

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

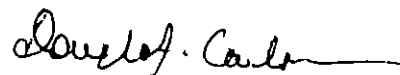
DOUGLAS F. CARLSON
RESPONSE TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE (USPS/DFC-10-21)

November 11, 1996

I, Douglas F. Carlson, hereby provide my responses to the interrogatories of the United States Postal Service (USPS/DFC-10-21). The interrogatories were filed on October 30, 1996.

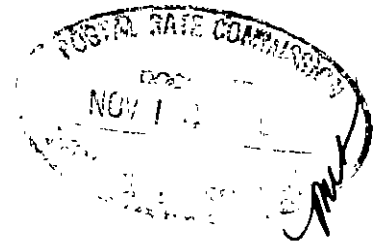
Each interrogatory is stated verbatim and is followed by my response.

Respectfully submitted,



Dated: November 11, 1996

DOUGLAS F. CARLSON



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USPS/DFC-10. Why do you use a Postal Service box instead of a box at a CMRA? Please explain fully.

RESPONSE:

In Response to USPS/DFC-1(a), I explained in subparts (i) and (iv) advantages to me of post-office-box service. These advantages are unique to Postal Service boxes. The advantage listed in subpart (v) also may be unique to Postal Service boxes.

Two disadvantages of CMRA boxes would preclude me ever from obtaining a CMRA box. First, non-Postal Service employees would be handling my mail, thus raising security concerns. Second, a CMRA could go out of business, and all my mail then might be returned to sender.

My desire to protect my privacy, as I explained in subpart (iii), is not so great as to make a CMRA box more attractive than street delivery.

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USPS/DFC-11. On page 10, lines 3-5 and 24-26 of your testimony you state, "Valerie obtained her post office box out of necessity because of delivery problems in Richmond. She still considers the box to be a necessity Moreover, because of the delivery and security problems she has experienced recently, Valerie does not consider residential delivery to be a realistic option, either." Please confirm that the service value of Valerie's post office box is quite high. If you do not confirm, please explain why "a necessity" would not have a high value of service.

RESPONSE:

I cannot confirm, because the term "quite high" is vague and undefined. I can confirm that a necessity normally would be more valuable than a commodity or service that is not a necessity.

As a United States citizen, however, Valerie has a right to receive mail delivery at a price less than the price that could be extracted for a necessity. Valerie obtained box service because the Richmond post office began returning her mail to the sender for no apparent reason. See my testimony at page 9, lines 1-11. She maintains box service because she does not consider the free carrier delivery in Oakland to be sufficiently safe. See my testimony at page 10, lines 5-14. Valerie would value safe delivery at her home in Oakland even more than a box in San Francisco because home delivery would be more convenient than the box in San Francisco. However, she considers her box in San Francisco to be her only option, and she resents the fact that residents of other areas of Oakland probably receive satisfactory free street delivery.

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USPS/DFC-12.

(a) Do you consider the higher charges imposed on subway riders in the Washington, D.C. or Bay areas [sic] during rush hours to be unfair and inequitable? Please explain why or why not.

(b) With respect to these charges, please assume that the cost per rider is not higher during rush hour than at other times. How would that assumption affect your view about the fairness and equity of higher rush hour fares?

RESPONSE:

The transit systems in the San Francisco Bay Area do not charge higher fares during rush hour than during off-peak hours.

I have experienced the rush-hour fares on the Metro subway system in Washington, but I am not familiar with the rationale behind those fares. Thus, my answers will be based on certain commonsense assumptions.

(a) Given the assumption stated in part (b), for part (a) I will assume that the cost per rider is higher during rush hour than at other times.

If the higher rush-hour fares precisely reflect the added cost per rider, I would consider the rush-hour fares to be as fair and equitable as the fares during off-peak hours.

(b) If the cost per rider is not higher during rush hour than at other times, my answer would depend on whether capacity on the Metro is limited during rush hour. (I would consider capacity to be limited if the rush-hour trains are so full that not every rider who wants to enter a train can enter a train, or if the trains are so crowded that riding the trains during rush hour is an unpleasant experience for a significant number of people.)

