

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

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

RESPONSES OF OFFICE OF THE CONSUMER ADVOCATE
WITNESS JAMES F. CALLOW TO INTERROGATORIES OF
UNITED STATES POSTAL SERVICE (USPS/OCA-T5-17-19)
(October 10, 2006)

The Office of the Consumer Advocate hereby submits responses of James F. Callow to interrogatory USPS/OCA-T5-17, dated September 25, 2006, and interrogatories USPS/OCA-T5-18-19, dated September 26, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

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USPS/OCA-T5-17.

Postal Service witness Mitchum stated that "[t]he proposed change to DMCS 991.31 would eliminate the requirement to provide prior electronic notice of entering the mail, for Destination Confirm customers, because customers found the requirement burdensome." USPS-T-40 at 21. GrayHair Software witness Bellamy states that the DMCS requirement "has not been easy for mailers to meet, and there may be cases where specific exceptions to it should be granted." GHS-T-1 at 20. To address the burden of the electronic notice requirement for certain Confirm customers, do you support exceptions being granted to those Confirm customers? Please explain any negative response.

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I agree with the testimony of GrayHair Software witness Bellamy (GHS-T-1) that exceptions should be granted in certain cases. The circumstances under which such exceptions are granted, however, should be determined in the context of developing an accurate, reliable, and low-cost electronic notification system for the entry of Confirm mailings that is simple-to-use by subscribers and the Postal Service. Such a system should be developed by the Postal Service in conjunction with Confirm subscribers, interested mailers, trade associations, and the OCA. The system should be designed to meet the needs of the Postal Service without being so restrictive as to make it burdensome for subscribers. Thus, for example, if a subscriber offers an alternative method of providing valid entry data for a Confirm mailing, but that method differs from the specific form of the requirement established by the Postal Service, that method should be allowed as an exception.

Moreover, the purpose of such a system should be to ensure that the electronic notification is recognized by the Postal Service and Confirm subscribers as the official

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“start-the-clock” entry time for purposes of developing transparent, system-wide service performance measurement for business mail. While exceptions to electronic notification are appropriate, the exemptions must not be so extensive as to reduce the overall value of service performance measurement. Any discussion of exceptions being granted prior to development of such an electronic notification system is premature.

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USPS/OCA-T5-18.

During oral cross examination of witness Mitchum, counsel for the OCA implied that there was widespread dissatisfaction among current Confirm subscribers with the Postal Service proposal for Confirm service. Tr. 14/4157.

- (a) Has the OCA had discussions with Confirm customers dissatisfied with the Postal Service proposal?
- (b) If so, were you present during the any of these discussions?
- (c) If you responded affirmatively to part (a), was Attachment 1 of your testimony, or any similar presentation of your proposal, used during any of the discussions?
- (d) If you responded affirmatively to part (c), were values like those presented in the revised Attachment 1, worksheet "USPS Comps Platinum," in columns W and X, included at the time your proposal was shared with any Confirm subscribers? Please explain fully.

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(a) Yes.

(b) Yes.

(c) Yes.

(d) No. The values in OCA-T-5, Attachment 1 (Revised 9-22-06), columns W and X of worksheet "USPS Comps Platinum," were developed subsequent to the proposal being shared with Confirm subscribers and other interested parties.

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USPS/OCA-T5-19.

This question addresses your calculations for Platinum subscribers on worksheet "USPS Comps Platinum" of Attachment 1 to your testimony.

- (a) Please confirm that the calculation in Column W of Attachment 1's "USPS Comps Platinum" worksheet assumes that 55 percent of the scans received by a subscriber are for First-Class Mail items and 45 percent are for Other classes of mail. If you do not confirm, please explain.
- (b) Please confirm that under the assumption in part (a), a mailer using 10 million scans would require 28 million units (5.5 million for First-Class Mail scans, and 22.5 million for other class scans). If you do not confirm, please explain.
- (c) Please confirm that the average price for a million scans for a subscriber using 10 million scans assuming the same split for scans as in part (a) would be calculated in the following manner:

Total Units = $10,000,000 * 0.55$ (share of First-Class scans) + $10,000,000 * 0.45$ (share of other class scans) * 5 (units per other class scan) = 28,000,000.

Total Fee (for 28,000,000 units) = \$6,260 = \$5,000 annual fee + \$630 for 9 blocks of units at \$70 each + \$630 for 18 blocks of units at \$35 each.

The average price per million scans would be $\$626 = \$6,260 / 10$.

If you do not confirm, please explain.

- (d) Please explain the basis for and significance of your "Weighted Average Cost per Million Scans (\$)" of \$1,576 in cell W188 of "USPS Comps Platinum" worksheet of Attachment 1 of your testimony.
- (e) Please confirm that for the purpose of comparing the Postal Service proposal to either the existing fee schedule or your proposal, an average price per million scans of \$626 is more appropriate than \$1,576, as it better reflects the average price per million scans a platinum subscriber using 10 million scans would face. If you do not confirm, please explain fully. If you do confirm please provide a new version of Attachment 1 (using the approach in part (c)), with a list of all cells that are affected, including whether or not the average price per million scans is higher or lower than the "Weighted Average Cost per Million Scans (\$)".
- (f) Please confirm that the table below accurately reflects selected values from your "Weighted Average Cost per Million Scans (\$)" in column W of the "USPS Comps Platinum" worksheet of Attachment 1 (column 2), the average price per million scans derived in the manner used in part (c) of this interrogatory (column 3), and the ratio of column 2 to column 3 (column 4). If you do not confirm,

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please explain fully.

