

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T5-1-14)

The United States Postal Service hereby provides responses of witness Patelunas to the following interrogatories of United Parcel Service: UPS/USPS-T5-1-14, filed on July 26, 1996.


Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

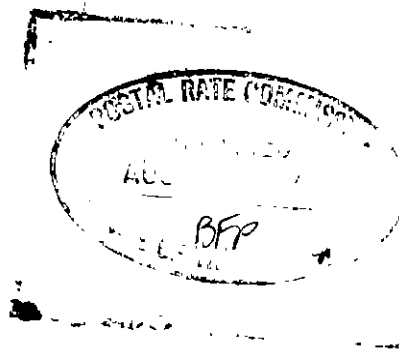
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 9, 1996



ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-1
Page 1 of 2

UPS/USPS-T5-1. Please refer to page 6 of your testimony at lines 11-12. Identify and describe all "changes between Fiscal Year 1993 and Fiscal Year 1994" (a) in the Postal Service's costing systems (including but not limited to the In-Office Cost System), (b) in Postal Service data collection forms, and (c) in the procedures or methods used in compiling the data, making calculations therefrom, or otherwise arriving at costs allocated or distributed to the various classes, subclasses, rate categories, or other groupings of mail.

UPS/USPS-T5-1(a) - (c) Response:

For IOCS changes between FY93 and FY 94, please reference LR-SSR-12 In-Office Cost System (IOCS), Handbook F-25 page 50. For carrier assigned to "OTHER ROUTE TYPE" the following sub-categories were added:

- a. Express Mail Delivery or Run
- b. Inter-City/Station Run
- c. VIM
- d. Other

All tallies for carriers on-street with "a. Express Mail Delivery or Run" marked were assigned to Express Mail activity code (2111).

Also, please reference LR-SSR-12 In-Office Cost System (IOCS), Handbook-F45, page 103 and 112. Class of Mail (F.) Bulk Small Parcel Service and Marking (L.) BSPS were added . Tallies marked as Class = (F.) Bulk Small Parcel Service were treated the same as tallies marked Class = (G.) 4th Class Zone Rate.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
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UPS/USPS-T5-1
Page 2 of 2

For TRACS, the following additions were made to the data entry software:

BSPS

DBMC Parcel Post

International Priority

Walk Sequence Bulk Rate Regular

Walk Sequence Bulk Rate Nonprofit.

City and Rural Carrier Cost data collection programs, and all related processing programs, were changed to collect and process BSPS.

The above were data collection and software changes only. There were no changes in the methodologies for calculating costs.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
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UPS/USPS-T5-1
Page 2 of 2

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City and Rural Carrier Cost data collection programs, and all related processing programs, were changed to collect and process BSPS.

The above were data collection and software changes only. There were no changes in the methodologies for calculating costs.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-2
Page 1 of 1

UPS/USPS-T5-2. In the case of each such change identified in response to interrogatory UPS/USPS-T5-1, indicate why each change was made and provide the effect of the change, in dollars, on the costs allocated or distributed to each of the various classes, subclasses, rate categories, or other groupings of mail.

UPS/USPS-T5-2 Response:

In the IOCS, Express Mail Delivery or Run was added in order to accurately capture the costs associated with carriers on the street performing express mail related activities. Attachment 1 reflects the costs distributed to express mail as a result of this data collection change. Bulk Small Parcel Service was added to the IOCS data collection system in the event that a new mail subclass resulted from the Bulk Small Parcel Service case. Attachment 2 reflects the costs allocated to various groupings of mail and special service by cost component when class was marked BSPS.

With regard to the TRACS and carrier cost systems, the changes provided an additional level of detail that had no cost impact on the classes of mail and special services. No costs were shifted in or out of the classes mail. For example, all BSPS costs remained in parcel post.

FISCAL YEAR 1994 - DOLLAR WEIGHTED TALLIES (THOUSANDS)
CARRIER ON STREET
OTHER ROUTE TYPE = EXPRESS MAIL DELIVERY OR RUN

07:50 Thursday, August 8, 1996

TABLE OF CRACLASS BY CRACOMP

CRACLASS	CRACOMP	
Frequency	C/S 6.1 DIR.LBR.	Total
11 EXPRESS	16938	16938
Total	16937.8	16937.8

ANALYSIS OF F137 (Q23B - CLASS) MARKED BSPS
 FISCAL YEAR 1994 - DOLLAR WEIGHTED TALLIES (THOUSANDS)
 DIRECT AND MIXED MAIL BY COST COMPONENT

07:45 Thursday, August 8, 1996 1

TABLE OF CRACLASS BY CRACOMP

CRACLASS		CRACOMP					Total
Frequency		C/S 3.1 DIR.LBR.	C/S 3.2 WINDOW	C/S 3.3 CLM/INQ	C/S 6.1 DIR.LBR.	C/S 9.1 SPECDELV	
36	4TH ZONE	20784	1074.8	62.982	4082.4	42.844	26047
42	USPS	429.47	0	0	0	0	429.47
72	OTHER SP SERV	281.58	0	0	0	0	281.58
96	MIXED LTRS	4176.3	0	0	2635.9	0	6812.2
97	MIXED FLATS	58.677	0	0	0	0	58.677
98	MIXED IPP/PCL	63.373	0	0	0	0	63.373
99	MIX ALL SHAPE	730.36	0	0	47.177	0	777.54
Total		26523.4	1074.82	62.9823	6765.54	42.8442	34469.5

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-3
Page 1 of 1

UPS/USPS-T5-3. Please refer to page 8 of your testimony at lines 7-20.

