a problem that would be recorded
9 in the logs.

10 Q For what would it be marked as having been
11 disqualified for?

12 A I'm sorry, would you repeat your question?

13 Q For what would it be marked as having been
14 disqualified?

15 A It wouldn't be marked as having been disqualified.
16 It would be recorded in the logs as something -- as a
17 problem. In this case there are categories that are called
18 indicia meter irregularities or endorsement problems. It
19 would be recorded as that.

20 Remember that, as I stated before, the entries in
21 these logs are not necessarily just those mailings that are
22 disqualified. They are mailings that there are questions
23 about that need to be explored further, and so they mark
24 down what the instance is and what needs to be explored.

25 Q Okay. For shorthand, may we refer to the

1 phenomenon where a mailer enters a piece at commercial rate
2 but bearing nonprofit markings where there's no formal
3 disqualification as a voluntary entry?

4 I just want to use a shorthand term. If you have
5 a different one you would rather use, I'd be happy to use
6 that.

7 A That's fine with me.

8 Q Okay. Your survey forms -- let me pass that
9 out --

10 MR. LEVY: I would like to have marked as ,
11 ANM-XE -- I guess number one -- a multipage document, the
12 cover page of which is a faxed note from Ms. Reynolds dated
13 March 13, 1998, and following it are several pages of
14 attachments.

15 MS. REYNOLDS: This is the material we just had
16 transcribed into evidence minus the fax cover sheet.

17 CHAIRMAN GLEIMAN: You can distribute it. It is a
18 cross examination exhibit and the reason I looked over to
19 you was primarily because of the cover note. I don't know
20 what that says and I just didn't want to get in a situation
21 where there was a document that was being put into play that
22 someone might have some concerns about -- it's just a
23 straightforward fax transmittal sheet?

24 MS. REYNOLDS: Yes, there's nothing --

25 CHAIRMAN GLEIMAN: Fine. I seem to have enabled

1 us to get into enough mischief along the way as it is. I
2 don't want us to create any more problems at this late date.

3 [Cross-Examination Exhibit No.
4 ANM-XE-1 was marked for
5 identification.]

6 BY MR. LEVY:

7 Q Dr. Schenk, would you look at Exhibit 1 and tell
8 me if you recognize the documents contained in it?

9 A Yes, I do.

10 Q Would you turn to the first page after the cover
11 page, which is a letter bearing your signature -- that
12 appears to be bearing your signature and Paul Loetscher's
13 signature dated -- it doesn't have a date.

14 Do you recognize that letter?

15 A Yes, I do.

16 Q Is that in fact from you and Mr. or Dr. Loetscher?

17 A Yes, it is.

18 Q And approximately what date was it sent?

19 A I don't remember exactly. It would have been the
20 week before March 4th -- probably that Friday before. I
21 don't remember the exact date.

22 Q Do you see anything in that letter requesting
23 that -- let me back up.

24 This is a letter that was sent to the managers of
25 Business Mail Entry at the sites covered in your survey?

1 A Yes.

2 Q And this was essentially requesting them to see
3 that the survey be answered by somebody knowledgeable?

4 A Yes.

5 Q Is there anything in that cover letter asking them
6 to report volumes of mail that had nonprofit markings but
7 were voluntarily entered at commercial rates?

8 A We -- in this letter we asked them for the
9 frequency -- I am reading from the first paragraph here --
10 the frequency with which mail not qualifying for nonprofit
11 Standard A rates is accepted with nonprofit endorsements, so
12 that would in fact include the instance which you are
13 referring to.

14 Q Okay. Now you testified that the people who
15 actually answered the survey may not have necessarily seen
16 this letter.

17 A That's correct.

18 Q Now will you flip two pages? Do you see the
19 document bearing the heading, "Questions on Nonprofit
20 Mailings" --

21 A Yes.

22 Q -- and then that continues for three pages.

23 A Yes.

24 Q And that in fact is the questionnaire?

25 A No. These were general questions that we had sent

1 to the sites to help them focus their attention on the issue
2 that we were going to be asked, asking them.

3 Q So this was not the questionnaire that was
4 actually presented to the people who provided the
5 information to your question takers, was it?

6 A The forms that we actually used to record the
7 information were filed in the Library Reference, but most of
8 the questions are very similar to the questions asked here.

9 Q Okay, now the last page of this document, this is
10 in fact a letter from Anita Bizzotto that was sent to the
11 same sites that were covered in the survey?

12 A Yes.

13 Q And it was sent on or about February 18th, 1998?

14 A That is when the letter was originally written,
15 yes.

16 Q And when was it sent out, to the best of your
17 knowledge?

18 A It was sent out to the sites that we were
19 surveying at the same time that these other documents were
20 sent out.

21 Q Which was?

22 A As I said before, the Friday before March 4th,
23 whatever date that was.

24 MR. LEVY: Thank you. That is all I have on that
25 document for now.

1 I guess we need to go into the actual survey
2 forms. For convenience I think I am going to pass out right
3 now as exhibits both the survey questionnaire forms and the
4 acceptance logs that were produced more recently.

5 If I may mark what I will represent is a
6 collection of the questionnaire forms as ANM-XE-2

7 [Cross-Examination Exhibit No.
8 ANM-XE-2 was marked for
9 identification.]

10 MR. LEVY: This differs from the documents that
11 were produced to us, I will state for the record, in that we
12 have put Bates numbers in the lower right-hand corner of the
13 pages so that the whole document is consecutively numbered,
14 and I would like to have this marked as XE-2.

15 As XE-3, two volumes of the acceptance logs,
16 similarly Bates numbered, and I would like to have those
17 marked as XE-3A and 3B.

18 [Cross-Examination Exhibit Nos.
19 ANM-XE-3A and ANM-XE-3B were marked
20 for identification.]

21 MR. LEVY: I want the record to reflect that my
22 client is actually doing some work in this case.

23

24 BY MR. LEVY:

25 Q Dr. Schenk, do you recognize Exhibit XE-2?

1 A Yes. I do.

2 Q And it is in fact the survey responses --

3 A Oh, yes.

4 Q Would you -- while keeping that in your hand --
5 take a look at Exhibit XE-3A and 3B and tell me if you
6 recognize those?

7 A They appear to be the logs that we provided last
8 Thursday.

9 Q Now would you please turn to page 29 of your
10 testimony.

11 A Yes, I'm there.

12 Q Now there is a table in the first half of the page
13 and the -- what appears to be the right-hand column bears a
14 heading, Volume Disqualified, Paid Regular Standard A.

15 A Yes.

16 Q Is that in fact the volume -- are the volumes in
17 there in fact the volumes used to compute the 30 million
18 figure on page 2 of your testimony?

19 A Yes, they are.

20 Q But the heading on page 29 says Volume
21 Disqualified. It doesn't say volumes that are fishy or
22 volumes that don't comply with the rules because there is a
23 mismatch between the markings and the postage paid, does it?

24 A They -- I must admit I did not make the volume --
25 the column heading descriptive enough.

1 What they do represent though are the volumes the
2 estimated volumes that were sent at regular rate but had
3 nonprofit indicia.

4 Q Including mail that was voluntarily entered that
5 way?

6 A Yes.

7 Q All right. What is -- for Strata 1 you have
8 ranking number one a volume of 292,500. Do you see that?

9 A Yes.

10 Q What site was that?

11 A I don't have the right table in front of me.
12 Sorry.

13 That would have been Respondent No. 6.

14 Q Okay. If we could do the same thing for each of
15 the entries where you've put in a value in that column.
16 What is it for ranking No. 2? What number corresponds to
17 ranking No. 2?

18 A I'm a little concerned that in giving -- making
19 that correspondence that I'm giving out information about
20 individual sites, that I'm identifying individual sites.
21 I'm not sure -- I'm a little concerned about that.

22 MR. LEVY: Is the Postal Service making a claim of
23 confidentiality for this?

24 THE WITNESS: Is that okay?

25 MS. REYNOLDS: I wonder if we could take a couple

1 of minutes where I could just talk with the witness.

2 CHAIRMAN GLEIMAN: Mr. Levy, in the interest of
3 making things move along smoothly, can we give them a couple
4 of minutes at this point so they can understand what it is
5 that they think they want to do?

6 MR. LEVY: Yes. Let me suggest maybe we could
7 bypass this in the interests of speeding things up even
8 more, rather than naming this site, that if the witness
9 would just produce the -- tell me the number in the survey
10 responses, and then I'm going to do the same thing in the
11 acceptance logs.

12 I'm basically doing this so I can quickly trace
13 back from the number to the underlying data. I don't need
14 the name of the -- at this point I'm not -- I don't think I
15 need the name of the site.

16 CHAIRMAN GLEIMAN: I didn't think you were asking
17 for the name of the site anyway. I just thought you were
18 asking for the designation.

19 MS. REYNOLDS: I think because the sites are coded
20 by number we don't have the concern of linking specific
21 sites with their volumes.

22 THE WITNESS: Okay.

23 CHAIRMAN GLEIMAN: You know, I was looking at the
24 library reference as you all were talking, and they've been
25 redacted to the point where site No. 2 was just identified

1 as site No. 2 and there's no other way to determine where or
2 who site No. 2 is. So --

3 MR. LEVY: If I want to ask the name, I'll -- I
4 understand --

5 CHAIRMAN GLEIMAN: But right now you just want the
6 number correlation.

7 MR. LEVY: Right.

8 CHAIRMAN GLEIMAN: Good enough.

9 I don't think we need to take any time. I think
10 we ought to just go ahead.

11 MS. REYNOLDS: Okay. I just wanted to clarify
12 that.

13 CHAIRMAN GLEIMAN: If you have a list that you can
14 just give Mr. Levy, that would move things along. If not,
15 then let's just try and go down the list as quickly as we
16 can.

17 THE WITNESS: Okay. I'm sorry. I just wanted to
18 clarify that issue. Okay.

19 Site with ranking No. 2 would be site No. 2 in
20 both the survey responses and the logs.

21 BY MR. LEVY:

22 Q Now the site that was ranked No. 1 was Site No. 6
23 in both --

24 A Yes.

25 Q In each case --

1 A Yes.

2 Q Is the same number assigned in both the survey --

3 A Yes.

4 Q Responses and the logs?

5 A Yes.

6 Q Okay. Ranking No. 3?

7 A That would be site 15.

8 Q Ranking No. 4?

9 A Five.

10 Q Ranking No. 5?

11 A Seven.

12 Q Ranking No. 6?

13 A Eight.

14 Q Ranking No. 7?

15 A Three.

16 Q Ranking No. 8?

17 A That is not included in the survey responses.

18 Q Okay. Ranking No. 9?

19 A Eleven.

20 Q Ten?

21 A One.

22 Q Eleven?

23 A Fourteen.

24 Q Twelve?

25 A Nine.

1 Q Thirteen?

2 A Uh, 13, 14, and 15 are not included in the
3 responses.

4 Q Well, 15 you have a volume of 3,000, don't you?
5 Unless I'm reading the line wrong.

6 A Oh, I'm sorry. I'm not looking at the revised
7 version.

8 Q Does that change any of your previous -- answers
9 to the previous lines?

10 A No.

11 Q Okay.

12 A Let's see. I believe 15 is 27.

13 Q You want to check to make sure?

14 A Yes, it's 27.

15 Q Sixteen?

16 A Ten.

17 Q Seventeen?

18 A Twelve.

19 Q Eighteen?

20 A Thirteen.

21 Q Nineteen?

22 A Twenty-five.

23 Q Twenty?

24 A Twenty-five.

25 Q Wait a minute.

1 CHAIRMAN GLEIMAN: Twenty.

2 THE WITNESS: Oh, I'm sorry.

3 BY MR. LEVY:

4 Q Would it be more efficient if we took a
5 couple-minute break?

6 A No, I'm fine. I just -- if we could come back to
7 20. I don't remember if we'd received a response from them
8 or not.

9 Oh, they would be 26.

10 Q So ranking 20 is site No. 26 in the survey.

11 A Yes.

12 Q Okay. Stratum 2. Ranking No. 41?

13 A Eighteen.

14 Q Fifty-two?

15 A Four.

16 Q Fifty-four?

17 A Twenty-one.

18 Q Fifty-eight?

19 A Sixteen.

20 Q Two forty-four?

21 A Twenty-two.

22 Q Two forty-nine?

23 A Seventeen.

24 Q Four sixty-two?

25 A Twenty-three.

1 Q Seven oh nine?

2 A Twenty-four.

3 Q Four two two oh?

4 A Nineteen.

5 Q One oh one six two?

6 A Twenty.

7 Q All right.

8 Let's start with stratum 1, ranking 1, you have a
9 volume of 292,500, and that is site No. 6 in the survey
10 responses.

