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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:

Daniel J. Foucheaux, Jr. Chief Counsel, Ratemaking

Susan M. Duchek

475 L'Enfant Plaza West, S.W. Washington, D.C. 20260-1137 (202) 268-2990; Fax -5402 August 9, 1996



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.

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.

UPS/USPS-T5-1 Page 2 of 2

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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.

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 - DOLLAK (GHTED TALLIES (THOUSANDS)
CARRIER ON STREET

07:50 Thursday, August 8.

OTHER ROUTE TYPE = EXPRESS MAIL DELIVERY OR RUN

TABLE OF CRACLASS BY CRACOMP

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Total		16037 6		337	В

07:45 Thursday, August 8, 1996 1

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

TABLE OF CRACLASS BY CRACOMP

CRACLASS	CRACOMP					
Frequency			C/S 3.3	C/S 6.1 DIR.LBR.	C/S 9.1 SPECDELV	 Total
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		58.677
98 MIXED IPP/PCL	63.373	0	0	0	0	63.373
99 MIX ALL SHAPE	/30.36	0	0	47.177	0	777.54
Total	26523 4	1074.82	62.9823	6765.54	42.8442	34469.5

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.

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784					T	784-	bbl	668	Ť	144	548		14	SO		Penalties & Fines-Misc Carriers	1	53913
0						0	143	399	İ	143	549	İŧ	たし	50	٦į	Penalties & Fines-Water Carriers		11663
726,8	ĺ				İ	726,8-	bbl	366	1	bbl	546	1	Þ١	50	T	Penalties & Fines-Rail Carners	1	60685
161						161-	771	668		771	546	İt	٦,	SO		Penalties & Fines-Highway Carriers	1	93905
601						607-	145	66E	İ		6 7 2	-	ÞΙ	50	T	Penalties & Adjustments Fomestice Air Camers	<u> </u>	53903
619						619-	142	668			546	1	اخ	50		Domestic Air Mail-Misc, Contract Fines/Penalties		£69£5
2,235	1-1			SEZ, 2-	 		058	668	1-	681	6 † Z	5	91	50	\neg	Proceeds from Sale of Recyclables	1	29675
800,1					 		66	399	İ		6 ⊅ Z			SO	_	Vehicle-Related Reimbursements-Other	- -	25922
25	i				†		66	366	İ		6 7 2			20	\neg	Reimb for Vehicle Supplies & Services-Govt Agencies		25953
868	1		<u> </u>		 		66	388	\top	66	573			50	1	Reimbursements-Manufacturer's Warranties	1	19679
2,933		-2,933	İ	i			SIZ	338		213	6 > Z	8	81	SO		Uniform Allowance Procurement	1 .	17625
671,2		6Z1,2-					213	668		213	5₹6	1	81	50	T	Reimbursements-Misc		23614
618	i			E18-	 		068	399		681	546	- (91	50		Reimbursements-Services for Govt Agencies		22913
281,1-	1			182	 		685	668	1	221	542	1	91	50		Non-Mail-Related Retail Products		25448
₽₽9'S⁻			İ	77 9'S			685	399		221	542	9	91	50	\sqcap	Mail-Related Retail Products	1	25446
0	1 1		1	0	1		68£	366	-		542	9	91	SO		Olympic Retail Products		25442
E 2 6,8-	 			£26,8			180	248	1	081	248	ļ	91	50		Cost of Embossed Stamped Envelopes		25443
111-	 			111			68£	668	T-	221	542	1	91	SO		Service Contracts-Equipment Operator Qualification	T	22425
160,6-	1			160,€			68£	668	T	ZZI	245	į	91	50		Misc. Services-Govt Agencies		25453
805,56-			<u> </u>	805'66	1		246	546		546	246	19	91	50	7	Advertising & Sales Sales Aprilians		25352
674'6-				6 7 2'6	1		058	668	T	182	542	9	91	50		Obsolete Inventories Written Off		25550
ZZ0'06-	i	ZZ0'06					741	241		541	142	8	81	50		Unemployment compensation		21261
000'67		000'62-					1436	433		9641	201/2	- (0		81		Imputed Interest on Special Assessments		58116
3		€-	-	1	1	1	1437	433	1	1437	2/102			81		Interest-Untimely Payments to TSP		5115
218,903	1	£06,812-	Γ				1436	££4		9641	2/102	1	50	81		CSRS Annuitant COLA-Interest		58114
877	T	877-	<u> </u>		1		1437	433		7541	2/102	1	50	81		Interest-Back Pay Awards		58113
1145,417	İ	1145,41,1-					1436	433		1436	2/102		SO	81 ⁻		CSRS Unfunded Liability-Interest		11182
5 96	1	≯ \$6⁻		1			712	212	Ţ	217	217	Π	20	81		Interest-Mortgages		50182
686,888		686,883-	İ			i -	712	712		217	212		S0	18		Interest-Notes		58102
Z0S'EZ-		23,502			Ť	İ	217	212		217	212	_ (SO	81	Ì	Capitalized Interest	i i	04899
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11-		11	1_				7571	210	-	7E41	SIO		SO	81	\Box	Interest on U.S. Court-Ordered Judgements		61999
50	61	81	Ž١	91	151	7 l	WeW	PIO	+	waN	PIO	۲,	wə <i>l</i> i.	PIO	\dashv	Description	Acc.	Account
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UPS/USPS-T5-3 Attachment 2