(a) Identify every cost that formerly was in one segment and that now is in another segment, and, in the case of each such cost, indicate the segments from which and the segments to which the costs were transferred.

(b) Do any of these changes affect the costs allocated or distributed to each of the various classes, subclasses, rate categories, or other groupings of mail? If so, describe how each of the various classes, subclasses, rate categories, or other groupings are affected.

UPS/USPS-T5-3 Response:

(a) See Attachment 1.

(b) See Attachment 2, which shows the impact of the changes reflected in Attachment 1 by classes and subclasses of mail and special services. See also USPS LR-SSR-134 for spreadsheets underlying Attachment 2.

UPS/USPS-T5-3
Attachment 2

	\$ changes by New Distib. (1)	\$ changes by Old Distib. (2)	Difference col(1)-col(2) (3)
FIRST-CLASS MAIL			
LETTERS & PARCELS	828,876	830,472	-1,596
PRESORT LTR & PCL	239,051	240,466	-1,414
POSTAL CARDS	1,867	1,651	216
PRIVATE POSTCARDS	25,797	25,762	34
PRESORT PRVT P CS	8,290	8,337	-47
TOTAL FIRST	1,103,881	1,106,689	-2,808
PRIORITY MAIL	66,795	66,503	293
EXPRESS MAIL	35,305	34,914	390
MAILGRAMS	60	61	-1
SECOND-CLASS MAIL			
WITHIN COUNTY	4,507	4,506	1
OUTSIDE COUNTY			
REG RATE PUB	67,851	71,004	-3,153
NONPROFIT PUB	15,729	16,478	-749
CLASSROOM PUB	635	659	-24
TOTAL SECOND	88,721	92,647	-3,925
THIRD-CLASS MAIL			
SINGLE PIECE RATE	14,123	14,318	-195
BULK RATE-REG			
CAR PRESORT	114,355	114,710	-354
OTHER	246,760	250,147	-3,387
TOTAL REGULAR	361,115	364,856	-3,741
BULK RATE-NONPROF			
CAR PRESORT	7,849	7,929	-80
OTHER	56,872	57,400	-528
TOTAL NONPROF	64,721	65,329	-607
TOTAL THIRD	439,959	444,503	-4,544
FOURTH-CLASS MAIL			
PARCELS ZONE RATE	26,146	27,450	-1,304
BOUND PRNT MATTER	12,393	12,662	-269
SPC 4TH-CL RATE	0	2	-2
LIBRARY RATE	2,475	2,581	-106
TOTAL FOURTH	41,014	42,716	-1,701
**			
US POSTAL SERVICE	12,996	13,096	-100
FREE MAIL--BLIND & HNDC & SERVICEMEN	1,440	1,460	-20
INTERNATIONAL MAIL	74,271	41,041	33,230
TOTAL ALL MAIL	1,864,443	1,843,629	20,814
SPECIAL SERVICES			
REGISTRY	4,031	3,869	162
CERTIFIED	17,465	17,426	39
INSURANCE	1,371	1,350	21
COD	1,271	1,255	16
SPECIAL DELIVERY	148	148	0
MONEY ORDERS	11,756	11,678	78
STAMPED ENVELOPES	294	9,245	-8,951
SPECIAL HANDLING	272	270	2
POST OFFICE BOX	23,495	20,261	3,234
OTHER	13,509	13,651	-143
TOTAL SPC SVCS	73,611	79,163	-5,551
ATTRIBUTABLE	1,938,054	1,922,791	15,263
OTHER	365,190	380,455	-15,264
TOTAL COSTS	2,303,245	2,303,246	-2

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
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UPS/USPS-T5-4
Page 1 of 2

UPS/USPS-T5-4. Please provide the "tally analysis" and all related workpapers or other documents referred to on line 21 of page 8 of your testimony.

UPS/USPS Response:

On August 7, 1996, I filed errata to line 21 of page 8 of my testimony, changing my reference to "tally analysis" for the IOCS to "reviewing" the IOCS, as a result of this interrogatory. Because the IOCS is a tally-based system, I consider any review or analysis a "tally" analysis. However, as a result of this interrogatory, I realized that my choice of words might have caused some confusion. There was no tally-by-tally count or moving of tallies with regard to the weighting of CAG B tallies discussed. Rather, there was a review of the relative proportion of accrued costs between mail processing and customer services offices within the IOCS CAG B sample and the same relative proportion of accrued costs within the universe of offices represented by the IOCS CAG B sample, as described in more detail in my response to UPS/USPS-T5-5. As such, there are no workpapers or other documents reflecting any tally analysis.