11 A Yes.

12 Q And that's in Exhibit -- Cross-Examination Exhibit
13 No. 2. That starts on Bates No. 72.

14 A Yes.

15 Q Before we go into this actual site, I want to ask
16 you some general questions about how you did your survey.
17 Now you've never seen the actual -- prior to responding to
18 the Chairman's recent order, you had never seen the actual
19 disqualification log yourself, had you?

20 A No, since we had done the survey by telephone, we
21 had not seen them ourselves.

22 Q By "we" you mean both you personally and your
23 employees?

24 A Yes. We had seen an example of one from another
25 site that we had just gotten some basic information on what

1 information was available before we started our survey, so
2 we had seen a copy of forms from another site.

3 Q Now who telephoned the employees at the sites?

4 A It was myself and two other employees at
5 Christensen Associates.

6 Q So a total of three people made the calls?

7 A A total of three people.

8 Q And if we looked at the completed survey forms you
9 would see the handwriting of only three people?

10 A I believe so; yes.

11 Q Now -- then you and your two colleagues discussed
12 the survey questions over the phone with the designated
13 postal employees?

14 A Yes.

15 Q Now the actual survey forms are the ones that are
16 reproduced in Exhibit 2?

17 A Yes.

18 Q And then you and your people wrote down the
19 answers on the forms?

20 A Yes.

21 Q And then you looked at the completed forms that
22 your two colleagues had done as well as your own?

23 A Yes.

24 Q And you used the data -- information on those
25 forms to generate the estimates shown in the top half of

1 page 29 of your testimony?

2 A Yes.

3 Q Now do either you or your two colleagues -- let me
4 start again.

5 Do either you or your two colleagues have any
6 firsthand experience working in a mail acceptance unit?

7 A We have done a number of surveys in mail
8 acceptance units. We've spent -- the three of us have spent
9 time at maybe 50-75 postal sites both interviewing
10 employees, learning the processes to help inform our own
11 work. We have -- the three of us have each at least three
12 years' experience with Postal Service projects and with the
13 type of data that it's dealing with here.

14 Q And how much of that time was spent working with
15 nonprofit acceptance criteria before the survey?

16 A Before the survey, before looking at this, I can't
17 say that any of us had looked at this issue.

18 Q When did you first learn of the existence of the
19 disqualification logs?

20 A That would have been at the beginning of when we
21 started working on this project, which would have been some
22 time around the first or second week in February.

23 Q And how did you learn of their existence?

24 A By talking with clerks and supervisors in a
25 acceptance unit. We had talked with them to find out what

1 information was available.

2 Q All right. Now let's go back to the survey form.

3 First of all, the line 1, ranking 1, the 292,500
4 figure --

5 A Yes.

6 Q --and that is from Site 6, and that starts on page
7 Bates number 72 of Exhibit 2?

8 A Yes.

9 Q Now where do you get the 292,500 figure -- from
10 the survey form for Site 6?

11 Where does that number appear?

12 A On page 78, when the contact was asked about their
13 mailings for FY '96 they replied that their AP estimates
14 that they have given earlier in the survey were still
15 accurate for FY '96, so if we turn back to --

16 Q I'm sorry, before you turn back, and I am
17 interested in that, you are talking about the response to
18 Question Number 4?

19 A Yes, I am.

20 Q And that question asks for records of rejected
21 mailings?

22 A Yes.

23 Q Is it your understanding that the person who -- by
24 the way, what Postal Service employee provided the
25 information on this form?

1 A I don't know that offhand, because that
2 information would have been redacted, but it would have been
3 marked on the top of page 72 when the site name and the site
4 contact would have been listed.

5 Q Do you know how long that employee was working at
6 that site in the acceptance capacity?

7 A We asked for that information when we talked with
8 the contacts -- how long they had been there, and we only
9 used information from contacts that had been there, working
10 in FY '96 or were able to speak with someone who had been in
11 the acceptance unit in FY '96.

12 There were some sites where the employees had not
13 been there that long. There was nobody there to speak with
14 who had experience back then, and those were sites that we
15 had not used the results in making our estimates.

16 Q So in some instances you relied on data where you
17 talked to a colleague of yours who in turn talked to a
18 Postal Service employee at the site who in turn talked to
19 somebody who had actually been around there during the time?

20 A The information was all --

21 Q Yes or no. Before you explain, could you answer
22 my question?

23 A The information that I relied on to obtain these
24 estimates was the information recorded on these forms.

25 If I did not record it, it was recorded by one of

1 the other two people doing the survey who talked with postal
2 employees.

3 In some cases they had to ask somebody else at the
4 site who was more informed of the experience in FY '96.

5 Q So in some instances there were four links in the
6 chain -- from the person who was there to the employee on
7 the site who answered the telephone to the employee of yours
8 to you?

9 A I would say that there is only two links, because
10 there was no communication between somebody at my firm and
11 me that's not written on this form that does not have that
12 information already recorded here.

13 So I would say at some cases there were at most
14 two links.

15 Q And by two links, you mean four individuals?

16 A Three individuals.

17 Q Three individuals before you?

18 A As I said before, I didn't -- there was no
19 communication between myself and somebody else at my firm
20 that is not recorded on these forms.

21 The information that I used to do my estimates is
22 recorded on these forms.

23 Q Okay. If you go back to page Bates Number 78 --

24 A Yes.

25 Q -- and we are discussing the answer to Question

1 Number 4 --

2 A Yes.

3 Q -- and the question asks for records of rejected
4 mailings, is that correct?

5 A Yes. When we wrote these forms, we wrote them
6 very generally because we had not spoken with of the
7 firms -- any of the sites yet, so the wording is very
8 general, but when we talked with the sites we asked for what
9 mailings, as the letter says, what mailings were mailed with
10 nonprofit indicia but were paying regular rates -- so the
11 wording isn't exact on the forms but when we talked with
12 them, we asked them the question as it was worded in the
13 letter, so it would include not just those mailings rejected
14 but also brought in at commercial rates but with nonprofit
15 indicia.

16 Q Whose handwriting is on this form?

17 If you look at Bates Number 2, it might give you a
18 clue. There is initials --

19 A That's one of my colleagues.

20 Q -- JGH. Now how do you know that your colleague
21 told the person who answered the survey that rejected
22 mailings actually included voluntary --

23 A Because we all spoke together and I trained the
24 other two people who made the phone calls at the same time,
25 explained what we were looking for, what the nuances may be,

1 and to just get general information, anything that they may
2 have on mailings that went at regular rate with nonprofit
3 indicia.

4 In addition, each day and after each survey was
5 given to me, I talked with them to make sure that they had
6 gotten the correct information and that they had gotten it
7 from experienced postal employees.

8 Q And you specifically told -- did you specifically
9 tell the employee who took the survey starting on Bates
10 Number 72 that they should ask for records of voluntary
11 entry of --

12 A They --

13 Q May I finish my question?

14 A Oh, I'm sorry. I thought you had.

15 Q -- that they should ask for records of volumes of
16 mail that was voluntarily entered with nonprofit markings at
17 commercial rates?

18 A They were told to ask about any mailings that were
19 mailed at regular rates with nonprofit indicia.

20 Q Were they specifically told to ask the Postal
21 Service employee about mail that was voluntarily entered at
22 commercial rates under the word "rejected"?

23 A They were told to ask about mailings that went at
24 commercial rates with nonprofit indicia.

25 When a postal employee is looking back at the logs

1 to look at that kind of information or thinking back to the
2 mailings they wouldn't remember the exact reason why the
3 mailing had nonprofit indicia but was going at regular
4 rates.

5 They would just know that that is a special
6 circumstance that they have to speak with their supervisor
7 about and so they would remember that situation.

8 They may not remember that it was brought in with
9 regular rates as opposed to being disqualified and that is
10 why they are all included under that title.

11 Q I am not sure I heard an answer to my question
12 though.

13 Did you specifically tell the employee who filled
14 out Form Number 6, I assume with the initials of JGH, that
15 in answer to Question 4 the Postal Service employee should
16 include volumes of mail that were voluntarily entered at
17 commercial rates?

18 MS. REYNOLDS: Mr. Chairman, Mr. Levy has asked
19 this question twice. He has already gotten responses from
20 Dr. Schenk.

21 MR. LEVY: I have asked the question twice. I
22 haven't gotten that answered yet.

23 CHAIRMAN GLEIMAN: I think Mr. Levy hasn't gotten
24 an answer to his question, the specific question that he
25 asked, and I am going to let him go on.

1 THE WITNESS: They were not specifically told that
2 wording, but it was implied in the question that was being
3 asked.

4 BY MR. LEVY:

5 Q As an expert in -- do you consider yourself an
6 expert in survey design?

7 A I have a lot of training in that area and also
8 have a Master's Degree in Statistics. Yes, I do.

9 Q As an expert in survey design, do you consider
10 that the natural meaning of the phrase "rejected mailings"
11 includes mailings that are voluntarily entered at a
12 different rate?

13 A When looking at survey design, you take into
14 account how the survey is being conducted.

15 Since this survey form was not sent out to the
16 firms and they asked those questions but rather the survey
17 was done by telephone, by a limited number of people who had
18 all been trained to ask for specific information, I don't
19 consider the wording here to be a problem at all -- since
20 they were all -- we were all looking for information on any
21 mailing that went at commercial rates with nonprofit
22 indicia.

23 And the survey had been designed early in the
24 stage where we weren't sure exactly what kind of information
25 we were getting, so it was generally worded.

1 Q Did the Christensen Associates employee who took
2 this survey, JGH, tell you at any point that he or she had
3 asked for under question 4 volumes of mail that were
4 voluntarily entered at commercial rates?

5 A At one point in the process I had been asked
6 whether that would be included as part of this, and I
7 answered yes. That that had come up in the conversation
8 with the employee, the postal employee, and they wanted to
9 know whether that would be included -- wanted to make sure
10 that that would be included in part of this response.

11 Q Did JGH -- is JGH a person who -- your employee
12 who filled out this form?

13 A Yes.

14 Q Did JGH ever tell you that the response for
15 question 4 included volumes that were voluntarily entered at
16 commercial rates?

17 A I'm sorry, could you repeat your question?

18 Q Did JGH ever tell you that the response to
19 question 4 on Bates No. 78 included volumes that were
20 voluntarily entered at commercial rates?

21 A For this specific site?

22 Q Yes.

23 A I do not recall. The information that they had
24 gotten from the site is presented on these forms.

25 Q All right. You -- initially in discussion

1 question 4 you indicated that there was a cross-reference to
2 a different answer.

3 A Yes.

4 Q What was that?

5 A That would have been the answer to the questions
6 beginning -- the questions in section B, which would begin
7 on page 75.

8 Q Would you go back to page 78, the handwritten
9 answer at the bottom of the page.

10 A Yes.

11 Q It says AP estimates are probably still accurate
12 for 1996.

13 A Yes.

14 Q What does that mean?

15 A It means that the estimates they gave for the most
16 current AP, which is section B, which I just referred you
17 to, those estimates are still accurate or still represent
18 the information that would have been happening in 1996.

19 Q Oh, so the response for this side isn't based on
20 documents or records for 1996, it's based on the supposition
21 that data for the current accounting period are a good proxy
22 for what happened in 1996?

23 A As stated in my testimony, we provided estimates
24 from the postal employees because the logs were not
25 necessarily available at each site. We got these estimates

1 from employees who were there in 1996 and who could give us
2 an informed estimate of the activity back then.

3 Q Your handwritten answer at the bottom of page 78,
4 it says AP estimates are probably still accurate for 1996.
5 AP stands for "accounting period"; right?

6 A That's correct.

7 Q What accounting period was that referred to?

8 A As shown on page 75, we asked them for information
9 from the most current accounting period that was completed,
10 which was AP 5, 1998.