	\$ changes by New Distrib	\$ changes by Old Distib	Difference col(1)-col(2)
FIRST-CLASS MAIL	(1)	(2)	(3)
LETTERS & PARCELS	828,876	በ20 470	4.500
PRESORT LTR & PCL	•	830,472	-1,596
	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	6 7,85 1	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 BULK RATE-REG	14,123	14,318	-195
CAR PRESORT	114,355	114,710	254
OTHER			-354
	246,760	250,147	-3,387
TOTAL REGULAR	361,115	364,856	-3,741
BULK RATE-NONPROF	7.545	7.000	
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	12,682	-289
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 MAILBLIND & 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	1,265	6
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 OTHER	23,495 13,509	20,261 13,651	3,234 -143
TOTAL SPC SVCS	73,611	79,163	-5,551
_ :	1,938,054	1,922,791	15,263
ATTRIBUTABLE			
OTHER	365,190	380,455	-15,264
TOTAL COSTS	2,303,245	2,303,246	-2

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

UPS\USPS-T5-4 Page 2 of 2

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.

07:44 Thursday, August B,

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

TABLE OF WGT BY SHAPEX

WGT	SHAPEX								
Frequency	CARD	CD DADR	co ovsz	CD PSTL	LETTER FLAT	FLAT	IPP	PARCEL	Total
01 02	0		-	- ·	06	22		12 8	8 135
02 02	0		0	0		27	 	6	95 56
03 0Z	0	0		0	9	61	· —	3 6	8 40
04 02		0	0	- 0	0	20	_	12 15	48
05 OZ	0	+ 0	0	0	 - -	5		8	4 18
06 02	0	+ - ·	0	0	-	8	_	3 -	3 10
07 OZ	0	+ - ·	0	0	0	2	-	-	0 3
ZO 80	0		0	0	0	2		4 -	8 14
ZO 60	0		0	0	0	-	- —	. —	5 10
ZO 01	0		0		0	0	· — -		11
11 0Z	0		0	0	0	5		-	9
12 0Z	0	0	0	0	0	0	- -	9	11
13 OZ	0		0	- 0	0	0	-	e	5 8
14 02	0		0	0	0	0	_	3	15 18
15 02	0		0	0	0	-	· — }	7	5 13
1 LB	0	0	0	0	0	e i	· — ;	1	
OVER 1LB		0	0	0	0		- — 	26 69	901 6
Total	 - 	-	-	_	109	118	112	2 179	522

07:44 Thursday, August 8,

ANALYSIS OF F137 (Q. 'CLASS) MARKED BSPS
FISCAL VEAR 1994 - UNWEIGHTED TALLIES

MARKS DEFINITIONS:
A = ZIP + 4
B = ZIP + 4
B = ZIP + 4
B = ZIP + 4
B = ZIP + BARCODED
C = PRESORTED
C = PRESORTED
D = CAR-RT SORT
E = BULK RATE