With regard to changes relating to Bulk Small Parcel Service (BSPS), *Attachment 1 is a reconstruction of the BSPS tally analyses which indicated the need to refine the rules used to assign activity codes to BSPS tallies. Note the high incidence of letter and card shape in the BSPS tallies as well as the low*

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
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UPS\USPS-T5-4
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weights recorded for many of the flat, ipp and parcel shape tallies.

With regard to changes relating to third-class, Attachment 2 is a reconstruction of the third-class bulk tally analyses which indicated the need to refine the rules used to assign activity codes to third-class bulk tallies. Bulk tallies being returned to sender or forwarded should be recorded as third-class single piece. Attachment 3 is a reconstruction of the third-class single piece SAS analyses which also indicated the need for refinement of rules for third-class single piece tallies. Mail pieces with bulk rate markings (ie. bulk and nonprofit), which are not being forwarded or returned to sender, should be recorded as third-class bulk rate.

Review of the domestic mail manual resulted in recognizing the need to identify First-Class ZIP+4 Barcoded flats in both the presort and nonpresort subclasses of First-Class .

ANALYSIS OF F137 (02 CLASS) MARKED BSPS
FISCAL YEAR 1994 - UNWEIGHTED TALLIES

TABLE OF WGT BY SHAPEX

WGT	SHAPEX	CARD	CD DADR	CD OVSZ	CD PSTL	LETTER	FLAT	IPP	PARCEL	Total
01 OZ		0	1	1	1	90	22	12	8	135
02 OZ		0	0	0	0	11	27	9	9	56
03 OZ		0	0	0	0	6	19	7	8	40
04 OZ		1	0	0	0	0	20	12	15	48
05 OZ		0	0	0	0	1	5	8	4	18
06 OZ		0	0	0	0	1	3	3	3	10
07 OZ		0	0	0	0	0	2	1	0	3
08 OZ		0	0	0	0	0	2	4	8	14
09 OZ		0	0	0	0	0	1	4	5	10
10 OZ		0	0	0	0	0	0	5	6	11
11 OZ		0	0	0	0	0	2	1	3	6
12 OZ		0	0	0	0	0	0	6	5	11
13 OZ		0	0	0	0	0	0	3	5	8
14 OZ		0	0	0	0	0	0	3	15	18
15 OZ		0	0	0	0	0	1	7	5	13
1 LB		0	0	0	0	0	3	1	11	15
OVER 1LB		0	0	0	0	0	11	26	69	106
Total		1	1	1	1	109	118	112	179	522

ANALYSIS OF F137 (Q2 CLASS) MARKED BSPTS
FISCAL YEAR 1994 - UNWEIGHTED TALLIES

MARKS DEFINITIONS:

- A = ZIP + 4
- B = ZIP + 4 BARCODED
- C = PRESORTED
- D = CAR-RT SORT
- E = BULK RATE
- F = NONPROFIT
- G = PRINTED MATTER
- K = DBMC
- L = BSPTS

TABLE OF MARKS BY SHAPEX

Frequency	CARD	CD DADR	CD OVSZ	CD PSTL	LETTER	FLAT	IPP	PARCEL	Total
---	0	0	0	0	16	20	25	32	93
---L	0	0	0	0	0	0	1	0	1
---K	0	0	0	0	0	0	3	5	8
---G	0	0	0	0	0	5	1	1	7
---F	0	0	0	0	13	5	0	3	21
---E	1	1	1	1	42	45	68	96	255
---E-K	0	0	0	0	0	0	0	1	1
---E-G	0	0	0	0	0	0	1	1	2
---E-F	0	0	0	0	3	4	0	1	8
---D	0	0	0	0	5	1	0	1	7
---D-F	0	0	0	0	1	0	0	0	1
---DE	0	0	0	0	5	5	0	1	11
---C	0	0	0	0	1	0	0	0	1
Total	1	1	1	1	109	118	112	179	522

(Continued)

ANALYSIS OF F137 (Q. 2 CLASS) MARKED BSPTS
FISCAL YEAR 1994 - UNWEIGHTED TALLIES

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MARKS DEFINITIONS:

A = ZIP + 4
B = ZIP + 4 BARCODED
C = PRESORTED
D = CAR-RT SORT
E = BULK RATE
F = NONPROFIT
G = PRINTED MATTER
K = DBMC
L = BSPTS

TABLE OF MARKS BY SHAPEX

MARKS(COMBINATIONS OF MARKINGS)	SHAPEX									Total
Frequency	CARD	CD DADR	CD OVSZ	CD PSTL	LETTER	FLAT	IPP	PARCEL		
--C---G-----	0	0	0	0	0	0	0	1		1
--C-E-----	0	0	0	0	2	1	0	1		4
-B-----	0	0	0	0	3	1	0	5		9
-B--E-----	0	0	0	0	2	5	2	4		13
-B-D-----	0	0	0	0	0	1	0	0		1
D DE -----	0	0	0	0	1	0	0	1		2
A-----	0	0	0	0	8	9	5	12		34
A---E-----	0	0	0	0	7	13	4	13		37
A---E-----L	0	0	0	0	0	0	1	0		1
A---EF-----	0	0	0	0	0	1	0	0		1
A--D-----	0	0	0	0	0	1	0	0		1
A--DE-----	0	0	0	0	0	1	0	0		1
A-C-E-----	0	0	0	0	0	0	1	0		1
Total	1	1	1	1	109	118	112	179		522