11 Q So in this form you're using data from AP 5 of
12 1998 as a proxy for what happened in 1996.

13 A Given their comments on page 78, yes.

14 Q Okay. Would you read the question No. 1 on page
15 75, starting with in the AP '98?

16 A It says in -- in AP 5, 1998, or most recent
17 representative period, how many nonprofit mailings were
18 rejected or ruled ineligible for nonprofit rates?

19 Q And the answer?

20 A She doesn't know.

21 Q And this is the basis for your volume estimate?

22 A No, I said it was the information she provided in
23 section B, if you look at question 2, after further probing
24 she was able to get information and that probing included,
25 you know, asking the questions that was listed there.

1 Q So she doesn't know the total number of pieces
2 that were rejected for nonprofit rates in '98, but of that
3 universe she recalls that ten were rejected for poor
4 preparation, and two or three were rejected for content?

5 A As I said, after further probing, we didn't just
6 take a zero answer as the answer. You know, in survey
7 design you don't always, you know, if somebody says they
8 don't know or zero, you probe a little further to see if
9 there's information.

10 Q All right. So where do you get the figure 292,500
11 from page 75?

12 A Okay. If you look at question 2, she lists that
13 there were two or three per AP that were rejected for
14 content reasons, and so I took three as a conservative
15 estimate, 3 times 13, and she said that most of the mailings
16 were on part 4 of that same section says that most of the
17 rejected mailings were between 5,000 and 10,000 pieces. So
18 I took the midpoint, 7,500 pieces times 3 times 13 gives me
19 an estimate of 292,000.

20 Q So you multiplied 3 by 13 by --

21 A 7,500.

22 Q 7,500. And you got the 13 because --

23 A Because there are 13 accounting periods.

24 Q So this 292,000 figure is based on a sample of two
25 observations in one accounting period out of a

1 13-plus-accounting-period year?

2 A No, not two observations. This is -- she said
3 that of all the observations that they had in the current
4 accounting period, only two or three were rejected because
5 of content or were mailed at regular rates with nonprofit
6 indicia.

7 Q But there are more than 13 accounting periods in a
8 year, aren't there, 13 and a fraction?

9 A Generally people use 13 as -- the last accounting
10 period is just a correction factor as far as I'm concerned.

11 Q Okay.

12 A As far as I know.

13 Q You got 13 accounting periods in a year, and
14 you're using one accounting period in '98 as a proxy for all
15 13 accounting periods in '96? Right?

16 A That's because of the information she gave me that
17 says that the -- or he, rather, whichever one -- says that
18 the AP estimates that they had provided before were
19 representative.

20 Q And so you're using a sample of one accounting
21 period to estimate a universe of 13 accounting periods.
22 Right?

23 A No. According to their experience, there's no
24 reason to say that that is not representative of any other
25 accounting period that they have.

1 Q Oh, would you go to page Bates No. 72.

2 CHAIRMAN GLEIMAN: Mr. Levy, what page was that
3 again? I'm sorry.

4 MR. LEVY: Seventy-two. It's the very first page
5 of site No. 6.

6 BY MR. LEVY:

7 Q Are you there?

8 A Yes.

9 Q Would you read question No. 1(a).

10 A The question reads: Consider the most recent AP,
11 AP 5, '98.

12 It this a representative AP for nonprofit Standard
13 A mail accepted through your office? If not, why? What AP
14 is representative?

15 Q And would you read the answer?

16 A She's not sure but thinks it is as good as any.

17 Q And that's the basis for your conclusion that one
18 accounting period in fiscal year '98 is a good proxy for 13
19 accounting periods in fiscal year '96?

20 A From the other information from the other
21 questions asked as a body it seemed like she had information
22 available to give us an informed estimate.

23 Q Where else in this body does it have any
24 information on the representativeness of an accounting
25 period 5 in year '98 as a representative of the universe of

1 year '96 13 accounting periods?

2 A Well, as I said, as I just said, the body of
3 evidence shows that she knew or he or she knew -- I guess
4 it's she -- knew enough about the situation to give an
5 informed estimate. You know, she knew in question 4 that
6 the rules had changed. She had information about the
7 general changes in volumes in total. She had information
8 about how the accounting was done in question 3, part 2, and
9 she was willing to provide these answers.

10 There were some people that we contacted who did
11 not have enough information, and they willingly stated that,
12 that they weren't there at the time, and so we didn't use
13 their estimates. We took it as a body to see did they have
14 enough information to answer these questions in an informed
15 way.

16 Q So if they answered the questions, you took that
17 as a piece of evidence that they knew what they were talking
18 about?

19 A No, no. If they answered the questions -- and
20 provided answers that made sense that were supportable, then
21 we took that as they were able to give us informed
22 estimates. And if they had been there in FY '96.

23 Q Now question 1 on page 72 asks whether the volume
24 of mail that is accepted through your office in accounting
25 period 5 of year '98 is representative of some other period.

1 Isn't the issue here whether the volume of mail that is
2 rejected through the office is representative? Do you
3 understand the distinction?

4 A Yes, I do.

5 Q But you didn't ask that in the survey form, did
6 you?

7 A But we asked for information about rejections
8 later on in the survey, and then --

9 Q But the information on rejections later in the
10 survey wasn't for fiscal year '96, was it?

11 A But in question 4 she did say that the AP
12 estimates she had given earlier are representative.

13 Q Where does it say that in the handwritten notes?

14 A AP estimates are probably still accurate for FY --
15 for 1996 in question 4 on page 78. You have to look at the
16 survey as a whole to see whether it has enough information
17 -- the person had enough information to answer the question
18 and that the answers are consistent with one another.

19 Q What is the part that is blacked out there?

20 A It's probably the name of a mailer or the name of
21 the person answering the question. That was the information
22 that was redacted.

23 Q Now, when a respondent says AP estimates are
24 probably still accurate for '96, and she -- he or she says
25 on page 72 that she is not sure but she thinks it's as good

1 as any, and on page 75, she says she doesn't know, does that
2 provoke any suspicion that you might need to probe a little
3 further for how solid the respondent's information is?

4 A Well, that's why we asked -- we did probe any
5 further, we didn't cross out the "she doesn't know" after we
6 got -- after we probed further and got a response because it
7 wasn't information that we needed to redact, we left it
8 there. But the answer in 2 on page 75, after she said she
9 doesn't know, clearly indicated that we probed further and
10 got information.

11 Q All right. Will you turn to page 77?

12 A Yes.

13 Q Now, the source for this, you assumed that the
14 average piece that was rejected had 7500 pieces in it?

15 A Yes.

16 Q And that's because you guessed that the volume
17 fell within the mid-range of 5,000 and 10,000?

18 A I did not guess.

19 Q Somebody guessed?

20 A The Postal employee answering the survey for us
21 made that estimate, based on their knowledge of the mailers
22 whose mailings get disqualified. I mean they know their
23 mailers and how much they usually mail, so that information
24 we took to be very informed.

25 Q Well, somebody wrote down "most of them" next to

1 the row 5,000 to 10,000.

2 A Yes.

3 Q That was your employee?

4 A That was the information that they were given,
5 yes.

6 Q There's nothing on this form which indicates --
7 let me back up. Most of them means not all of them, right?

8 A Yes.

9 Q That's the natural inference of it. So some of
10 the mailings had more than 10,000 pieces or fewer than
11 5,000, if this form can be believed, right?

12 A That's correct.

13 Q Now, if one of those has a lot more than 10,000,
14 then the average value could be considerably higher than
15 7500?

16 A Yes, but those are the mailings that people tend
17 to remember most because the -- you know, they would have to
18 go to their supervisor, that would be, you know, something
19 that they would want to be especially carefully about. So
20 we tended to find that they remembered, especially the
21 larger mailings more. And so the fact that they did not
22 mention something higher than that -- and then when they
23 gave their estimates, we did probe and say, okay, you know,
24 were there ones that were more than this, less than this,
25 and they tend to remember those higher volume ones. So I

1 feel confident that the 7500 represents the representative
2 mailing that was rejected or was mailed at commercial rates
3 with nonprofit indicia in this site.

4 Q Well, there's nothing on this form indicating what
5 is the volume of mail that doesn't fall within the most
6 category, does it?

7 A That's correct.

8 Q And you don't even know if the Postal Service
9 employee who provided this information even worked at the
10 site at the time?

11 A Yes, I do know that, because we did ask to talk
12 with employees who were there in FY '96 in the acceptance
13 unit.

14 Q I thought you told me earlier that that might have
15 been somebody else that the Postal Service employee talked
16 to.

17 A But if they had to get more information from
18 somebody, it would have been somebody who had been there in
19 FY '96. Otherwise, they wouldn't have been able to give us
20 information.

21 Q And from that three or four, whatever level chain
22 of information conveyance, you are confident that because
23 they didn't put down any volumes for pieces, for mailings
24 that were greater than 10,000, that they didn't occur?

25 A I won't say that it didn't occur, but I would

1 think it is highly unlikely. If they had to go to one other
2 person, that person would also know the heavier volume
3 mailings, because those would stick out in their experience,
4 they would remember those.

5 Q But it wouldn't stick out in the answer form
6 unless they were asked, right?

7 A The only reason -- they were probably asked, they
8 just didn't have any information, so --

9 Q You don't know whether they --

10 A -- it wasn't written down.

11 Q You don't know whether they were asked?

12 A I know the people who work for me, and they would
13 ask. They were told to ask, they were told to probe. These
14 are people who have done surveys before, they have
15 experience.

16 Q Well, there's nothing on this form that says any
17 follow-up question was asked about mail that fell out of the
18 "most of them" camp, is there?

19 A No, there is not.

20 Q Oh, one other question -- where on this multipage
21 form is there any indication that the Postal Service
22 employee who answered the questions was told that mail
23 volumes that were voluntarily entered as commercial mail
24 should be included in the total given?

25 A The form does not say that because they were not

1 given the form. We interviewed them over the phone. We
2 asked them over the phone to give us information on mailings
3 that were sent at commercial rates with nonprofit indicia.

4 Q Where does the form indicate that in answering the
5 question that they intended to include voluntary entries as
6 rejected mailings?

7 A It's not written on the form.

8 Q All right. What about Stratum Ranking Number 2?
9 That is, Site Number 2.

10 Is that the site that starts on Bates Number 18 of
11 Cross-Examination Exhibit 2?

12 A Yes, it is.

13 Q And you concluded that there were no mailings that
14 were entered at commercial rates with nonprofit markings in
15 Fiscal Year 1996?

16 A That's correct.

17 Q And what is that based on in the form?

18 A That would be based on the information given to
19 Question 5 on page 25, as well as the general information
20 given in Questions 4 and 5.

21 I'm sorry, no -- yes. I guess it's Question 5 on
22 page 25.

23 Q Okay. Would you -- first of all, this information
24 is provided for Fiscal Year '97?

25 A Yes.

1 Q Not '96.

2 A Yes.

3 Q And what is your basis for concluding that Fiscal
4 Year '97 is representative of '96?

5 A I am trying to find where it is written, but this
6 is actually a survey that I did, and I remember talking with
7 the people there.

8 They did not have the '96 logs available, but I
9 remember their general comments that FY '97 was
10 representative.

11 Q But you didn't write it down here anywhere?

12 A No, I didn't.

13 Q Okay. Would you look on page 25? There's a
14 five-line comment, handwritten in the left-hand column.

15 Would you read that? It starts with, I think,
16 "Mostly mail"?

17 A "Mostly mail will just sit there until corrected,
18 not sent through."

19 Q What does that mean?

20 A That means that they -- if a mailing is rejected
21 or has the wrong indicia on it that they will keep the
22 mailing in the Acceptance Unit until the mailer comes and
23 makes the correction to the indicia or the correction to the
24 mail piece and then it will be sent through at nonprofit
25 rates.

1 Q Doesn't this suggest that instead of formally
2 rejecting the mail, the postal employee will hold it until
3 the mailer comes and fixes it?

4 A At some sites they did mention that, yes.

5 Q And where does it say that mail that is treated
6 that was is entered in the rejection or disqualification
7 logs for the site --

8 A It would be entered in the logs so that they could
9 keep track of which mailings were there and what corrections
10 need to be done, but then in the column in the logs that
11 would talk about the disposition of the mailing they would
12 say that there was a code for the mailing was corrected and
13 sent through.