Millions of Scans	Weighted Avg. Cost per Million Scans (\$), from OCA-T-5	Avg. Price per Million Scans (\$), USPS Calculation	OCA-T-5 Cost as a Percentage of USPS Calculation of Average Price (%)
10	1,576	626	252
25	689	309	223
50	394	189	208
100	246	119	206
250	128	77	166
500	88	63	140
1,000	69	56	123

- (g) Please confirm that a Platinum subscriber using 10 million scans reasonably might believe that your “Weighted Average Cost per Million Scans (\$)” of \$1,576 could be multiplied by 10 to determine a total cost for 10 million scans of \$15,760. If you do not confirm, please explain.
- (h) Please confirm that in actuality the fee under the Postal Service proposal for a mailer using 10 million scans is \$6,260 (10 * \$626), which is more than 60 percent less than the \$15,676 implied by your “Weighted Average Cost per Million Scans (\$)”. If you do not confirm, please explain.
- (i) Please confirm that the table below accurately represents the total fees for Platinum subscribers under the existing fee schedule, the OCA proposal, and the Postal Service proposal.

Millions of Scans	Existing Fee	OCA Proposed Fee	Postal Service Proposed Fee
10	10,000	19,500	6,260
25	10,000	19,500	7,730
50	10,000	19,500	9,480
100	10,000	19,500	11,930
250	10,000	19,500	19,280
500	10,000	19,500	31,530
1,000	10,000	19,500	56,030

- (j) Please confirm that the following table presents the “USPS vs. Current: Proposed Increase %” for selected numbers of scans in Column X of “USPS Comps Platinum” worksheet of Attachment 1 of your testimony (column 2), along with an accurate representation of the fee change based on the methodology used in part (c) (column 3). If you do not confirm, please explain.

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Millions of Scans	USPS vs. Current: Proposed Increase %, OCA-T-5, Attachment 1	USPS vs. Current: Percentage Change (%), USPS Calculation
10	58	-37
25	72	-23
50	97	-6
100	146	19
250	219	93
500	342	215
1,000	587	460

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(a) Confirmed.

(b) I can confirm that a mailer using 10 million scans would require 28 million units. I can confirm that a mailer requiring 28 million units would be purchasing the equivalent of 5.5 million units of First-Class Mail scans and 22.5 million units of scans for other classes, assuming an average of 357,143 scans per unit. I can confirm that a mailer requiring 28 million units would receive 10 million scans, consisting of 5.5 million First-Class Mail scans and 4.5 million (22.5 million units / 5 units per scan for other classes) scans of other mail classes, assuming an average of 357,143 scans per unit.

(c) Confirmed.

(d) In OCA-T-5, Attachment 1 (Revised 9-22-06), worksheet "USPS Comps Platinum," I could not find the figure of \$1,576 in cell W188 of the column "Weighted Average Cost per Million Scans (\$)." The figure displayed in cell W188 is \$69. The figure \$1,576 is displayed in cell W18.

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(e) Confirmed. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum."

(f) Not confirmed as to columns 2 and 4 of the referenced table for 10, 25 and 50 million scans. See OCA-T-5, Attachment 1 (Revised 9-22-06), worksheet "USPS Comps Platinum," cells W36, W78, and W148, which show the "Weighted Average Cost per Million Scans" of \$626, \$309, and \$190, respectively.

However, I am revising and expanding USPS-T-5, Attachment 1, worksheet "USPS Comps Platinum," to include the "Millions of Scans" shown in column 1 of the referenced table that were not included in worksheet "USPS Comps Platinum," as originally filed, or as revised on 9-22-06. Column Y of the revised worksheet "USPS Comps Platinum" presents all the figures in column 2 of the referenced table. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum." For 100, 250, 500, and 1,000 million scans, see cells Y186, Y190, Y194, and Y196, which show the "Weighted Average Cost per Million Scans" of \$119, \$77, \$63, and \$56, respectively.

The correct figures for columns 2 and 4 of the referenced table in this interrogatory are shown in the table below, calculated in the manner described in part (c) of this interrogatory.

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Millions of Scans	Weighted Avg. Cost per Million Scans (\$), from OCA-T-5, Attachment 1, (Revised 10-10-06)	Avg. Price per Million Scans (\$), USPS Calculation	OCA-T-5 Cost as a Percentage of USPS Calculation of Average Price (%)
10	626	626	0
25	309	309	0
50	190	189	0.5
100	119	119	0
250	77	77	0
500	63	63	0
1,000	56	56	0

Confirmed as to column 3, except 50 million scans, where the average price per million scans should be \$190. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum," cell Y186.

(g) Not confirmed. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum."

(h) Confirmed as to \$6,260. Not confirmed as to "60 percent less than the \$15,676" for purposes of comparing the "Weighted Average cost per Million Scans (\$)." See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum."

(i) Confirmed. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum."

(j) Not confirmed for column 2. The correct percentages for column 2 are shown in the table below. See OCA-T-5, Attachment 1 (Revised 10-10-06), worksheet "USPS Comps Platinum."

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Millions of Scans	USPS vs. Current: Proposed Increase %, OCA-T-5, Attachment 1 (Revised 10-10-06)	USPS vs. Current: Percentage Change (%), USPS Calculation
10	-37	-37
25	-23	-23
50	-5	-5
100	19	19
250	93	93
500	215	215
1,000	460	460