ANALYSIS OF F137 (Q23B) (ASS) MARKED THIRD BULK
 FISCAL YEAR 1994 - UNWEIGHTED TALLIES
 MARKINGS DEFINITIONS: SUPPLEMENTAL SERVICE DEFINITIONS:
 CRTE = CAR-RT SORT FRWD = FORWARDED
 BULK = BULK RATE RTN = RETURN TO SENDEF
 NPROF = NONPROFIT

10:18 Thursday, August 8,

TABLE OF MARKINGS BY SUPPL

MARKINGS	SUPPL	RTN	FRWD	FRWD RTN	Total
Frequency					
	70	1	3	0	74
NPROF	3116	27	38	1	3182
BULK	19557	100	164	10	19831
BULK NPROF	1298	31	15	0	1344
CRTE NPROF	195	1	1	0	197
CRTE BULK	4889	10	7	1	4907
CRTE BULK NPROF	103	1	0	0	104
Total	29228	171	228	12	29639

ANALYSIS OF F137 (Q23B _ASS) MARKED THIRD OZ RTE
 FISCAL YEAR 1994 - UNWEIGHTED TALLIES

10:19 Thursday, August 8, 1996 1

MARKINGS DEFINITIONS: SUPPLEMENTAL SERVICE DEFINITIONS:
 CRTE = CAR-RT SORT FRWD = FORWARDED
 BULK = BULK RATE RTN = RETURN TO SENDER
 NPROF = NONPROFIT

TABLE OF MARKINGS BY SUPPL

MARKINGS	SUPPL					Total
Frequency	-----	-----RTN	FRWD ---	FRWD RTN		
	664	9	29	3		705
NPROF	269	1	4	2		276
BULK	406	13	7	0		426
BULK NPROF	25	3	2	0		30
CRTE	51	2	0	0		53
CRTE NPROF	8	0	0	0		8
CRTE BULK	73	0	0	0		73
Total	1496	28	42	5		1571

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-5
Page 1 of 1

UPS/USPS-T5-5. (a) Provide (1) every adjustment factor "for weighting CAG B tallies" referred to in your testimony at the bottom of page 8 and the top of page 9, (2) the unadjusted figures to which each adjustment factor was applied, and (3) the figures resulting from the application of each adjustment factor.

(b) Describe how each adjustment factor was determined.

UPS/USPS-T5-5 Response:

(a)

(1) The IOCS CAG B referred to in my testimony consists of designated CAG A and B offices grouped in the same pool for cost distribution. Two adjustment factors were applied to customer service offices sampled in the IOCS CAG B: 0.8721 for clerk and mailhandler tallies and 0.8705 for supervisor and professional, administrative and technical employee tallies.

(2) and (3) See Attachment. The column entitled "Sampled Offices in IOCS CAG B" contains the unadjusted ratios.

(b) See Attachment.

Tables 1 and 2 below provide a comparison of the relative proportion of accrued costs between mail processing and customer service offices within the IOCS CAG B sample as compared with that same relative proportion of accrued costs within the universe of offices (sampled and not sampled) represented by the IOCS CAG B sample.

TABLE 1 . Comparison of Clerk and Mailhandler Accrued Costs between Sampled Offices in IOCS CAG B and All Offices Eligible for Sampling in IOCS CAG B.

<u>Type of Office</u>	<u>Sampled Offices in IOCS CAG B</u>	<u>All Offices Eligible for Sampling in IOCS CAG B</u>
Mail Processing	75.53%	77.97%
Customer Service	24.47%	22.03%
Total	100.00%	100.00%

TABLE 2 . Comparison of Supervisor and Professional, Administrative and Technical Accrued Costs between Sampled Offices in IOCS CAG B and All Offices Eligible for Sampling in IOCS CAG B.

<u>Type of Office</u>	<u>Sampled Offices in IOCS CAG B</u>	<u>All Offices Eligible for Sampling in IOCS CAG B</u>
Mail Processing	58.56%	61.88%
Customer Service	41.44%	38.12%
Total	100.00%	100.00%

No comparison was made for City Carrier costs as these costs were accrued exclusively within customer service offices.