14 Q Now going to the right-hand column there is a
15 reference at 3602-N and 3602-R.

16 A Yes.

17 Q Could you read that?

18 A It says, "3602-N/3602-R on back side."

19 Q What does that mean?

20 A That means that this is one instance that the
21 person I had talked with mentioned of a problem they had
22 where a mailer would bring in a nonprofit mailing that had a
23 3602-N form but on the back side they had copies -- the copy
24 was actually for 3602-R, so the mailer had to come in and
25 fix the statement.

1 Q I'm sorry. What do you mean by the phrase "the
2 copy was really 3602-R"?

3 A The 3602 form has two sides to it. Somehow they
4 had photocopied it wrong so that the front side said 3602-N,
5 the back side said 3602-R and so the mailer had to come and
6 redo the mailing statement.

7 Q How do you know -- where have you indicated on
8 this form that the zero volume includes mailings that were
9 left just to sit there until corrected?

10 A They wouldn't be included as mailings that were
11 sent at regular rate with nonprofit indicia, so they are not
12 part of my estimate.

13 My estimate was the mailings that were sent at
14 commercial rates with nonprofit indicia.

15 If they corrected the indicia or the mailing it
16 wouldn't be included in the volumes that were sent at
17 commercial rate with nonprofit indicia.

18 Q Let's look at the accounting logs. Are there
19 accounting acceptance logs for the site for Fiscal Year '96?

20 A I believe not. This was Site 2 and if we look at
21 Site 2, which would be on your page 29, there is a letter
22 that we received from our contact at that site that
23 explained why they were not able to provide a log, a set of
24 logs.

25 Q The individual who answered for the site the

1 survey form --

2 A Yes?

3 Q -- how long was that individual at the Postal
4 Service at that site?

5 A I don't know how long. They were the person who
6 was at the Bulk Mail Acceptance Unit in FY '96.

7 I believe now they're a Mail Acceptance Specialist
8 but at that time they were the person who would know the
9 transactions through the Acceptance Unit at that site.

10 Q Would you turn to page Bates Number 20.

11 A In which?

12 Q I'm sorry, of Cross-Examination Exhibit Number 2,
13 the survey responses.

14 A Page 20 you said?

15 Q Page 20 -- yes, 20. Okay. Do you see the
16 Question Number 4 there?

17 A Yes.

18 Q And that asks for -- I'll read it since you have
19 been reading some stuff -- "Were enforcement practices
20 concerning eligibility for a nonprofit mailing in terms of
21 advertising content or other characteristics that would make
22 the piece ineligible for nonprofit rates any different in
23 Fiscal Year '96 compared with Fiscal Year '95, with Fiscal
24 Year '97? If so, how?"

25 Did I read that basically right?

1 A Yes.

2 Q Now the first answer is in your handwriting?

3 A Yes, it is.

4 Q And that says, "Travel advertisements biggest
5 problem with compliance."

6 A Yes.

7 Q What is that referring to, Dr. Schenk?

8 A That was referring to the rules that were referred
9 to in Publication 417 that dealt with what types of
10 advertisement could not be included in nonprofit mailings,
11 and noneducational travel advertisement was one of the
12 rules.

13 Q Nonprofit mailings that contain such advertisement
14 are not entitled to be entered at nonprofit -- what was then
15 Third Class rates, isn't that right?

16 A Yes.

17 Q And a mailing that was entered at nonprofit rates
18 if treated properly would be rejected if it contained such
19 advertising, right?

20 A That is my understanding, yes.

21 Q And the respondent who answered your survey said
22 that this was the biggest problem for enforcement of
23 nonprofit mailings in Fiscal Year '97?

24 A At this particular site.

25 Q And that Fiscal Year '97 was typical?

1 A That's what it says.

2 Q Well, then how is it that there are no rejections
3 reported?

4 A When a nonprofit mailer brings in a mailing that
5 gets rejected, two things can happen.

6 Either they decide to go ahead and pay the regular
7 rates and the mail goes through paying commercial rates, or
8 they decide to take the mailing back and redo the mailing or
9 not submit it, and so the mailing gets returned to the firm.

10 That mailing is not included in my estimates
11 because it doesn't go at commercial rates. It is returned
12 to the firm and they either change it or they do something
13 different so those -- so just because we report a zero for
14 our estimates doesn't mean that they have rejected nonprofit
15 mailings.

16 It means that those mailings did not subsequently
17 go at commercial rates.

18 Q So it is your understanding that at this site in
19 every instance where the Postal Service employee said uh-uh,
20 this doesn't qualify for nonprofit rates, the mailer went
21 back and replaced the nonprofit markings with commercial
22 markings?

23 A In some instances, but as you note from my further
24 comments on that same question, because there -- the
25 Publication 417 came out and there were some mailers who had

1 problems that this site in fact, they told me, for the first
2 time that this problem came up they would work with the
3 mailer and would give him a one-time exception as an
4 accommodation to try to increase, you know, the education of
5 those rules and how they should be enforced and to try to
6 accommodate the mailers and provide them with good service.

7 Q One time exceptions to what? The requirement to
8 pay commercial postage or the requirement to have commercial
9 markings?

10 A The requirement to pay commercial postage.

11 Q But you are confident they never exempted the
12 mailer from the requirement to have commercial markings?

13 A That's what they told me, yes.

14 Q Even though that, unlike acceptance of mail with
15 commercial -- at nonprofit postage, wouldn't take revenue
16 away from the Postal Service?

17 A Many of the sites, and this one was one of them,
18 told us that because the rules had changed and were being
19 enforced, that they tried to work with the mailers, they
20 tried to -- they had special forms to educate them of the
21 new changes. They worked with the mailers. These are their
22 customers, they try to help their customers so that they can
23 get business from their customers.

24 Q Dr. Schenk, would you look at the answer that you
25 have written in the half-box to the right hand side just

1 above question 5? I think it starts "Some situations." So
2 you see that?

3 A Yes. It says, "Some situations imprint, blackout,
4 restamp bulk rate."

5 Q So in some situations, the mailer restamped it
6 bulk -- the piece bulk rate?

7 A Yes.

8 Q And blacked out the nonprofit marking?

9 A Yes. And we heard this from a number of sites.

10 Q And in some situations, they didn't?

11 A That's correct.

12 Q So the reasonable inference is that in some
13 situations, the mailing was re-entered still with a
14 nonprofit marking?

15 A In this situation, I would say no, because, first
16 of all, they said they said they gave some one time
17 exceptions, and also just because it was rejected doesn't
18 mean the mailing went through at commercial rates. They
19 said that FY '97 was typical and they said that they had no
20 mailings that went through at commercial rates with
21 nonprofit indicia in '97.

22 Q Well, if the mailer blacked out, in some
23 situations, the nonprofit markings, doesn't that suggest to
24 you that the mailing went through a second time but at
25 commercial rates?

1 A What do you mean went through a second time?

2 Q Well, why would the mailer black out the nonprofit
3 permit and put in a bulk rate marking other than for
4 re-entering of the mail at the commercial rate?

5 A Oh, right, but that wouldn't be included in my
6 volume estimates, because my volume estimates for mailing
7 that went at commercial rate with nonprofit indicia.

8 Q But in some situations, the mailing, one can infer
9 from this, did not have the nonprofit marking blacked. Your
10 words, "some situations."

11 A Right. In those situations the mailing either
12 would have been rejected or they would have been given this
13 one time exception where they were paying nonprofit rates
14 and the mail was endorsed as nonprofit mail.

15 Q So your testimony is that when you had a mailing
16 that the Postal Service said couldn't go at nonprofit rates,
17 one of two things happened, either it went all the way
18 through, it was accepted with regular -- with nonprofit
19 markings at nonprofit postage, or it was re-entered at
20 commercial markings with commercial postage?

21 A Or it was returned to the firm.

22 Q But it never, the intermediate situation never
23 happened, it never went in with commercial postage but
24 nonprofit markings?

25 A At this site, that's what they told me.

1 Q But that last sentence appears, that last
2 phenomenon appears nowhere on this form, does it?

3 A No, because I have all the other situations
4 listed.

5 Q All right. Let's go to site -- ranking No. 4,
6 which I believe is site No. 5.

7 CHAIRMAN GLEIMAN: Mr. Levy, before we move on to
8 the next site, I think it would be a good time to take a
9 mid-morning break. Ten minutes.

10 [Recess.]

11 CHAIRMAN GLEIMAN: When last we met you were
12 moving on to site No. 5 at page --

13 MR. LEVY: I was hoping you'd tell me.

14 THE WITNESS: I believe it's 58.

15 BY MR. LEVY:

16 Q Let's move to site No. 7 at page 86 of
17 Cross-Examination Exhibit No. 2.

18 A Yes.

19 Q Now for that site, Dr. Schenk, you show a volume
20 of a little over 3.2 million pieces that were disqualified?

21 A Yes.

22 Q To be precise, 3,234,000.

23 A Yes.

24 Q And the survey form that corresponds to that
25 starts on Bates No. 86; right?

1 A Yes.

2 Q Now where do you get the 3.234 million figure?

3 A Okay, starting with question 5 on page 93, they
4 said in FY '96 that they had approximately 30 mailings that
5 went at commercial rates with nonprofit indicia per AP in
6 the first quarter of fiscal year '96, so that would be 90
7 total for that first quarter, 30 times 3, and then for
8 quarters two through four they had 10 to 15 per AP, so I
9 took 15 times 10, and so that gave me a total for FY '96,
10 total estimate of 240 mailings that went at regular rates
11 with nonprofit indicia.

12 Then going to page 94, part 4, they gave --

13 Q I'm sorry, let me stop you here before we go to
14 that.

15 Why was the volume higher in question 1?

16 A Because that was when they first started enforcing
17 Publication 417, so they had mailers who had not either seen
18 Publication 417 or who did not follow the rules correctly
19 but, you know, they have repeat mailings, so they learn it
20 once, the incidence of this is going to go down after
21 they -- the initial period.

22 Q So it went down -- in quarter two it went down to
23 10 to 15 mailings per accounting period, and then it stayed
24 flat after that?

25 A That was the information they gave us.

1 Q Does it strike you as curious that you would have
2 a cliff effect rather than having a steadily declining
3 trend?

4 A Not necessarily. What struck me as being very
5 typical that other sites mentioned was that they had more in
6 quarter one than in the rest of the year.

7 Q But it doesn't strike you as odd that the decline
8 would be immediate and then wouldn't continue further?

9 A No, it doesn't strike me as odd.

10 Q All right, would you continue with your
11 arithmetic?

12 A On page 94, section IV, they give their estimate
13 of the volumes affected by these 240 mailings. They said
14 that 75 percent were less than 1,000 pieces, 20 percent were
15 between 1,000 and 50,000; 4 percent between 50,000 and
16 100,000; and 1 percent greater than 100,000. I took the
17 midpoint of each range, multiplied 75 percent by 240, to get
18 180 mailings would have been between zero and 1,000. I took
19 the midpoint, so that would have been 500 pieces. Twenty
20 percent --

21 Q I'm sorry. You lost me.

22 A Okay.

23 Q The -- you've got bracketed 75 percent are in the
24 range of under 500 or 500 to 1,000.

25 A Yes.

1 Q And what weighted value did you assign to that in
2 the number of pieces?

3 A I said that 75 percent times 240 was 180,
4 multiplied that by 500 pieces, which would be the midpoint
5 between zero and 1,000.

6 Q I'm sorry, by the midpoint --

7 A The range for 75 percent that they gave was
8 between zero and 1,000 pieces. The midpoint of zero and
9 1,000 is 500, so I took that as the average mailing in that
10 range.

11 Q Well, what basis did you have for assuming that
12 the midpoint was a reasonable measure of the distribution
13 within that range?

14 A Because most of the sites that we had spoken with
15 said that it was the smaller-volume mailers that they had
16 trouble with. The larger-volume mailers tended to know the
17 rules. Maybe because they're members of ANM, they know the
18 rules better in terms of the mailings. And so they tended
19 to have less problems with the higher-volume mailers. It
20 was the smaller-volume mailers. So I took the midpoint as
21 being a conservative estimate.

22 Q Well, isn't 1,000 pieces still something that a
23 small mailer can issue?

24 A Yes, but it was an assumption I made in each one
25 of the intervals.

1 Q But you had no basis for assuming, did you,
2 other -- other than your belief that 500 was a good
3 representative for a small mailer, what basis did you
4 assume -- have for assuming that 500 is a representative --
5 is the best value for a range from zero to 1,000?