F = NONPROFIT G = PRINTED MATTER K = DBMC L = 8SPS

TABLE OF MARKS BY SHAPEX

SHAPEX

MARKS (COMBINATIONS OF MARKINGS)

Frequency	CARD	CD DADR	co ovsz	CD PSTL	LETTER FLAT		ddI 🕴	PARCEL	Total
	0	0	0	0	16	20	25	32	93
	0	0	0	0	0	0	-	1 0 1	-
	0	0		0	0	0	ε ε	5	8
	0	0	- 0	+ — + O			 	+ — ·	7
1 1	0	0	0		13	2	0	- · · · · · · · · · · · · · · · · · · ·	2.1
	-	-	 	-	42	45	9	96	255
	0	0	0	0	0	0	0	+ — -	-
E-G	0	0	0	- 0	0	0	-	-	2
	0	0	0	0	ဗ	4	0	-	8
	0	0	0	0	S		0	-	7
	o	0		0	-	0	0	0	-
DE	0	0	0	0	Ω Ω 	3	0	-	
	0		0	0		0	0	0	-
Total (Continued)	-	- -	- -	- - - 	109	118	112	179	522

ANALYSIS OF F137 (G.

[≠] CLASS) MARKED BSPS FISCAL YEAR 1994 - UNWEIGHTED TALLIES

MARKS DEFINITIONS:

A = ZIP + 4B = ZIP + 4 BARCODED F = NONPROFIT G = PRINTED MATTER

C = PRESORTED D = CAR-RT SORT K = DBMC L = BSPS

E = BULK RATE

TABLE OF MARKS BY SHAPEX

MARKS (COMBINATIONS	OF	MARKINGS)	SHAPEX
---------------------	----	-----------	--------

Frequency	CARD	CD DADR	CD OVSZ	CD PSTL	LETTER	FLAT	IPP	PARCEL	Total
cG	0	0	0	0	0	i o	0	1	1
C-E	0	0	0	0	2	1	0	1	4
-B	0	0	0	0	3	1	0	5	9
-BE	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	o	0	1	2
A	0	0	0	0	8	9	5	12	34
AE	0	0	0	0	7	13	4	13	37
AEL	0	0	0	0	0	0	1	0	1
AEF	0	0	0	0	0	1	0	0	1
AD	0	0	0	0	0	1	0	0	1
ADE	0	0	0	0	0	1	, 0	0	1
A-C-E	0	0	0	0	0	0	1	0	١
Total	1	1	1	1	109	118	112	179	522

10:18 Thursday, August 8,

ANALYSIS OF F137 (Q23B ASS) MARKED THIRD BULK FISCAL YEAR 1994 - UNWEIGHTED TALLIES MARKINGS DEFINITIONS:

CRTE = CAR-RT SORT

SUPPLEMENTAL SERVICE DEFINITIONS:

BULK = BULK RATE

FRWD = FORWARDED

NPROF = NONPROFIT

RTN = RETURN TO SENDER

TABLE OF MARKINGS BY SUPPL

MARKINGS SUPPL

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

ANALYSIS OF F137 (023B _ASS) MARKED THIRD OZ RTE FISCAL YEAR 1994 - UNWEIGHTED TALLIES

10:19 Thursday, August 8, ເສື່ອ

MARKINGS DEFINITIONS:

MARKINGS

SUPPLEMENTAL SERVICE DEFINITIONS: FRWD = FORWARDED

CRTE = CAR-RT SORT BULK = BULK RATE

SUPPL

NPROF = NONPROFIT

RTN = RETURN TO SENDER

TABLE OF MARKINGS BY SUPPL

Frequency		RTN	FRWD	FRWD RTN	Total
	664	9	29	3 (705
NPROF	269	1	4	<u> </u>	276
BULK	406	13	7	0	426
BULK NPROF	25	3	2	0	30
CRTE	51	2	0	0	53
CRTENPROF	8	O	0	0	8
CRTE BULK	73	0	0	0	73
Total	1496	28	42	* 5	1571

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 rnailhandler 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.

UPS/USPS-T5-5 Attachment Page 1 of 2

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.