Adjustment factors to be applied to IOCS CAG B tallies to obtain the dollar weight for each tally were developed as follows:

1. For Clerks and Mailhandlers tallies in IOCS CAG B:

Factor for mail processing office tallies: $.7797 / .7553 = 1.0323$ (see Table 1)

Factor for customer service office tallies: $.2203 / .2447 = .9003$ (see Table 1)

By dividing both factors by 1.0323, only one factor needs to be applied to the customer service tallies:

$$.9003 / 1.0323 = .8721$$

2. For Supervisor and Professional, Administrative and Technical employee tallies:

Factor for mail processing office tallies: $.6188 / .5856 = 1.0567$ (see Table 2)

Factor for customer service office tallies: $.3812 / .4144 = .9199$ (see Table 2)

By dividing both factors by 1.0567, only one factor needs to be applied to the customer service tallies:

$$.9199 / 1.0567 = .8705$$

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-6
Page 1 of 1

UPS/USPS-T5-6. Provide every basis for your conclusion, stated on page 9 of your testimony at lines 1-3, that prior to the application of the adjustment factors, there was "an understatement of mail processing functions in CAG B offices" (emphasis added).

UPS/USPS-T5-6 Response:

See response to UPS/USPS-T5-5. The adjustments more closely aligned the IOCS mail processing and customer service ratios with the accrued cost mail processing and customer service ratios.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-7
Page 1 of 1

UPS/USPS-T5-7. Provide every basis for the conclusion stated on page 9 of your testimony at lines 5-6 that the way in which finance numbers were assigned "resulted in a potential bias."

UPS/USPS-T5-7 Response:

Without sample or cost weighting, there would have been a bias since the IOCS CAG B includes mail processing offices sampled at different rates but grouped in the same pool for cost distribution. See responses to OCA/USPS-T5-13.c, OCA/USPS-T5-14, and UPS/USPS-T5-5.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-8
Page 1 of 1

UPS/USPS-T5-8. Provide every basis for the conclusion stated on page 9 of your testimony at lines 5-7 that the "potential bias" referred to by you "undersampled mail processing functions and oversampled customer service functions" (emphasis added).

UPS/USPS-T5-8 Response:

Without sample or cost weighting, mail processing functions would have been underrepresented and customer service functions overrepresented. See responses to OCA/USPS-T5-13.c, OCA/USPS-T5-14, and UPS/USPS-T5-5.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-9
Page 1 of 1

UPS/USPS-T5-9. (a) Identify every adjustment factor referred to on line 8 of page 9 of your testimony, provide the figures to which each adjustment factor was applied, and provide the figures resulting from the application of each adjustment factor.

(b) Describe how each adjustment factor was determined.

UPS/USPS-T5-9 Response:

See response to UPS/USPS-T5-5. |

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-10
Page 1 of 3

UPS/USPS-T5-10. Refer to page 9 of your testimony at lines 12-15.

(a) Identify and describe every "refinement[] in the rules used to assign activity codes for Bulk Small Parcel Service (BSPS), third-class single piece, and First-Class ZIP+4 barcoded flats" and, in the case of each refinement, state why it was made and the effect of the refinement on the costs allocated or distributed to Parcel Post, third-class single piece, First-Class ZIP+4 barcoded flats, and any other grouping or groupings of mail affected by the refinement.

(b) In the case of each such refinement, provide references to the computer code reflecting each refinement as well as references to the corresponding computer code as it existed prior to making the refinement.

(c) What training did the IOCS tally takers receive in connection with the implementation of these refinements?

UPS/USPS-T5-10 Response:

(a) Attachment 1 describes the refinement in the rules used to assign activity codes to BSPS tallies. The SAS analyses of BSPS tallies indicated that data collectors were incorrectly identifying tallies as BSPS. Refer to Attachment 2 for the effect of this refinement on cost allocation. Prior to the BSPS refinement, card and letter shape costs totaling \$2,952 would have been assigned to mixed mail. Flat, ipp, and parcel costs (\$13,588K) assigned to First-Class, third-class and fourth-class bound printed matter would have been assigned to fourth-class zone rate.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-10
Page 2 of 3

Attachment 3 describes the refinement in the rules used to assign activity codes for third-class tallies. The SAS analyses of third-class tallies indicated that data collectors were having difficulty distinguishing between the subclasses of third-class. Refer to Attachment 4 for the effect of this refinement in cost allocation. For mail processing direct labor, shown on page 1, \$22,486K was allocated to third-class single piece from third-class bulk class marked by the data collectors; \$39,281K was allocated to various third-class bulk subclasses from the third-class single piece indicated by the data collectors. The cost allocations resulting from the refinement for window service and carriers in-office are provided on pages 2-3 of the attachment.

First-Class Zip+4 barcoded flats without presort marking were being included in the First-Class presort category. This was corrected by placing these tallies in the nonpresort category. Refer to Attachment 5 for the effect of this refinement. The costs (\$9,869K) shown for First-Class Letters and Parcels would have been included in First-Class Presort Letters and Parcels prior to the refinement.

(b) New computer code reflecting the activity code assignment relating to the BSPS refinement is in Library Reference SSR-19, program ALB040C8, page 571, lines 23630 through 23860. New computer code reflecting BPS refinement

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process is in Library Reference SSR-13, pages 16 through 18. For computer code as it existed prior to making the refinement, refer to Library Reference SSR-19, page 585 through 586, lines 31690 through 32200. Lines 31740 and 31900 checked for mail class 'F' (BSPS) and 'G' (4th Class Zone Rate), treating both class markings in the same manor when assigning activity codes.