6 A It was an assumption I made based on other
7 information given to me by the firms. I don't think that
8 the magnitude of the answer would have changed if I had used
9 1,000. The magnitude would still not be that great.

10 Q By what percentage would it change?

11 A I don't know. I don't do math well in my head.

12 Q All right. Did you do the math at -- that
13 particular math at any point in this process?

14 A No. I made the assumption and went with it --

15 Q Okay.

16 A Based on the information I had gotten from the
17 sites.

18 Q Now next you've got bracket 20 percent for the
19 next three --

20 A Right. So I took 20 percent times 240, which
21 would have been 48. That interval went from 1,000 to
22 50,000, so the midpoint would have been 25,500. So I
23 multiplied 48 --

24 Q I'm sorry, what was that number again? I want to
25 write --

1 A 25,500. And so I multiplied that by 48.

2 Q And so again you picked 25,500 as the value -- as
3 the average number of pieces in a mailing for those size
4 distributions --

5 A I consistently used the midpoint of each interval.

6 Q And without any other basis other than it happened
7 to fall in the middle?

8 A No, with the -- as I said before, with the
9 understanding from the sites that the smaller mailers tended
10 to be the ones that they had problems with.

11 Q Well, which is the smaller mailer, the mailer who
12 mails in the zero to 1,000 range, or the mailer who mails in
13 the 1,000 to 50,000 range?

14 A It was an assumption I used, that the midpoint was
15 representative of the interval.

16 Q In your experience as somebody who's worked with
17 statistics, is it necessarily true that the average weight
18 of -- size of the observations in a sample is always at the
19 midpoint of the range?

20 A No, it's not always the case.

21 Q In fact, it's the case only by coincidence, isn't
22 it?

23 A I'm not sure what you mean by coincidence.

24 Q Well, if you took a large number of samples of
25 observations, you wouldn't -- you wouldn't -- you wouldn't

1 be likely to find that the average -- that the -- that the
2 midpoint generally was a good proxy for the average value of
3 a sample.

4 A In statistics there are three measures of what is
5 called an average. One is a mode, which is the most
6 frequently occurring number; one is the median, which is the
7 number if you rank them is the middle value; the other one
8 is the average or the mean. I used the mean as
9 representative because I had no information to choose the
10 mode or the median.

11 Q And you think that's adequate information for
12 asking the Commission to raise the rates that these
13 nonprofit mailers are going to have to pay?

14 A Given the information that we had, we had to
15 provide estimates of the situation. Given the fact that I
16 had -- I had people giving me this information who had been
17 there in FY '96, who knew their mailers, who could give
18 informed estimates, I thought that the average was a very
19 representative number to use in this case.

20 Q But there's nothing on the form that indicates
21 that they told you that they thought the average was a good
22 representative -- that the midpoint was a good
23 representative for the weighted average, is there?

24 A No.

25 Q Now what about the 50,000 to 100,000 range? I

1 assume you picked then 75,000 because that was the midpoint.

2 A Yes.

3 Q And again on the same basis as your choice of the
4 other midpoints?

5 A Yes.

6 Q Do you consider those to be -- volumes to be those
7 of small mailers?

8 A I never said that they -- I was representing small
9 mailers. I was representing the average in those -- in
10 those ranges.

11 Q Okay. The above-100,000 range, what value did you
12 assign to that?

13 A I made an estimate of 500,000.

14 Q And what is your estimate based on?

15 A Just my assumption that that was a reasonable
16 amount given -- I thought it was a fairly conservative
17 amount to use.

18 Q As opposed to 101,000 or 10 million? What basis
19 do you have for choosing 5,000?

20 A It was an assumption I made.

21 Q You picked it up out of thin air, didn't you?

22 A I made that assumption; yes.

23 Q With no basis in any factual information for
24 choosing it?

25 A Yes.

1 Q If the volume had been 1 million, do you think it
2 might have had an effect on the outcome?

3 A I don't think given the number of mailings
4 involved here that it would have an effect on the magnitude
5 of the answer we got.

6 Q What was the total number of mailings for that
7 site that you reported on page 29?

8 A 240.

9 Q I'm sorry, the total number of mail pieces. I
10 misspoke.

11 A Oh, I'm sorry. The mail pieces for that site,
12 3,234,000 was the estimate.

13 Q Now, were there disqualification logs for this
14 site?

15 A No, on page 87, they reported that those logs had
16 been destroyed.

17 Q Now, this survey, nothing -- would you look
18 through this response that is starting on page Bates 86, and
19 going through the end, which is Bates No. 99, would you
20 confirm -- would you tell me if there is anything on those
21 pages indicating that the volume figures were intended to
22 include mail that was voluntarily entered at nonprofit rates
23 -- at commercial rates with nonprofit markings?

24 A As I said before, when we talked with the sites on
25 the phone, we asked them what their volumes were that had

1 gone at regular rates with nonprofit indicia.

2 Q My question, though, is there anything on the form
3 that indicates that that was their understanding?

4 A No.

5 Q And going to Bates No. 94, the volume figures
6 there appear under question subpart 4, is that correct?

7 A Yes.

8 Q And question subpart 4 is part of question 6?

9 A Yes.

10 Q And question 6 is asking for mail that was
11 rejected?

12 A That is how the question was worded on the form.

13 Q So if the respondent had answered question -- any
14 part of question 6, as including mail that was voluntarily
15 entered at commercial rates in the first place, their
16 understanding would have been contrary to the written
17 wording of the question appearing on the form, right?

18 A But they were answering -- they weren't writing
19 the writing the answers on the forms. They were answering
20 our questions over the phone. And, as I said before, these
21 forms were written before we started our telephone calls and
22 so we learned, after getting some sample forms from a site,
23 before we started making our calls, that there were also on
24 these logs those instances of mailing that went at
25 commercial rates with nonprofit indicia, so we asked the

1 sites for those forms. We just didn't change our forms
2 because we had already copied the forms, and we didn't want
3 to kill more trees.

4 Q Well, as an expert in survey form -- survey
5 design, when the questions that you are implementing turn
6 out to be different from the questions on the pre-printed
7 form, isn't it considered good survey practice to indicate
8 on the forms that -- the respect in which the answers differ
9 from the pre-printed questions?

10 A I would be concerned with that if we had actually
11 given the sites these pre-printed forms and they were
12 writing the answers on these forms. Given the time
13 constraint we were under in trying to get this information,
14 I did not feel that that was as important as trying to talk
15 with the sites and get the information and probe them and
16 make sure they were giving us informed estimates.

17 Q Well, how is the Commission to know what it can
18 rely on when the only printing and writing that appear make
19 no mention of voluntarily entered mail?

20 A I guess they would also have to rely on my
21 testimony and what I am -- how I am describing things today,
22 how I am testifying to today.

23 Q Who filled out this form, No. 7?

24 A One of my colleagues.

25 Q Did the individual who filled out this form, your

1 colleague, tell you how much voluntarily entered mail was
2 included in the volume estimates?

3 A The volume estimates are inclusive of any mailing
4 that was sent at commercial rates with nonprofit indicia, so
5 they would include both instances, either mailings that were
6 voluntarily entered with -- at commercial rates with
7 nonprofit indicia, or mailings that were rejected at
8 acceptance but went through at regular rates.

9 Q Please listen to the first few words of my
10 question. I am going to repeat it.

11 A I'm sorry.

12 Q Did the employee who filled out this form tell you
13 -- tell you how much of the volume reported represented
14 mailings that were voluntarily entered at commercial rates?

15 A They included those information, they did not
16 specifically report separately how much was voluntarily
17 entered at commercial rates with nonprofit indicia versus
18 was disqualified and later sent at regular rates.

19 Q Let me try again. Did the employee tell you --
20 did you employee tell you anything about the inclusion of
21 voluntarily entered mail for this site? Tell you.

22 A All the information I used in my estimates is
23 written on these forms. As I have said before, there is not
24 that link where they were telling me things that are not on
25 these forms.

1 Q So at least on this site, if we want to assume
2 that the volume estimates included mail that was voluntarily
3 entered at commercial rates, the Commission would have to be
4 finding that a fact existed which was neither written down
5 on this Form Number 7 nor told to you orally by the employee
6 who filled out the form, correct?

7 A Could you restate that question, please? I want
8 to make sure I am answering your question.

9 Q Yes. You are asking the Commission to conclude
10 that for Site Number 7, the volume estimates shown on page
11 Bates Number 94 include mailings that were voluntarily
12 entered at commercial rates, right?

13 A Yes.

14 Q And that supposition isn't stated anywhere within
15 the four corners of the form, correct?

16 A Correct. I have testified to that -- to how we
17 did the survey over the phone, but no, it is not on those
18 forms and just to clarify, it is sent at commercial rates
19 with nonprofit indicia.

20 Q And the employee, your employee, who filled out
21 this form said nothing to you about whether that supposition
22 was correct for this form?

23 A That is how they were trained. They do what --
24 they ask the questions that they were told to ask.

25 Q Would you turn to Site Number 9, which is on Bates

1 129?

2 A Yes, I'm there.

3 Q And that corresponds to a Ranking Number 12, is
4 that correct?

5 A That is correct.

6 Q And for that you reported 534,375 pieces?

7 A Yes.

8 Q And what is that number based on?

9 A Once again, if we start on page 136, when they
10 were asked the questions about the mailings in FY '96 that
11 went at commercial rates with nonprofit indicia, first of
12 all, for Question 5 they said about 100 mailings had been
13 rejected because of content, but then in Question 6(b) they
14 were asked how many were accepted under or subsequently
15 required to pay regular rates and they said 75, so I used
16 the 75 mailings in my estimate.

17 On page 137 in Part IV, once again they gave us
18 the distribution of pieces, an estimate of the distribution
19 of pieces. They said 70 percent of the 75 went -- were
20 between 500 and 1000 pieces; 70 percent of 75 is 70; and I
21 took 70 times 750, once again using my assumption of the
22 midpoint; twenty percent of 75 times 3000 is the midpoint
23 between 1000 and 5000; five percent of 75 times the midpoint
24 of 10,000 to 50,000; and five percent of 75 times the
25 midpoint of 50,000 plus, which I used as an estimate,

1 90,000.

2 Q Well, of the pieces that were in the last two
3 volume ranges, 50,000 to 100,000, and above 100,000, how
4 many of those mailings were in the above 100,000 range?

5 A They did not specify, they just said 5 percent
6 were between -- were above 50,000 pieces.

7 Q So you have to no reason to know whether the
8 90,000 figure is at all representative, do you?

9 A I made an estimate.

10 Q Well, it is not even an estimate, it's a guess,
11 isn't it?

12 A It's an estimate based on the information that the
13 sites have given me that lower volume mailers tended to be
14 the ones that had problems, and the higher volume mailers
15 tended to the ones who knew the rules.

16 Q Now, will you turn back to page 136?

17 A Yes.

18 Q On the top of the page, in answer to question No.
19 5, that's the number of mailings that were rejected because
20 of content?

21 A Yes.

22 Q And the answer is about 100?

23 A Yes.

24 Q What basis do you have for concluding that the
25 remaining figures are anything other than abouts or

1 approximations?

2 A As I have always quantified these results, these
3 were informed estimates from the Postal clerks. They did
4 not have the logs necessarily available, and so these are
5 not exact numbers. I have never said that they were exact
6 numbers. But the people we talked to were there in FY '96,
7 they were informed of the mailings. These were special
8 circumstances, they were things that they would remember.

9 Q Well, your answer on page 29 says 534,375, that's
10 an awfully precise number, isn't it?

11 A It's the number based on the calculations that I
12 have just described to you.

13 Q Don't you think it is a little misleading to put
14 down a number appearing that precise when, in fact, --

15 A No, because -- oh, I'm sorry.

16 Q When, in fact, you are working with estimates
17 multiplied by estimates?

18 A No, because, as I stated in my testimony, these
19 were informed estimates. I didn't provide standard errors
20 just because it would be misleading to provide that in this
21 case, I believe. But I did explain that these were informed
22 estimates and I explained, and I have been explaining here
23 why I believe that those are very informed estimates. And I
24 think that the information in the logs back up the sites
25 where the logs were available.

1 Q Now, once again, would you confirm that the
2 volumes here, there's nothing on the form to indicate that
3 the volumes here included mail that was voluntarily entered
4 at commercial rates with nonprofit markings?