Type of Office	Sampled Offices in IOCS CAG B	All Offices Eligible for Sampling in IOCS CAG B
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.

Type of Office	Sampled Offices in IOCS CAG B	Ail Offices Eligible for Sampling in IOCS CAB B
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.

UPS/USPS-T5-5 Attachment Page 2 of 2

Adjusment 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

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.

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.

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 "<u>undersampled</u> mail processing functions and <u>oversampled</u> 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.

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.

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.

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 BSPS refinement

UPS/USPS-T5-10 Page 3 of 3

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 BSPS 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 ZP) [80UND 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-AT)
- IF MARKINGS/ENDORSEMENT = CAR-RT AND NON PROFIT ASSIGN ACTIVITY CODE -330 [BULK NONPROFIR 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 MAILLING CARD/OTHER AGENCY CARD AND MARKING = CAR-RT ASSIGN TO -045 (PRIVATE CARD PRESORT)
- F SHAPE = POSTAL CARD/PRIVATE MAILLING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 AND PRESORTED ASSIGN TO -051 [PRIVATE CARD PRESORT]
- IF SHAPE = POSTAL CARD/PRIVATE MAILLING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 ASSIGN TO -052 [PRIVATE CARD]
- IF SHAPE = POSTAL CARD/PRIVATE MAILLING CARD/OTHER AGENCY CARD AND MARKING = PRESORTED ASSIGN TO -040 [PRIVATE CARD PRESORT]
- IF SHAPE = POSTAL CARD/PRIVATE MAILLING CARD/OTHER AGENCY CARD AND MARKING = ZIP+4 BARCODED ASSIGN TO -056 (PRIVATE CARD)
- IF SHAPE = POSTAL CARD/PRIVATE MAILLING 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]

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TABLE OF CRACLASS BY SHAPEX

CRACLASS		SHAPEX								
Frequenc	y	CARD	CD OVSZ	CD PSTL	LETTER	USPS FM	FLAT	IPP	PARCEL	Total
01 1ST	LTR/PCL	0	٥	0	1085.5	0	677.78	1151.1	1150 8	4065.2
02 1ST	PS LTR	0	0	0	104,36	j o	131,83	67.961	j o	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	i 0	0	0	0	o	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	ВРМ	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

TABLE OF CRACLASS BY SHAPEX

CRACLASS	SHAPEX			
Frequency	LETTER	IPP	PARCEL	Total
01 1ST LTR/PCL	ō	0	213.63	213.63
27 3RD REG OTHR	0	j o	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	•	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

TABLE OF CRACLASS BY SHAPEX

CRACLAS	S	SHAPEX							
Frequen	су	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	SNGLE 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	٥	948.78	497.34	341.87	266.32	2245.6
31 3RD	NP C-RTE	0	0	0	49.42	} o	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	ВРМ	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 ANGILLARY/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 ANCILLIARY/SUPPLEMENTAL MAIL SERVICE FORWARDED OR RETURN TO SENDER THE TALLY REMAINS - 360 [3RD SINGLE PIECE]

IF MARKINGS = NON-PROFIT AND CAH-RT HEASSIGN 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 REGULER 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

TABLE OF CRACLASS BY CLASS137

CRACLASS

CLASS137(CLASS MARKED BY DATA COLLECTOR)

Frequency	3RD BULK	3RD OZ	Total
25 3RD SNGLE 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)

TABLE OF CRACLASS BY CRACOMP

	Total	9868.9	1201.9	231.08	11301.9
		859.57	LTR 860.74 0 341.18	0	10027.8 73.4221 1200.75 11301.9
	C/S 3.1 C/S 3.2 C/S 6.1 DIR.LBR. WINDOW DIR.LBR	73.422	0 341.	0	73.4221
CRACOMP	C/S 3.1 C/S 3. DIR.LBR. WINDOW	8936	PS LTR 860.74	USPS 231.08	10027.8
	3 S	LTR	SPI	USPS	
CRACLASS	Frequency	1 1ST	2 1ST	42	ot

UPS/USPS-T5-11 Page 1 of 1

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.

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.

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.

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.

Rualpal

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