New computer code reflecting new edit and consistency processing for the third-class refinement is in Library References SSR-19, program ALB060C6, page 676, lines 37230 through 37550. New computer code reflecting the refinement process is in SSR-13, pages 18. The computer code used to assign the unedited third-class activity codes is unchanged and may be found in Library Reference SSR-19, program ALB040C8, pages 573-574, lines 24740 through 25320 for card shape, and pages 583-584, lines 30430 through 30970 for all other shapes.

Computer code reflecting the refinement to First-Class ZIP+4 barcoded flats is in Library Reference SSR-19, page 582, lines 29770 through 30000. For computer code as it existed prior to making the refinement simply remove lines 29850 through 29950.

(c) None.

BSPS (CLASS OR MARKING)

TESTS ARE PERFORMED IN THE FOLLOWING SEQUENCE, ONCE A CONDITION IS MET, NO FURTHER TESTS ARE MADE

HIGH ORDER (SHAPE) POSITION OF ACTIVITY CODE RETAINED EXCEPT WHERE NOTED

WEIGHT > 1 LB

IF INDICIA = H (USPS) ASSIGN ACTIVITY CODE -510 (USPS)

IF MARKINGS/ENDORSEMENT = DBMC OR BSBS ASSIGN ACTIVITY CODE 4491/4492 (based on org/dest ZIP) [ZONE RATE PARCEL]

IF MARKINGS/ENDORSEMENT = PRINTED MATTER AND CAR-RT ASSIGN ACTIVITY CODE 4495/4496 (based on org/dest ZIP) [BOUND PRINTED MATTER]

IF MARKINGS/ENDORSEMENT = PRINTED MATTER AND BULK RATE ASSIGN ACTIVITY CODE 4480/4490 (based on org/dest ZIP) [BOUND PRINTED MATTER]

IF MARKINGS/ENDORSEMENT = PRINTED MATTER ASSIGN ACTIVITY CODE 4460/4470 (based on org/dest ZIP) [BOUND PRINTED MATTER]

IF MARKINGS/ENDORSEMENT = BULK RATE ASSIGN ACTIVITY CODE 4491/4492 (based on org/dest ZIP) [ZONE RATE PARCELS]

IF NONE OF THE ABOVE ASSIGN TO 4400/4410 (based on org/dest ZIP) [ZONE RATED PARCELS]

WEIGHT < OR = 1 LB

IF INDICIA = H (USPS) ASSIGN ACTIVITY CODE -510 (USPS)

IF MARKINGS/ENDORSEMENT = WALK SEQUENCE AND NON PROFIT ASSIGN ACTIVITY CODE -330 (BULK NON-PROFIT CAR-RT)

IF MARKINGS/ENDORSEMENT = CAR-RT AND NON PROFIT ASSIGN ACTIVITY CODE -330 [BULK NONPROFIT CAR-RT]

IF MARKINGS/ENDORSEMENT = NON PROFIT ASSIGN ACTIVITY CODE -350 [BULK NON-PROFIT OTHER]

IF MARKINGS/ENDORSEMENT = WALK SEQUENCE AND BULK RATE ASSIGN ACTIVITY CODE -310 [BULK REGULAR CAR-RT]

IF MARKINGS/ENDORSEMENT = CAR-RT AND BULK RATE ASSIGN ACTIVITY CODE -310 [BULK REGULAR CAR-RT]

IF MARKINGS/ENDORSEMENT = BULK RATE ASSIGN ACTIVITY CODE -340 [BULK REGULAR OTHER]

IF SHAPE = DETACHED ADDRESS PARENT UNKNOWN OR PIECE IS ACCOMPANIED BY DETACHED ADDRESS CARD ASSIGN ACTIVITY CODE -340 [BULK REGULAR OTHER]

IF WEIGHT > 11 OZ ASSIGN ACTIVITY CODE -360 [THIRD OUNCE RATE]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD AND MARKING = CAR-RT ASSIGN TO -045 [PRIVATE CARD - PRESORT]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 AND PRESORTED ASSIGN TO -051 [PRIVATE CARD PRESORT]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 ASSIGN TO -052 [PRIVATE CARD]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD AND MARKING = PRESORTED ASSIGN TO -040 [PRIVATE CARD PRESORT]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 BARCODED ASSIGN TO -056 [PRIVATE CARD]

IF SHAPE = POSTAL CARD/PRIVATE MAILING CARD/OTHER AGENCY CARD ASSIGN TO -020 [PRIVATE CARD]

IF MARKING = ZIP+4 AND PRESORTED ASSIGN TO -091 [PRIVATE CARD PRESORT]

IF MARKING = ZIP+4 ASSIGN TO -092 [PRIVATE CARD]

IF MARKING = PRESORTED ASSIGN TO -080 [FIRST-CLASS LETTERS PRESORTED]

IF MARKING = CAR-RT ASSIGN TO -085 [FIRST-CLASS LETTERS PRESORT]

IF NONE OF THE ABOVE ASSIGN TO -060 [FIRST-CLASS LETTERS]

ANALYSIS OF F137 (Q23B - CLASS) MARKED BSPS
 FISCAL YEAR 1995 - DOLLAR WEIGHTED TALLIES (THOUSANDS)
 DIRECT, SPECIAL SERVICE AND MIXED MAIL BY COST COMPONENT

08:10 Thursday, August 8, 1996 1

CRACOMP=C/S 3.1 DIR.LBR.