5 MS. REYNOLDS: The Postal Service would be willing
6 to stipulate that all of the forms are printed identically.

7 MR. LEVY: But there is also handwriting on the
8 forms. I appreciate the stipulation.

9 THE WITNESS: It does not say that on the forms.

10 BY MR. LEVY:

11 Q Or on the handwritten information?

12 A Or on the handwritten information.

13 Q For all of the sites included in Cross-Examination
14 Exhibit 2, your Library Reference, in how many of the sites
15 was there any handwritten indication that the volume marking
16 -- volume figures for disqualified mail included mail that
17 was voluntarily entered at commercial rates?

18 A I don't know the exact number, but my guess would
19 be that there were very few that included that.

20 Q Can you point to a single one?

21 A No.

22 Q Would you turn to site -- I mean, yes, site 18 in
23 the survey form, Cross-Examination Exhibit No. 2? Page 240
24 Bates number. Let me know when you're there.

25 A I'm there.

1 Q Now, there you estimate a volume, total volume of
2 disqualified mail of 360,000, is that correct?

3 A That's correct.

4 Q Could you walk us through the arithmetic of that?

5 A On page 247, question 5, they say that between 100
6 and 120 mailings were rejected because of content. Question
7 6-B, they say that the majority of those were accepted under
8 or subsequently required to pay regular rates. So I used
9 the estimate of 120 mailings that were mailed at commercial
10 rates with nonprofit indicia. Part IV on page 248, they
11 said that 90 percent of those mailings were between zero and
12 1,000 pieces. So 90 percent of 120 would have been 108
13 times the mid-point, 500, or the mean 500. And ten percent
14 were between 1,000 and 50,000 pieces. The average of that
15 would be 25,500 pieces times 12 mailings, and that gives you
16 your 360,000 pieces.

17 Q Now, again, you use the same mid-point assumption?

18 A I used the mean, as I said before.

19 Q To save time, you used the same midpoint
20 assumption throughout?

21 A Yes. I thought I stated that before.

22 Q And these data are for Fiscal Year '96?

23 A That was their estimate from FY '96, yes.

24 Q Based on Fiscal Year '96 data?

25 A Based on their experience in Fiscal Year '96.

1 As they state on page 241, the logs were not
2 available at that site.

3 Q So this is their recollection about what happened
4 a couple years before the survey was taken?

5 A Yes.

6 Q Are there any sites on page 29 of your testimony
7 for which your volume data were actually based on volumes
8 reported in the disqualification logs?

9 A Yes.

10 Q Which site or sites?

11 A From Exhibit 2, that would have been Sites 52, and
12 let me make sure -- let me make sure about the other --
13 which would have been Site 4 in the survey forms in the
14 logs; and also Site Number 10 in Exhibit 2, which is Number
15 1 in the survey forms in the logs.

16 Q So it would be Sites Number 1 and 4 in the
17 logbook?

18 A Yes.

19 Q Exhibit 3-A. Okay. Let's look at Tab 1 of
20 Cross-Examination Exhibit 3-A.

21 For this site, you have estimated 4,077 pieces?

22 A Yes.

23 Q Where do you get that number from Tab 1 of Exhibit
24 3-A?

25 A If we look at page 16, after we had done the

1 survey our contact actually went back and looked through the
2 logs and it listed the mailings by AP, which mailings went
3 at regular rates with nonprofit indicia, and that -- pages
4 16 and 17 --

5 Q I'm sorry, page 16 and 17 of what?

6 A Of the Exhibit -- your Exhibit 2, the survey
7 forms.

8 Q What Bates number is that, please?

9 A 16 and 17.

10 Q Yes.

11 A This was a letter sent to us after we had done the
12 survey where they had actually found the specific logs, and
13 so they had found the instances in the logs where mailing
14 was sent at regular rate with nonprofit indicia and so we
15 got the exact volumes from this. I just added up the
16 volumes from this letter that was sent to us by the site.

17 Q Okay. Is there anything in there indicating that
18 the volumes included pieces that were voluntarily entered at
19 nonprofit -- at commercial rates?

20 A Given that they got this information from the
21 logs, the fact that there are -- I believe there are none
22 that were listed as being originally -- oh, wait a second --
23 that were originally entered as regular rates, then they
24 must not have had them on the logs themselves.

25 They must not have had those mailings.

1 Q I'm sorry, I don't understand.

2 A I'm sorry. Let me say that again.

3 This site did not have any mailings that a mailer
4 voluntarily entered at regular rates with nonprofit indicia,
5 because those were not on the logs, and that would have been
6 recorded on the logs.

7 Q Okay. Let's take that one step at a time.

8 No voluntary mailings of mail bearing commercial
9 nonprofit rates -- let me start again.

10 No voluntary mailings of mailings with nonprofit
11 markings but paying commercial rates appeared on the logs?

12 A Yes.

13 Q Is that the first part of your answer?

14 A Yes.

15 Q And the second part is from that you inferred that
16 no such mailings occurred during the period?

17 A Yes -- because they would have been recorded on
18 the logs.

19 Q Where does it say they would have been recorded on
20 the logs?

21 A It is part of their Acceptance procedures.
22 Whenever there is a discrepancy between the rate that is
23 being paid in the indicia it's automatically recorded as
24 something that needs to be checked.

25 Q Can you show me a single document in Exhibit 3-A

1 or anywhere else in your testimony and workpapers which
2 supports that proposition?

3 A No. I do not have anything on there.

4 It was information that was given to me by
5 Acceptance personnel.

6 Q Who?

7 A Pardon?

8 Q Who?

9 A The acceptance personnel that we talked with in
10 the survey.

11 Q How many of them told you that?

12 A I guess we learned it from the first couple of
13 sites that we asked, and that's why we asked it of all the
14 sites. I mean before we started the survey we asked about
15 these logs to see what information that they had, and that
16 was one of the things that was told to us. So we knew that,
17 going into the survey, that that would be on the logs. We
18 didn't ask for the logs without knowing what was on the
19 logs.

20 Q A Postal Service employee told you that, as a
21 matter of practice, mail with nonprofit postage -- with
22 nonprofit markings but commercial postage is always entered
23 on the disqualified mailings logs, even when it is
24 voluntarily entered that way?

25 A A Postal Service employee told me that what gets

1 entered on those logs are any questions or problems that
2 arise during the acceptance procedure for any type of
3 mailing, and one of the things that they look at in terms of
4 whether there is a problem or not is whether the rates match
5 what the piece says, you know, what the endorsements or the
6 indicia on the piece are, for any type of mailing, which
7 would include nonprofit mailings.

8 Q Can you show me in these logs an example?

9 A I don't have one at the tip of my finger. I know
10 that I have seen them on there. If you look at the logs,
11 they, in fact, have a code that they use for those. Let me
12 go -- just to show you an example, if we look at the log
13 shown on page 8 of Part 1 of 2 of your exhibit, I guess that
14 would be Exhibit 3, the section at the bottom of the form,
15 where it says disqualification codes, Code 6 says indicia
16 meter irregularity and Code 8 says improper endorsement.
17 Either one of those is used for situations where the rate
18 that is being paid and the endorsement or the indicia do not
19 match, are non consistent.

20 Q And you were told that one of those six codes --
21 one of those two codes is always put in place when mail is
22 tendered with commercial postage but nonprofit markings?

23 A That's what I was told, yes.

24 Q Always?

25 A They said that that was their procedure, that was

1 what they are supposed to do.

2 Q And how many individuals told you this?

3 A We learned it from the first -- before we did the
4 survey, we talked with acceptance personnel, actually at two
5 different sites, just to learn whether there was any
6 difference across sites or whether this information was
7 generally available and they both told us that it was one of
8 the things that comes on the log. So then, subsequently,
9 when we talked with our sample sites, we asked them for any
10 mailings that went at commercial rates with nonprofit
11 indicia.

12 And I noticed -- I don't have the examples right
13 at hand, but I noticed that there were, as I was going
14 through the logs before we provided them, that there were a
15 number of instances where Codes 6 and 8 were used, or where
16 there was a comment that said that, you know, there's a
17 3602R being sent or given to us, but the indicia says
18 nonprofit. I don't have those examples at hand.

19 Q Now, the rules also say that mailing that doesn't
20 qualify for nonprofit rates shouldn't be accepted at
21 nonprofit postage.

22 A That's correct.

23 Q But you just told me that that wasn't always
24 followed.

25 A That's correct. Sometimes the sites do make

1 accommodations for mailers.

2 Q And, in fact, isn't it also true that, as an
3 accommodation, the sites sometimes allow mail to be -- go
4 all the way through with a nonprofit marking even at
5 commercial postage?

6 A That's true. That's the volume estimates that I
7 have provided, I have heard those.

8 Q So we agree that, to at least some extent, the
9 rules aren't -- the formal rules aren't always followed?

10 A That's correct.

11 Q And it's also true that another formal rule that
12 might not be followed is the entry of mail with the wrong
13 markings in the disqualification log?

14 A These Acceptance logs are not used as some kind of
15 official record of volumes for the Postal Service in
16 general. They are used by the sites to help them figure out
17 what is going on in their day, what mailings need to be
18 addressed, what problems need to be addressed, what mailers
19 need to be called up to verify situations.

20 They are not used as a formal volume measurement.
21 They are used to -- for the sites to help their general
22 processes that day, so there would be no reason why a site
23 wouldn't put that kind of mailing on this log because it's
24 something that they have to check.

25 They have to record whether they have contacted

1 the firm, whether -- what information they got back from the
2 firm. It is their record of what they are doing and what
3 they need to do. There is no reason why they wouldn't put
4 that type of mailing on the log.

5 Q Well, Headquarters doesn't require them to put
6 that information on the log, does it?

7 A As I said, this is not -- this is something that
8 they do to help their own work.

9 Q My question, ma'am, is Headquarters doesn't --

10 A I'm sorry --

11 Q -- them --

12 A No. They do not require them to put that on the
13 log.

14 Q So they would only put it on the log if they found
15 it useful for their own internal management of the site?

16 A Yes.

17 Q And you previously testified that in a number of
18 instances Postal Service people work closely with their
19 mailers. They treat them like customers, right?

20 A Yes.

21 Q If a Postal Service person is familiar with a
22 phenomenon of the mailer's entering a piece at commercial
23 rates with nonprofit postage, why would the Postal Service
24 employee need to enter it on the log to know what was going
25 on?

1 A I assume that given the information that they
2 given me that that is something they would still have to
3 check or at least they would have to show that, you know,
4 it's something out of the ordinary, something against the
5 rules.

6 They would have to at least record it in some way.

7 Q Why would the Postal Service employee need to
8 enter it on the form?

9 A Well, for one reason, they would want to inform
10 the mailer that this is something they are not supposed to
11 be doing and that they shouldn't do in the future. They
12 would want to contact the mailer to say, look, you are not
13 following the rules, you know, next time you have got to
14 have the right indicia on your piece.

15 Q What if they don't enforce that particular rule,
16 that they know the mailer and they let it go through.

17 Why would they enter it on the form?

18 A As far as I know, that is a rule -- what they have
19 informed me is this is a rule that they do enforce.

20 Q Well, do you expect them to tell you if they break
21 the rules all the time?

22 A They have -- they had no reason to not give us
23 this information, and in fact they volunteered that they do
24 make these accommodations at times, so I think that that
25 makes their remarks very credible.

1 Q There is a well-recognized phenomenon in survey
2 design of under-reporting of behavior which could cause the
3 reporting party either to suffer shame or get into some sort
4 of trouble, isn't that true?

5 A The -- I'm sorry, you are asking me for?

6 Q A general phenomenon. That is one of the
7 things -- one of the things that has to be tested in survey
8 design?

9 A Oh, yes. That is something that you do have to be
10 careful of, yes.

11 Q I mean to give another example, isn't it true, for
12 example, that self-reporting studies of the incidence of
13 behavior which is socially for some reason less desired like
14 adultery, or homosexuality, that self-reporting studies have
15 to be taken with a grain of salt because of the possibility
16 of under-reporting?

17 A Yes, that is the case. Self-reporting studies do
18 have to be taken with a grain of salt, especially if, say,
19 the response rate is low in the survey.

