

004906 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 TO PRESIDING OFFICER'S  
INFORMATION REQUEST NO. 2, QUESTIONS 1-3, 6, 8-9, AND 11-13  
(August 16, 1996)

The United States Postal Service hereby provides responses to Presiding Officer's Information Request No. 2, questions 1-3, 6, 8-9, and 11-13, issued on August 6, 1996. The Postal Service has today filed a motion for extension of time to respond to questions 4, 5, 7, 10, and 14.

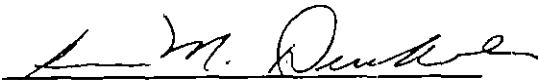
Each question is stated verbatim and is followed by the response.

Respectfully submitted,

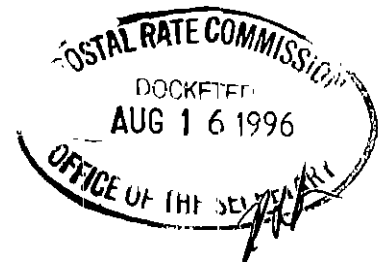
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 16, 1996



Response of Witness Landwehr to Presiding Officer's Information Request No. 2, question 1

1. Witness Landwehr identifies the process for responding to Freedom of Information (FOI) requests to verify physical addresses as a resource intensive activity at the San Luis, AZ post office. Also, it is stated that between 80 and 100 such FOI requests are received every four weeks at San Luis. USPS-T-3, at 7, lines 16-20.

a. Please identify the source of these FOI requests by type of clients; e.g., federal agencies, state agencies, local agencies, foreign government agencies, private companies, or private individuals. Also, identify the approximate volume of requests associated with each source of FOIs identified.

b. On page 6 of USPS-T-3 (lines 13-14), witness Landwehr classifies the box holders of the San Luis post office as generally from one of three groups: local residents whose only delivery option is box services; migrant farm laborers; and Mexican nationals. Please provide information on the percentage of the FOI requests that involve box holders in each of these three groups plus any additional groups the Service considers noteworthy.

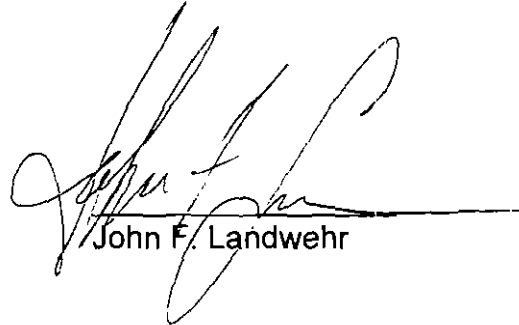
d. Confirm that those generating FOI requests may be required to pay the expenses involved in processing the FOIs.

RESPONSE:

- a. I am informed by the San Luis postmaster that more than half of these governmental information requests derive from the state Child Support Recovery Department, which acts on behalf of both state and federal authorities. The remainder come from various federal, state and local agencies such as the Internal Revenue Service, court systems, the Social Security Administration, and others.
- b. I am informed by the San Luis postmaster that approximately 70 percent of the government information requests pertain to local residents, and fifteen percent each to migrant farm laborers and Mexican residents.
- d. Confirmed that originators of FOI requests may be required to pay expenses pursuant to 39 C.F.R. § 265 and the Administrative Support Manual § 352. My understanding, however, is that government originators are generally not asked to pay expenses.

## DECLARATION

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



John F. Landwehr

Dated: \_\_\_\_\_

8/16/96

Answer of Richard Patelunas to  
Presiding Officer's Information Request No. 2  
to United States Postal Service

POIR No. 2 Question 1c.

c. Please provide the average processing cost for the FOIs and describe how the FOI costs are treated in the Cost and Revenue Analysis (CRA).

POIR No. 2 Question 1c Response.

The processing cost for the FOIs cannot be isolated. The labor resources devoted to FOI tasks would be in Cost Segment 3, Clerks and Mailhandlers. More specifically, they would be in customer inquiries for either Window Clerks or Administrative clerks.

Answer of Richard Patelunas to  
Presiding Officer's Information Request No. 2  
to United States Postal Service

POIR No. 2 Question 1e.

e. What percent of the costs attributed to processing the FOI requests is recovered from the revenues generated by fulfilling the FOI requests and how are the revenues treated in the financial reporting systems of the Service and the CRA.

POIR No. 2 Question 1e Response.

As stated in my response to part c of question 1, the attributable costs of processing FOI requests cannot be isolated. Revenues are reported in account number 43388, "Search and Copying Fees". They are part of "Total Other Income" in the Revenue, Pieces and Weight report, USPS-T5 workpaper WP-B, W/S 1.1.1. They are reported as part of "Miscellaneous items" in the Cost and Revenue Analysis report, USPS-T5, Exhibit 5C.

Answer of Richard Patelunas to  
Presiding Officer's Information Request No. 2  
to United States Postal Service

POIR No. 2 Question 3.