TABLE OF CRACLASS BY SHAPEX

CRACLASS			SHAPEX								Total
Frequency			CARD	CD OVSZ	CD PSTL	LETTER	USPS FM	FLAT	IPP	PARCEL	Total
01 1ST	LTR/PCL		0	0	0	1085.5	0	677.78	1151.1	1150.8	4065.2
02 1ST	PS LTR		0	0	0	104.36	0	131.83	67.961	0	304.15
25 3RD	SNGLE PC		0	0	0	56.805	0	198.81	375.53	1292.3	1923.5
27 3RD	REG OTHR		123.88	48.803	116.09	1066.1	0	1687.1	3142.2	3374.1	9558.2
31 3RD	NP C-RTE		0	0	0	0	0	0	0	53.822	53.822
32 3RD	NP OTHER		61.867	0	0	224.5	0	64.823	0	0	351.19
36 4TH	ZONE		0	0	0	63.871	0	737.18	1178.1	2880.5	4859.7
37 4TH	BPM		0	0	0	0	0	3.8894	101.73	113.89	219.5
42	USPS		0	0	0	0	73.422	0	58.663	212.67	344.76
72 OTHER	SP SERV		0	0	0	55.107	0	57.678	0	134.07	246.85
Total			185.749	48.8034	116.095	2656.19	73.4221	3559.06	6075.38	9212.12	21926.8

ANALYSIS OF F137 (Q23B - CLASS) MARKED BSPS
 FISCAL YEAR 1995 - DOLLAR WEIGHTED TALLIES (THOUSANDS)
 DIRECT, SPECIAL SERVICE AND MIXED MAIL BY COST COMPONENT

08:10 Thursday, August 8, 1996 2

----- CRACOMP=C/S 3.2 WINDOW -----

TABLE OF CRACLASS BY SHAPEX

CRACLASS	SHAPEX	LETTER	IPP	PARCEL	Total
01 1ST LTR/PCL		0	0	213.63	213.63
27 3RD REG OTHR		0	0	179.18	179.18
32 3RD NP OTHER		75.573	0	0	75.573
36 4TH ZONE		0	237.52	396.57	634.1
37 4TH BPM		0	0	59.262	59.262
Total		75.5732	237.523	848.647	1161.74

ANALYSIS OF F137 (Q23B - CLASS) MARKED BSPS
 FISCAL YEAR 1995 - DOLLAR WEIGHTED TALLIES (THOUSANDS)
 DIRECT, SPECIAL SERVICE AND MIXED MAIL BY COST COMPONENT

08:10 Thursday, August 8, 1996 3

----- CRACOMP=C/S 6.1 DIR.LBR. -----

TABLE OF CRACLASS BY SHAPEX

CRACLASS	SHAPEX	CD DADR	CD OVSZ	CD PSTL	LETTER	FLAT	IPP	PARCEL	Total
01 1ST LTR/PCL		0	0	0	474.18	325	156.92	183.4	1139.5
02 1ST PS LTR		0	0	0	291.24	63.986	0	0	355.23
04 1ST POST CD		0	0	24.71	0	0	0	0	24.71
25 3RD SINGLE PC		0	0	0	0	49.835	106.75	0	156.59
26 3RD REG C-RT		0	0	0	112.03	0	0	0	112.03
27 3RD REG OTHR		135.08	56.196	0	948.78	497.34	341.87	266.32	2245.6
31 3RD NP C-RTE		0	0	0	49.42	0	0	0	49.42
32 3RD NP OTHER		0	0	0	180.56	152.76	0	0	333.31
36 4TH ZONE		0	0	0	0	163.56	112.03	0	275.59
37 4TH BPM		0	0	0	0	0	18.164	67.26	85.423
66 COD		0	0	0	0	0	0	49.42	49.42
Total		135.079	56.1956	24.71	2056.2	1252.48	735.732	566.407	4826.8

FY 1995 RULES USED ASSIGN ACTIVITY CODES TO IOCS TALLIES MARKED THIRD CLASS OZ RATE OR THIRD CLASS BULK

CLASS = BULK RATE (REGULAR OR NON PROFIT WITH OR WITHOUT CAR-RT)

IF ANCLLLARY/SUPPLEMENTAL MAIL SERVICE = FORWARDED OR RETURN TO SENDER REASSIGN -360 (3RD SINGLE PIECE)

CLASS = 3RD OZ RATE

IF ANY OF THE FOLLOWING AREAS ARE MARKED, THE TALLY REMAINS -360 (3RD OZ RATE)