20 Q Now in Exhibit Number 1, Cross-Examination Exhibit
21 Number 1, was a letter sent by the Postal Service to all of
22 the sites from Anita Bizzotto:

23 A You have to give me a moment here. I have got a
24 lot of stuff on the desk here. Okay, yes?

25 Q This was a letter indicating that the people who

1 were -- this was a letter to the BME, Business Mail Entry
2 Managers telling them that they should expect to be hearing
3 from Christensen Associates for a survey?

4 A Yes.

5 Q And the reader of the letter would infer that the
6 study was being done for Postal Service Headquarters?

7 A Yes.

8 Q Did you ask that any steps be taken to conceal
9 this letter from the individuals who were responding to the
10 survey?

11 A No.

12 Q Were any steps taken to conceal from the people
13 who were responding to the survey the fact that the survey
14 was being done for Postal Service Headquarters?

15 A No, in fact, what we found was that the people
16 that we talked with over the phone, most of them had not
17 seen this letter or even the questions that were being
18 asked. They had just been told by their managers to
19 cooperate with us. The reason why we had to have this
20 letter is because we were asking for mailer-specific
21 information. The sites are not going to give that to
22 anybody over the phone, you need authorization, and that's
23 what the purpose of the letter was. It was just to say,
24 look, these people have authorization to get this kind of
25 information.

1 Q I understand that, but I am asking about a side
2 effect of the letter. What percentage of the respondents
3 who answered the survey over the telephone were unaware that
4 the study was being done for Postal Service Headquarters?

5 A I don't know the exact number but I think it was
6 probably close to three-quarters.

7 Q My question isn't whether they were unaware,
8 hadn't seen the letter, they were unaware that this was
9 being done for Postal Service Headquarters?

10 A I think that they would naturally assume that.
11 Somebody from -- you know, just randomly information, would
12 not have the authorization to get mailer-specific
13 information.

14 Q Did you tell, you or your colleagues tell the
15 people who answered the phone survey that their identities
16 would be concealed from Postal Service Headquarters?

17 A No.

18 Q Now, in response to our motion asking for
19 production of the logs, the Postal Service made the
20 following statement, "None of the employees to whom Dr.
21 Schenk spoke regarding the Christensen Associates survey
22 expressed any concerns that the information that they were
23 going to give would get them in trouble." Do you recall
24 seeing a statement to that effect?

25 A Yes.

1 Q If you were a Postal Service employee who had been
2 told by your boss to answer questions from somebody you had
3 never heard of, over the phone, do you think that it is
4 likely you would volunteer to that stranger that you were
5 concerned that your answers might get you in trouble with
6 headquarters?

7 A We have done other surveys for headquarters and I
8 have heard those concerns before in the past, that people
9 are -- they don't feel informed enough or they are concerned
10 that they are not giving the correct information. In this
11 survey we did not get anything like that. I don't think
12 that people really thought about how the information was
13 going to be used, they just were told to give us the
14 information.

15 Q Well, didn't some of the respondents decline to
16 answer?

17 A Yes, because they did not have the information or
18 they had not been there in FY '96.

19 Q Well, that's what they said.

20 A Easily checked.

21 Q Did you?

22 A No.

23 MR. LEVY: Mr. Chairman, I think I am pretty close
24 to being done, if I may check my notes for a couple of
25 minutes.

1 CHAIRMAN GLEIMAN: We'll go off the record for
2 about five minutes then.

3 MR. LEVY: Thanks.

4 [Recess.]

5 MR. LEVY: I am ready to resume, Mr. Chairman,
6 whenever --

7 CHAIRMAN GLEIMAN: Mr. Levy.

8 BY MR. LEVY:

9 Q Just one other question, Dr. Schenk, about your
10 assumption of the midrange.

11 A Um-hum.

12 Q When you were in the volume groups between zero
13 and some higher number, you assumed that the average volume
14 per mailing within that category was the unweighted average
15 of zero and the top of the range?

16 A Not a weighted average.

17 Q I'm sorry.

18 A It was just a simple mean.

19 Q Unweighted average.

20 A Yeah.

21 Q Zero and the top of the range.

22 A Yes.

23 Q Do you know what's the minimum number of pieces
24 that can be entered as a bulk mailing?

25 A I don't remember the exact number.

1 Q It's higher than zero, isn't it?

2 A I understand that; yes.

3 MR. LEVY: I have no further questions.

4 CHAIRMAN GLEIMAN: Is there any followup?

5 Questions from the bench?

6 I just have a question that crossed my mind as we
7 were looking at the memo that you sent out to the selected
8 managers of the business mail entry units.

9 The fourth line down in the first paragraph
10 there's a sentence that starts at the tail end of that line.
11 It says this information is vital to our current -- for the
12 current rate case -- excuse me -- this information is vital
13 for the current rate case.

14 THE WITNESS: Yes.

15 CHAIRMAN GLEIMAN: Do you know the extent to which
16 that particular item was passed on to --

17 THE WITNESS: No, I don't. We put that in there
18 so that we could get quick responses, and we didn't have
19 much time to get this information, and so it was something
20 that was, as you see in the next sentence, we needed to
21 inform them in a timely fashion.

22 I don't know what -- I don't know who saw the
23 letter beyond the original recipient.

24 CHAIRMAN GLEIMAN: You didn't ask the people that
25 you actually talked to or that your colleagues talked to on

1 the phone whether they'd seen this letter or whether
2 they'd --

3 THE WITNESS: Most of them volunteered the
4 information that they -- they knew nothing about what was
5 going on. They were just told to answer our questions.

6 CHAIRMAN GLEIMAN: Thank you.

7 Followup as a result of questions from the bench?

8 MR. LEVY: No, but I do want to move in some
9 exhibits.

10 CHAIRMAN GLEIMAN: Certainly.

11 MR. LEVY: First of all I would like to ask that
12 Cross-Examination Exhibits 1 through 3B be admitted into
13 evidence, and I would suggest that the voluminous ones,
14 which are 2, 3A, and 3B, be admitted into evidence without
15 being transcribed into the record if there's a procedure for
16 that. Maybe like the Postal Service's opening testimony.

17 CHAIRMAN GLEIMAN: I think that we can probably
18 accommodate you on that, and we'll make sure that copies of
19 those cross-examination exhibits are available in the docket
20 room.

21 Postal Service counsel has some concerns or
22 questions?

23 MS. REYNOLDS: Not really a concern so much as I'm
24 curious as to why we want to -- why we feel a need to move
25 Cross-Examination Exhibit 1 in. The only thing that has not

1 been moved -- that was not moved into evidence this morning
2 as it should have been appended to Dr. Schenk's testimony
3 earlier is the fax cover sheet from me to Dr. Levy -- to Mr.
4 Levy. And there's nothing on that that I can see that's in
5 any way relevant.

6 CHAIRMAN GLEIMAN: Mr. Levy?

7 MR. LEVY: I would ask just since I referred to it
8 in the questions that it be admitted, and I'll be happy to
9 concede that as redundant in that sense, but I believe I did
10 refer to Cross-Examination Exhibit 1.

11 CHAIRMAN GLEIMAN: In order that the record be as
12 clear as possible, we'll direct that Cross-Examination
13 Exhibit No. 1 be transcribed into the record and entered
14 into evidence.

15 [Cross-examination Exhibit ANM-XE-1
16 was received into evidence and
17 transcribed into the record.]

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FAX COVER SHEET

DATE: 3/13/98

TO: David Levy

NUMBER: 202-736-8711

FROM: Anne Reynolds

PHONE: 202/268-2970

MESSAGE: To follow is a cover sheet and questionnaire referenced at page 26 of USPS-RT-22. We will be filing it on Monday as an errata.

03/13/98 17:30 ☎ 202 268 5402
 03/13/98 FRI 16:00 FAX 608 231 2108

USPS LAW DEPT
 CHRISTENSEN ASSO

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Laurits R. Christensen Associates, Inc.
 4610 University Avenue, Suite 700
 Madison, Wisconsin 53705-2164

Voice 608.231.2266 Fax 608.231.2108

TO: SELECTED MANAGERS, BUSINESS MAIL ENTRY

As explained in the enclosed letter from Anita Bizzotto, Christensen Associates is conducting a study for the Postal Service on the frequency with which mail not qualifying for Nonprofit Standard (A) rates is accepted with nonprofit endorsements, and what accounting procedures are used when nonprofit transactions are ruled ineligible for nonprofit rates. This information is vital for the current rate case. In order to inform headquarters in a timely fashion, we need to obtain this information as soon as possible.

We have enclosed a list of questions on nonprofit mailing and accounting practices. These questions outline the information needed. Please determine who at your facility can provide us this information, and fax back the enclosed contact sheet by 4:00 p.m. today (Wednesday, March 4). The contact should be the person who is most knowledgeable of acceptance procedures used at your site. It is anticipated that we may need to talk with more than one person at your site, since we also need information on the procedures used in accounting for postage deficiencies when nonprofit mailings are ruled ineligible - if this is the case, the designated contact person should be someone who can direct us to the knowledgeable personnel for these issues, or who could coordinate a time when we could talk with all relevant personnel at the same time. We will call the designated person(s) at the time noted on the sheet, to discuss the information requested. Note that you do not need to return the questionnaire at this time.

We appreciate your assistance in this matter. This information will help the Postal Service respond to questions arising in the current rate case concerning nonprofit mailing practices. If you have any questions concerning this request, please do not hesitate to call us at (608)231-2266.

Sincerely,

Leslie M. Schenk
 Senior Economist

Paul Loetscher
 Economist

Encl.

03/13/98 17:31 ☎202 268 5402
03/13/98 FRI 16:01 FAX 608 231 2108

USPS LAW DEPT
CHRISTENSEN ASSO

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Contact for Nonprofit Standard (A) Study

Fax to: Leslie Schenk
Christensen Associates
(608)231-2108

Contact Name: _____

Facility Name: _____

Finance Number: _____

Contact Phone Number: _____

Best time to call: _____

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 03/13/98 FRI 16:01 FAX 608 231 2108

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QUESTIONS ON NONPROFIT MAILINGS

I. General Information on Nonprofit Mailings

- A. Consider the most recent AP. Is this a representative AP for Nonprofit Standard (A) Mail accepted through your office? If not, why? What AP is representative?
- B. Has the volume of Nonprofit Standard (A) mail that your office accepts changed since FY95? If so, how? (That is to say, has there been an increase or decrease in either the number of nonprofit mailers or the volume of individual nonprofit mailers?)
- C. How many nonprofit mailings were accepted at your office during the most recent AP (or most recent representative period)? What was the total volume and revenue for these transactions?
- D. What documentation is kept on rejected nonprofit mailings (are logs kept, or notes/memos kept in customers' files)? Is this documentation available for FY96, FY97, FY98 (to date)? What information is usually recorded in the documentation? Permit number? Reason for rejection? Action taken? Revenue, volume or weight?
- E. Were enforcement practices concerning eligibility for nonprofit mailing (in terms of advertising content or other characteristics that would make the piece ineligible for nonprofit rates) any different in FY96 compared with FY95? With FY97? If so, how?
- F. Was mailer compliance behavior different in FY96 compared with FY95 and with FY97, with regard to characteristics of the mailpiece that determine eligibility for nonprofit rates? If so, how?

II. Nonprofit Mailings Rejected or Ruled Ineligible During Acceptance Process

- A. In the most recent AP (or most recent representative period), how many nonprofit mailings were rejected or ruled ineligible for nonprofit rates?
- B. Of these, how many were rejected or ruled ineligible because of poor preparation (for example, not presorted correctly)? How many because no Form 3624 was on file? How many because of insufficient funds in the trust account? How many because their content made them ineligible for nonprofit rates?
- C. For the most recent AP (or most recent representative period), of those rejected or ruled ineligible because of content:
 - a. How many had Permit Imprint Indicia? Precanceled stamps? Metered indicia?
 - b. How many were accepted under or subsequently required to pay regular rates?
 - c. For those accepted under regular rates:
 1. What regular rate was paid (Standard (A), First-Class, etc.)

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QUESTIONS ON NONPROFIT MAILINGS

2. How was the additional postage accounted for? How were these transactions entered into the PERMIT system? Were they ever entered as Nonprofit then reversed to regular rate?
3. What were the volumes of each of these transactions?
4. (If actual volumes unknown: How many accepted under regular rates had volumes < 500 pieces., 500-1,000 pieces., 1,000-5,000, 5,000-10,000, 10,000-50,000, 50,000-100,000 , and > 100,000 pieces).
5. How were these pieces endorsed?
6. Did the customer ever correct the endorsement before re-entering the mail?
- d. After a mailing is required to pay regular rates, what procedures do you use when the same mailer brings in another nonprofit mailing that you determine has to pay regular rates because of content problems?