Question 2 of POIR No. 1 asked the Postal Service to describe the types of activities covered by Activity Code 5041. The Postal Service's response provided a definition for 5041 but did not describe the types of activities covered by Activity Code 5041. Please provide examples of the types of activities covered by Activity Code 5041. Also, provide examples of the types of activities covered by Activity Codes 6020 and 6030.

POIR No. 2 Question 3 Response.

The types of activities covered by activity codes 5041, 6020 and 6030 are described in Library Reference SSR-12, In-Office Cost System (IOCS), Handbook F-45, pages 71 - 72. As described in my response to POIR 1, question 2, activity code 5020 is renamed 5041 in Program 40 in LIOCATT.

Answer of Richard Patelunas to  
Presiding Officer's Information Request No. 2  
to United States Postal Service

POIR No. 2 Question 11d.

Using the costing approaches of caller service and/or box service, or any other cost approach thought suitable, please provide any cost information available on the cost of firm holdout service.

POIR No. 2 Question 11d Response.

Unlike caller service that has at least a few activity codes, cost data for firm holdout service is not collected or isolated. The number of firm holdouts is not available nor is the amount of space devoted to firm holdout service. The costing approaches suggested for caller service and/or box service would not be suitable for firm holdouts because there are no data. A special study would need to be designed and executed to estimate firm holdout costs.

**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.

A handwritten signature in dark ink, appearing to read "Richard Patelunas", is written over a horizontal line.

Dated: 8-16-96



## Response of Witness Lion to Presiding Officer's Interrogatory Request, Question 2

2. Witness Lion states: "Total costs attributed to post office boxes were approximately \$482 million for FY 1994." USPS-T-4 at 35. He separates this total attributable cost into the following three categories (000):

Space Support	\$193,493
Space Provision	179,233
<u>All Other</u>	<u>109,159</u>
Total Attributable	\$481,885

According to witness Lion, the All Other category represents "costs for sorting mail to boxes and related supervisory activities." However, the FY 1994 Cost Segments and Components Reports (page 20) shows no attributable mail processing direct labor (3.1) costs for post office boxes. LR SSR-12, page 61, indicates that sortation to boxes is an incoming secondary distribution.

Please explain what witness Lion includes in the "All Other" cost category. Also, confirm that costs for sorting mail to boxes is attributed to the type of mail being handled and not to post office boxes.

## RESPONSE:

As explained in USPS-T-4 at 35, the "All Other" cost category consists of costs accounted for in all components other than those that are explicitly defined on page 34 of USPS-T-4 as space support or space provision. Specifically, LR-SSR-3 reports "All Other" costs as shown in the table on the next page (FY94 costs; all dollars in thousands).

Response of Witness Lion to Presiding Officer's Interrogatory Request, Question 2

<u>Cost Segment / Component</u>	<u>Costs Attributed to P.O. Boxes</u>
1. Postmasters	\$2,803
2. Supervisors & Technicians	\$7,548
3.2. Window Service	\$74,314
3.3. Administrative Clerks, Time & Attendance	\$4,580
6&7. City Delivery Carriers	\$349
18.3.1. Repriced Annual Leave	\$301
18.3.1. Holiday Leave	\$2
18.3.2 Civil Service Retirement	\$10210
18.3.5 Retiree Health Benefits	\$2,682

Response of Witness Lion to Presiding Officer's Interrogatory Request, Question 2

**18.3.7 Annuitant COLA/ Life Insurance                      \$3,172**

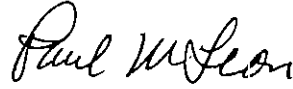
**20.6 Unemployment Compensation                          \$500**

**Total    \$109,159**

The last question is confirmed. The first sentence on page 35 of USPS-T-4 is a misstatement; an erratum to correct this was filed on August 12, 1996.

## DECLARATION

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



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Paul M. Lion

Dated: \_\_\_\_\_

8/16/95

Response of Witness Needham to Presiding Officer's Information Request No. 2

6. Will Group E box holders have a choice of box sizes? If yes, will all box holders be charged \$0 independent of size. If yes, how will boxes of different sizes be allocated to customers when the cost for all boxes is \$0?

RESPONSE:

It is planned that Group E boxholders would be assigned the appropriate size box for their needs as is currently the practice in Group III. The proposed fee, like the current fee of two dollars, is independent of box size.

Response of Witness Needham to Presiding Officer's Information Request No. 2

8. Are there any circumstances under which a customer in a Group A, B, C, or D office may be ineligible for delivery service. If yes, describe the types of circumstances. Please provide the number of customers holding post office boxes in each of the types of circumstances identified. Please identify the fee groups to which these customers will be assigned under the Postal Service's proposal.

RESPONSE:

The Postal Service does not believe any resident customers of Group A offices will be ineligible for delivery. In Group B, C and D offices, there are two circumstances under which resident customers could be ineligible for delivery: the quarter mile rule (*see e.g.*, Domestic Mail Manual Transition Book § 156.22), and residents in areas to which the Postal Service has not extended delivery services. Customers in Middleburg, Virginia Post Office are examples of the former while some customers of the San Luis, Arizona Post Office are examples of the latter. *See* USPS-T-3. The Postal Service does not have information regarding customer eligibility for delivery and so cannot provide the number of customers in each category.