CARRIER ACTIVITY = HANDLING UNDELIVERED AS ADDRESS MAIL
WRITING MARKUPS

CHANGE OF ADDRESS LABELS

MISSENT MAIL (WRITING UP)

MISCELLANEOUS ACTIVITIES (CLERK/MAIL HANDLER) = POSTAGE DUE
CENTRAL MAIL MARKUP

IF ANCLLLARY/SUPPLEMENTAL MAIL SERVICE FORWARDED OR RETURN TO SENDER THE TALLY REMAINS -360 (3RD SINGLE PIECE)

IF MARKINGS = NON-PROFIT AND CAR-RT REASSIGN ACTIVITY CODE -330 (BULK NON-PROFIT CAR-RT)

IF MARKINGS = NON-PROFIT REASSIGN ACTIVITY CODE -350 (BULK NON-PROFIT OTHER)

IF MARKINGS = BULK AND CAR-RT REASSIGN ACTIVITY CODE -310 (BULK REGULAR CAR-RT)

IF MARKINGS = BULK REASSIGN ACTIVITY CODE -340 (BULK REGULAR OTHER)

NOTE TALLIES ASSIGNED TO THIRD CLASS FROM BSPS ALSO GO THRU THE THIRD CLASS RULES

ANALYSIS OF THIRD CLASS TALLIES WITH
 QUESTION 23B (CLASS) MARKED THIRD BULK OR OZ RATE
 FISCAL YEAR 1995 - DOLLAR WEIGHTED TALLIES (THOUSANDS)

15:48 Thursday, August 8, 1996 1

----- CRACOMP=C/S 3.1 DIR.LBR. -----

TABLE OF CRACLASS BY CLASS137

CRACLASS	CLASS137(CLASS MARKED BY DATA COLLECTOR)		
Frequency	3RD BULK	3RD OZ	Total
25 3RD SINGLE PC	22486	27582	50068
26 3RD REG C-RT	131456	1532.5	132989
27 3RD REG OTHR	795551	21938	817489
31 3RD NP C-RTE	11822	62.058	11884
32 3RD NP OTHER	167826	15748	183574
Total	1129140	66863.1	1196003

ANALYSIS OF FIRST CLASS ZIP + 4 BARCODED FLATS
 FISCAL YEAR 1995 - DOLLAR WEIGHTED TALLIES (THOUSANDS)

09:46 Friday, August 9, 1996

TABLE OF CRACLASS BY CRACOMP

CRACLASS	CRACOMP				Total
	C/S 3.1 DIR. LBR.	C/S 3.2 WINDOW	C/S 6.1 DIR. LBR.		
Frequency					
01 1ST LTR/PCL	8936	73.422	859.57		9868.9
02 1ST PS LTR	860.74	0	341.18		1201.9
42 USPS	231.08	0	0		231.08
Total	10027.8	73.4221	1200.75		11301.9

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
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UPS/USPS-T5-11
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UPS/USPS-T5-11. Identify and describe all of the "BSPS changes. . .in the assignment of tallies for bulk small parcels" referred to on lines 15-16 of page 9 of your testimony. In the case of each such change, provide the dollar amount of costs shifted away from parcel post and identify the class, subclass, or rate category to which the costs were shifted.

UPS/USPS-T5-11 Response:

See my response to UPS/USPS-T5-10.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-12
Page 1 of 1

UPS/USPS-T5-12. Provide every basis for your conclusion, stated on lines 15-16 of page 9 of your testimony, that there was an "overstatement" to parcel post in the assignment of tallies for bulk small parcels.

UPS/USPS-T5-12 Response:

See my response to UPS/USPS-T5-10.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-13
Page 1 of 1

UPS/USPS-T5-13. Refer to lines 19-21 on page 9 of your testimony. Identify every way in which "the rules used to assign tallies for some third-class mail pieces were refined."

UPS/USPS-T5-13 Response:

See my response to UPS/USPS-T5-10.

ANSWER OF RICHARD PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE

UPS/USPS-T5-14
Page 1 of 1

UPS/USPS-T5-14. Identify and describe every other change in data collection forms, procedures, or methods not identified in the answers to interrogatories UPS/USPS-T5-1 through UPS/USPS-T5-16 that affects or affected in any way the amount of costs allocated or distributed to parcel post from Fiscal Year 1994 to Fiscal Year 1995, and, in the case of each such change, (a) state the dollar amount of costs shifted away from parcel post and (b) the dollar amount of costs shifted to parcel post.

UPS/USPS-T5-14 Response:

I know of no other changes that affect costs allocated or distributed to parcel post from Fiscal Year 1994 to 1995.

DECLARATION

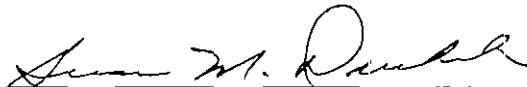
I, Richard Patelunas, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Richard Patelunas

Dated: 8-9-96

CERTIFICATE OF SERVICE

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



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 9, 1996