[If the logs are available and have enough information, we will ask the sites to provide the logs or to get the information directly from the logs. If they logs do not have enough information or are not available, we will ask them to make informed estimates.]

- D. Do you have records of rejected mailings for FY96 available?

[If FY96 is not available, we will ask them if FY97 is available (so that we can get a complete year of data, if possible).]

- E. In FY96 (or, if not available, for FY97), how many mailings were rejected because of content?
- F. Of those rejected in FY96 (or, if not available, in FY97) because of content:
 - a. How many had Permit imprint indicia? Precanceled stamps? Metered indicia?
 - b. How many were accepted under or subsequently required to pay regular rates?
 - c. For those accepted under regular rates:
 1. What regular rate was paid (Standard (A), First-Class, etc.)
 2. How was the additional postage accounted for? How were these transactions entered into the PERMIT system? Were they ever entered as Nonprofit then reversed to regular rate?
 3. What were the volumes of each of these transactions?
 4. (If actual volumes unknown: How many accepted under regular rates had volumes < 500 pieces, 500-1,000

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03/13/98 FRI 16:03 FAX 608 231 2108

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QUESTIONS ON NONPROFIT MAILINGS

pieces, 1,000-5,000, 5,000-10,000, 10,000-50,000,
50,000-100,000 , and > 100,000 pieces).

5. How were these pieces endorsed ?
6. Did the customer ever correct the endorsement before re-entering the mail ?

[If the logs are available and have enough information, we will ask the sites to provide the logs or to get the information directly from the logs. If the logs do not have enough information or are not available, we will ask them to make informed estimates.]

03/13/98 17:32 (202) 268 5402
03/13/98 FRI 16:40 FAX 608 231 2108

USPS LAW DEPT
CHRISTENSEN ASSO

007/007

MARKETING SYSTEMS
BUSINESS MAIL ACCEPTANCE



February 18, 1998

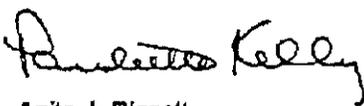
MANAGERS, BUSINESS MAIL ENTRY

SUBJECT: Christensen Associates

The Postal Service has contracted with Christensen Associates to study the frequency with which mail not qualifying for Standard (A), Nonprofit rates is accepted with nonprofit endorsements. This issue has come up in a current rate case. If you are contacted by representatives of Christensen Associates for information regarding our acceptance procedures or any information you may have relating to this issue, please give them your full cooperation.

If you have questions, please contact John Reynolds at (202) 268-2653.

Thank you for your assistance.


for Anita J. Bizzotto
Manager

1 CHAIRMAN GLEIMAN: With respect to
2 Cross-Examination Exhibits 2 and 3A and B, we'll direct that
3 they be entered into evidence and not transcribed into the
4 record, and we will endeavor to ensure that copies of these
5 cross-examination exhibits are available in our docket room,
6 if that is agreeable to the parties involved.

7 [Cross-Examination Exhibits
8 ANM-XE-2, ANM-XE-3A, and ANM-XE-3B
9 were received into evidence.]

10 MR. LEVY: The only remaining thing I would ask is
11 I would like to have marked -- entered into the record of
12 this case either as an exhibit or otherwise the copy of the
13 letter received from Ms. Reynolds dated March 16, which I'll
14 pass out, and I'll explain why.

15 This letter was a description of what work papers
16 there were or were not for the testimony, and then the
17 fourth page is a listing of the sample sites. And then the
18 last two pages are a description of the statement of work.
19 And rather than ask the witness about it, I would like to
20 just have it stipulated into the record.

21 CHAIRMAN GLEIMAN: Ms. Reynolds?

22 MS. REYNOLDS: We have no objection.

23 CHAIRMAN GLEIMAN: Did you say stipulated into the
24 record?

25 MR. LEVY: Yes.

1 CHAIRMAN GLEIMAN: We have a document that is
2 marked ANM Cross-Examination Exhibit without a number. We
3 are going to put number 4 on there, and recognizing that it
4 is not a Cross-Examination Exhibit in the strictest sense,
5 we are going to direct that it be transcribed into the
6 record at this point.

7 MR. LEVY: And admitted into evidence.

8 CHAIRMAN GLEIMAN: And admitted into evidence.

9 [Cross-Examination Exhibit ANM-XE-4
10 was marked for identification and
11 received into evidence and
12 transcribed into the record.]

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By facsimile and email

David M. Levy, Esq.
Sidley & Austin
1722 Eye Street, NW
Washington, DC 20006

March 16, 1998

Dear Mr. Levy:

I am responding to your letter of Friday evening, March 13, 1998, regarding the eight information requests you have made regarding the rebuttal testimony of Postal Service witness Leslie Schenk, USPS-RT-22. The Postal Service is willing to cooperate with these requests as far as is reasonable and practical, under the particular circumstances represented by the filing of Dr. Schenk's testimony. We note that the Procedural Schedules that have been promulgated by the Presiding Officer in this proceeding have each specifically noted that no discovery is permitted on rebuttal evidence, with the exception of oral cross-examination. See *Presiding Officer's Ruling No. R97-1/55, Attachment A* (November 5, 1997).

With this observation in mind, the following addresses your requests (reproduced in italics below):

(1) The "letter explaining the survey" and the "list of survey questions" that "was faxed to each sample site's Manager of Business Entry" (cited in USPS-RT-22 at 26, lines 12-14).

This information was sent to you and to Dr. Haldi via facsimile Friday evening, and will be filed as an errata to the testimony today.

(2) Any phone call records, logs, notes, completed survey forms, or similar documents (whether in hard copy or electronic form) on which the survey takers recorded information obtained during their telephone interviews (id. at 26, lines 16-19).

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1137
202-268-2970
FAX: 202-268-5402

The materials responsive to this portion of your request comprise a significant volume of materials; Dr. Schenk estimates that several hundred pages would be involved. Moreover, this information is only available in hard copy. Because of the magnitude of this information, coupled with the proximity of Dr. Schenk's oral testimony, the Postal Service will make available, at Postal Service Headquarters, copies of the completed survey forms. Please contact the undersigned to arrange a time to review them.

(3) Any intermediate notes or compilations of the information requested in paragraph (2), which in turn were used in preparing USPS-RT-22 or Library Reference H-352.

Intermediate notes or compilations of the information requested in paragraph (2), above, were not made.

(4) Copies of the acceptance logs identified in USPS-RT-22 at 26, lines 21-24, for each site that responded to the survey.

As indicated in USPS-RT-22, acceptance logs were not maintained by all of the sites that were interviewed in the preparation of the testimony. Copies of the acceptance logs were not obtained or reviewed by Dr. Schenk from the sites that did maintain them; her testimony relied on Postal Service employees to relate information in the logs in the course of telephone inquiries.

In order for the Postal Service to provide the information you are requesting here, it would need to contact each site that responded to the survey discussed in USPS-RT-22, obtain copies of the acceptance logs (if maintained by the site), review them to determine if the pages contain commercially sensitive or confidential information, redact such information, and reproduce the redacted pages. This endeavor would be likely to take at least a full week of effort, and could take significantly longer. Accordingly, we are not undertaking to assemble these records.

(5) The city, state and ZIP code of each site that responded to the survey. (If this information appears in Library Reference H-352, please just identify the file or files.)

This information is in the attached chart.

(6) Copies of any contracts, RPFs, bids, offers, and similar documents generated by the Postal Service or Christensen Associates concerning the purpose, scope and nature of Christensen Associates' work relating to the survey. (You may redact hourly billing rates and similar information. Please contact me if you wish to redact other information: I am only

interested in the portions that may shed light on the purpose, scope and nature of Christensen Associates' assignment.)

USPS-RT-22 was provided under the existing contract between the Postal Service and Christensen Associates, to provide support for Postal Rate Commission proceedings. The task order, signed in late February, under which USPS-RT-22 was developed, is attached to this letter.

(7) Any other written information provided by the Postal Service that Ms. Schenk used in preparing USPS-RT-22 or the Postal Service's response to Interrogatory ANM/USPS-28.

The attachments to the Postal Service's response to ANM/USPS-28 comprise the only other written information that was provided by the Postal Service that Dr. Schenk used in preparing USPS-RT-22 or the Postal Service's response to Interrogatory ANM/USPS-28. These attachments are provided in USPS-RT-22.

(8) Any other supporting information required by Rule 31(k) that has not been included in USPS-RT-22 or Library Reference H-352.

All of the information required by Rule 31(k) has been provided in the body of USPS-RT-22, in Library Reference H-352, or is otherwise addressed in the testimony.

Sincerely,


Anne B. Reynolds

Sample Sites for LRCA Survey in Support of USPS-RT-22

Strata	Site	ZIP*
1	Atlanta, GA	30304
	Baltimore, MD	21233
	Boston, MA	02205
	Capitol Heights, MD	20743
	Chicago, IL	60607
	Dallas, TX	75260
	Fredericksburg, VA	22401
	Green Bay, WI	54307
	Liberty, MO	64068
	Lincoln, NE	68501
	Minneapolis, MN	55413
	Mount Pleasant, IA	52641
	New York, NY	10199
	Pewaukee, WI	53072
	Philadelphia, PA	19104
	Pittsburg, PA	15290
	Shawnee Mission, KS	66202
	Stevensville, MD	21666
	Washington, DC	20088
	Wilton, NH	03088
2	Boulder, CO	80301
	Breckenridge, CO	80424
	Buffalo, SC	29321
	Columbus, OH	43216
	Easton, MD	21601
	Galveston, TX	77550
	Madison, WI	53707
	Merrifield, VA	22081
	Reading, PA	19612
	Winston-Salem, NC	27102

*ZIP Code for Postmaster at Main Office

**Christensen Associates
Statement of Work
Task 5 - IOCS Analysis
Supplement ~~4~~ 5**

I. Background and Objectives

Christensen Associates has provided testimony in the R97-1 rate case regarding the new costing system and the data systems on which it is built. This work needs to continue through the rebuttal phase and the filing of final briefs. Additional funding is needed because of the extensive involvement of Christensen Associates in several aspects of the case. The purpose of this supplement is to add funding to continue support for the R97-1 rate filing.

II. Scope

This work statement covers preparation of interrogatories, cross-examination questions, and rebuttal testimonies. It also includes supporting analysis and surveys as required to support opinions offered in testimony. Christensen Associates will appear in person for oral cross-examination and to assist with the oral cross-examination of intervenors.

III. Deliverables and Schedule

Deliverables will include testimony, interrogatories, and questions for cross-examination as well as the results of analysis as required by the Postal Service, with mutually agreed upon deadlines. The exact deliverables and their timing is not known at this time because of the nature of litigation.

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Christensen Associates and the Postal Service will develop details and deadlines as their needs are known. This task expires April 30, 1998.

1 MR. LEVY: Thank you. That's all I have.

2 CHAIRMAN GLEIMAN: Would you like some time with
3 your witness for redirect?

4 MS. REYNOLDS: Just a few minutes, please.

5 CHAIRMAN GLEIMAN: Certainly.

6 [Recess.]

7 CHAIRMAN GLEIMAN: Ms. Reynolds.

8 MS. REYNOLDS: The Postal Service still has no
9 redirect. Thank you.

10 CHAIRMAN GLEIMAN: And Mr. Levy still has no
11 recross in that case.

12 Ms. Schenk, we want to thank you. We appreciate
13 your appearance here today, again, and your contributions to
14 our record. And if there is nothing further, you are
15 excused.

16 THE WITNESS: Thank you.

17 [Witness excused.]

18 CHAIRMAN GLEIMAN: And to the best of my ability
19 to discern, I think the hearings are adjourned, not for
20 today, but, hopefully, for the rest of the case. So with
21 that, we will do what we have to do.

22 We look forward to getting everyone's briefs and
23 reply briefs in here so that we can make some thoughtful
24 decisions and, hopefully, we won't upset too many people
25 when we next visit with all of you in mid-May.

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Thank you. Have a good day.

[Whereupon, at 11:56 a.m., the hearing concluded.]

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