Under the revenue estimates supporting the office-based proposals of the Postal Service, all customers of B, C or D offices are assumed to pay the appropriate B, C or D fees. Any exceptions to this general rule would be developed as part of implementation.

Response of Witness Needham to Presiding Officer's Information Request No. 2

9. Based on the answers to POIR No. 1, questions 9 and 11, it appears that there will be some box holders not eligible for delivery who will receive free boxes while other box holders also not eligible for delivery will have to pay for their boxes. Please confirm whether this situation will occur and identify the number of such box holders in each of the proposed fee groups.

RESPONSE:

Confirmed that the Postal Service revenue projections make the implicit assumption that only some resident customers ineligible for any kind of carrier delivery will get free boxes. Implementation of the new box fee schedule may mitigate this. The Postal Service has no information on customer eligibility for delivery and so is unable to report how many boxholders in respective fee groups are or will be ineligible for delivery.

Response of Witness Needham to Presiding Officer's Information Request No. 2

11. According to DMM section D930, firm holdout service is available free to customers receiving fifty (50) or more pieces of mail on the first delivery of each day. The section also explains that a form must be filled out and that postmaster approval is required. Please explain the following.

a. Under what conditions would a postmaster not approve a request for firm-holdout status and do these conditions carry implications for the approval of either caller services or post office box service?

b. Please explain the differences in mail processing between firm holdout mail and mail destined for caller service or box service, including an explanation of where "firm holdout" mail is held.

c. Under what conditions would a large customer (receiving over fifty (50) pieces per day) decline an option for firm-holdout status and prefer instead to pay for caller service or for a large post office box?

e. Please provide any information available on the relationship between the price of caller service and box service, and the demand for firm holdout status.

RESPONSE:

a. For each request for firm holdout service, the postmaster would need to examine the request in light of available resources, operational costs, and operational impact on the office. Since the impact of each request would vary, there are many possible conditions which would prevent approval of firm holdout. The alternative of post office box service or caller service would be recommended for those conditions preventing firm holdout approval.

b. There would not be any distinct differences in mail processing for caller service or firm holdout, as the mail for both of these services would be separated at the case by either clerks or carriers and held at the case.

c. The advantage of caller service or post office box service over firm holdout is realized in delivery. Caller service or box customers may take advantage of picking up their mail frequently and can do so earlier than firm holdout customers who adhere to a set schedule.



Response of Witness Needham to Presiding Officer's Information Request No. 2

- e. The Postal Service does not have nay information available on the relationship between the price of caller service and box service, and the demand for firm holdout status.

**DECLARATION**

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

Susan W Needham

Dated: August 16, 1996

RESPONSE OF POSTAL SERVICE WITNESS LYONS  
TO POIR NO. 2

12. The own price elasticity for postal cards, certified mail and registry are listed in LR-SSR-101, spreadsheet CERTFORE.WK3, Cells B:D6...B:F9. Please provide the source of these elasticities.

RESPONSE:

I am informed that these elasticities were estimated using the same procedures as utilized by Dr. Tolley in Docket No. R94-1, but applied to more recent data. Please see LR-SSR-135.

RESPONSE OF POSTAL SERVICE WITNESS LYONS  
TO POIR NO. 2

13. Refer to before- and after-rates Fixed Weight Indices (FWIs) for Registered Mail in LR-SSR-101, Worksheet VOL35R94.WK3, cells A:Y116 and A:AA116 respectively.

a. Please explain why in developing the before-rates FWI, the Postal Service multiplies the "without insurance rates" times the "with insurance volumes" and the "with insurance rates" by the "without insurance volumes." A note attached to the referenced Worksheet states that listed rates are reversed from column headings but that it was not changed "due to the assumption that since this file was originated at the USPS headquarters they must have some logical reason which is not obvious for reversing the rates the 2 series of columns." Please provide the reasons or modify the entries.

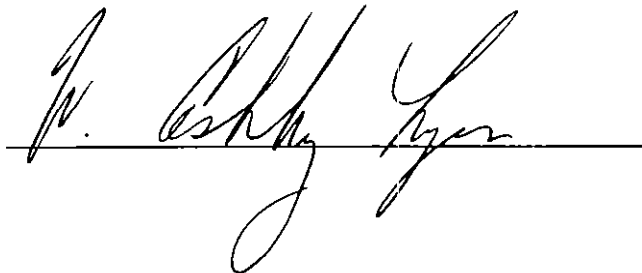
b. Please explain why in developing the after-rates FWI for Registered Mail, the Postal Service does not consider the proposed without insurance rate of \$4.85 applicable to letters valued \$100 or less.

RESPONSE:

a.- b. I am informed that modified entries pertaining to both of these discrepancies have been provided in LR-SSR-135.

## DECLARATION

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

A handwritten signature in cursive script, appearing to read "W. Ashley Lyons", is written over a horizontal line.

Dated: 8-16-96

- 2 -

**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

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August 16, 1996