

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

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Docket No. R2000-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
WITNESS: JAMES F. CALLOW (USPS/OCA-T6-14-17, and 19-21(b))  
(June 26, 2000)

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The Office of the Consumer Advocate hereby submits the answers of James F. Callow to interrogatories USPS/OCA-T6-14-17, and 19-21(b), dated June 12, 2000. Interrogatory USPS/OCA-T6-18 was withdrawn by the Postal Service on June 13, 2000. Interrogatory USPS/OCA-T6-21(a) is redirected to OCA witness Gerarden. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

  
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ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-14

Please refer to page 32, lines 7-15 of your testimony. Assume in Scenario A that there is a 33-cent basic First-Class Mail rate and a 30-cent CEM rate. Assume in alternative Scenario B that there is no CEM rate and only a 33-cent basic First-Class Mail rate. Assume in each scenario that a one-cent increase in all First-Class Mail rates is implemented and that the Postal Service sells "make-up" stamps for use by the mailing public. All other things equal:

- (a) Would you expect there to be more of the confusion to which you refer at line 14 in Scenario A or in Scenario B? Please explain your answer fully.
- (b) Under which Scenario would household mailers experience more convenience and simplicity? Please explain your answer fully.

RESPONSE TO USPS/OCA-T6-14

(a) - (b) The referenced portion of my testimony does not speak to the type of confusion you hypothesize might result from the existence of a CEM discount. Rather, my testimony speaks to the prospect of more frequent rate changes, and the possibility of confusion, as a consequence of several different First-Class stamp inventories held by household mailers resulting from more frequent changes. Thus, I would not expect any of the confusion I discuss to differ between your two scenarios. Neither of these scenarios speaks to the frequency of rate changes. Moreover, convenience and simplicity would be enhanced for household mailers where, in the absence of a rate change, they would not have to purchase stamps with new denominations.

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-15

Please refer to your testimony at page 32, lines 1-4. Please identify and provide all information which would form a basis for quantifying the "hidden cost . . . imposed on households when 'left over' stamps of older denominations go unused."

RESPONSE TO USPS/OCA-T6-15

The hidden cost to households is the cost of carrying unused First-Class stamp "inventories." However, information to quantify this cost is not available from the Postal Service. According to the Postal Service, while it "estimates postage in the hands of the public in the aggregate, it does not distinguish among denominations of postage nor isolate the portion of such postage associated with a rate change." See Tr. 21/9069, Response of the U.S. Postal Service to Interrogatories of the Office of the Consumer Advocate, OCA/USPS-48.

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-16

Please refer to your testimony at page 32, lines 8-11. Please identify and provide all information which would form a basis for quantifying the percentage of "left over" non-denominated stamps.

RESPONSE TO USPS/OCA-T6-16

Information on the percentage of "left over" non-denominated stamps unused by households is not available from the Postal Service. In fact, there appears to be only limited information on the number of F-, G-, and H-rate non-denominated stamps *printed and sold*. See Tr. 21/9068, Response of the U.S. Postal Service to Interrogatories of the Office of the Consumer Advocate, OCA/USPS-47.

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-17

In the initial implementation of the proposed reserve account, is the intention of the OCA to build up a surplus in the early years that would then be drawn down in the later years as the second rate case period ends?

- (a) If so, have you evaluated, either quantitatively or qualitatively, how consumers feel about the tradeoff between essentially overpaying postage for approximately two years in return for possible rate stability in later years? Please explain and provide any documentation and supporting information.
- (b) Do you see any conflict between this proposal and the statutory requirements under which the Postal Service operates, for example that it breakeven and cover its costs?

RESPONSE TO USPS/OCA-T6-17

This interrogatory is identical to USPS/OCA-T1-12, redirected from witness Gerarden. Consequently, see my response to that interrogatory.

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-19

Table 14 in your testimony presents an illustrative change in the estimated single-piece and workshare volumes during two rate cases. How were the underlying volumes for single-piece and workshare volumes shown in that table calculated? Please describe the calculations or provide a workpaper or testimony reference.

RESPONSE TO USPS/OCA-T6-19

See OCA-LR-I-3, Part II, Table 14 (and the notes thereto), at page 2. See also Response of the United States Postal Service to Interrogatory of the OCA, OCA/USPS-133(a) and (b).

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-20

Table 15 of your testimony presents the illustrative effect of a change in the SPFC rate on the shift in estimated single-piece and workshare volumes.

- (a) How were the levels of workshare volume change at the differing levels of discount calculated? Please describe the calculations or provide a workpaper or testimony reference.
- (b) What specific workshare discount is being measured, for example, basic automation from the single-piece rate?

RESPONSE TO USPS/OCA-T6-20

(a) See OCA-LR-I-3, Part II, Table A (and the notes thereto), at page 3, which provides the data used in Table 15.

(b) Yes. I have assumed for purpose of illustration a discount for workshare mail of \$0.06, the amount of the discount for Automation Basic. See OCA-T-6, Part II, at 41, lines 9-12. See also OCA-LR-I-3, Part II, Table 14 (and the notes thereto), at page 2.

ANSWERS OF OCA WITNESS JAMES F. CALLOW  
TO INTERROGATORIES USPS/OCA-T6-14-17, and 19-21(b)

USPS/OCA-T6-21

In discussing your reserve account proposal on page 45 of your testimony, you state:

With respect to presort mailers, changes in the size of the workshare discount will create cycles causing volumes and revenues to rise and fall. When the difference between the SPFC rate and the calculated single-piece rate is positive, mailers will see higher volumes and revenues, and potentially higher profits. When the difference between the SPFC rate and the calculated single-piece rate is negative, however, they will operate with lower volumes and revenues and potentially lower profits.

- (a) Have you evaluated, either quantitatively or qualitatively, how presort mailers feel about the uncertainty in volumes and profits that you discuss above? Please explain and provide copies of any related documents.
- (b) Have you evaluated the effect such cycles in workshare volumes would have on Postal Service operations? Please explain and provide copies of any related documents.

RESPONSE TO USPS/OCA-T6-21

- (a) Redirected to OCA witness Gerarden.
- (b) See OCA-T-6, part II, at 44-45, lines 10-12, and 1-6, respectively.

DECLARATION

I, James F. Callow, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T6-14-17, and 19-21(b) of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 6-26 03

James F. Callow

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.

  
EMMETT RAND COSTICH

Washington, DC 20268-0001  
June 26, 2000