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If capacity during rush hour is limited, higher fares probably would be a fair, equitable, reasonable, and economically efficient method for allocating a scarce resource: the people who most need to travel during rush hour would continue to travel during rush hour, while the commuters with more flexible schedules would travel during off-peak hours, making more space available for the rush-hour commuters.

If capacity during rush hour is not limited, I would not see anything particularly fair or equitable about charging higher fares to the people who most need to ride Metro during rush hour. Indeed, from an economic point of view, while the higher fares primarily would convert consumer surplus to producer surplus, total surplus would decrease because the quantity of riders would decrease (assuming demand is not perfectly inelastic). I do not believe that a fare structure that reduces total surplus would be in the public interest.

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USPS/DFC-13. In the first paragraph of your testimony you identify four knowledge bases that have assisted you in developing your expertise in mail processing and distribution: tours; tests; studying mail received; and a link between proper addressing and good service.

(a) With respect to the fourth of these, you claim the knowledge but do not identify the basis for or how your gained the knowledge. What is your understanding of the link between the two and how did you develop it?

(b) Are there any tests you have performed that are not otherwise documented in your testimony or interrogatory responses? If so, please describe them and provide copies of any documentation you retained.

(c) With respect to mail you have received, what do you look at on the mail pieces, and what do you infer or deduce from such information? Please explain fully.

(d) To the extent you have not already done so in your testimony or other interrogatory responses, please identify all tours you have taken of postal facilities, their dates and locations, and which operations your [sic] reviewed during each.

(e) Are there any other means by which you have developed your expertise in mail processing and distribution? If so, please identify them with specificity and explain how they contributed to your expertise.

(f) Please describe your understanding of how mail is processed, both incoming and outgoing, as between the San Francisco, Emeryville, and Berkeley Post Offices which you have involved in your recent tests.

RESPONSE:

(a) I began touring postal facilities in 1984 as the Postal Service was deploying the first phase of its automation program. During the early tours, I sought to understand the processing, at every step, of first-class mail from the time it is deposited for collection until it is delivered. During my tours in Honolulu on April 17, 1984, and April 19, 1984, I examined in detail the culling system that fed mail to the Mark II facer-canceller

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machines. I learned the scheme that clerks used on the Multi-Position Letter Sorting Machines (MPLSM's) to sort mail. I also studied the bin side of the MPLSM's to understand concepts of distribution.

On November 15, 1984, I toured the post office in San Jose and saw OCR's and BCS's for the first time. By watching the mail flow and studying the designation of the stackers on the OCR's and BCS's, I was able to gain a basic understanding of how automation was used in sorting mail. Using this knowledge, I was able to examine the bar codes and MPLSM's imprints on the mail I received and determine the probable path it had taken during processing. I also used the list of Area Distribution Centers (ADC's) and Sectional Center Facilities (SCF's) in the National Five-Digit ZIP Code and Post Office Directory to understand the Postal Service's distribution network. Over the years, by touring postal facilities of various sizes in different parts of the country and sending test mail to myself, I have combined and synthesized all my knowledge to gain a comprehensive understanding of processing, distribution, and transportation of first-class mail.

I realized the benefit of proper addressing by observing during postal tours the relative efficiency and accuracy of automated mail processing compared to mechanized and manual processing. Prior to deployment of the Remote Bar Code System (RBCS), I saw the benefits of proper addressing by comparing the delivery time of bar-coded mail and non-bar-coded mail. Beginning in the mid-1980's, I encouraged people to type their envelopes whenever possible so that their mail would enjoy the benefits of automated mail processing. These benefits were particularly noticeable during the Christmas mailing season, when delays of

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handwritten mail would occur at ADC's and SCF's because of the influx of incoming handwritten mail, while bar-coded mail experienced comparatively few delays.

Another benefit of bar-coded mail arose in 1989, when the Postal Service created the Automated Area Distribution Center (AADC) network. As an example, San Jose and Oakland were AADC's, while the ADC for San Jose and Oakland was San Francisco. I noticed that bar-coded mail sent from the East Coast to either San Jose or Oakland sometimes was delivered in just two days, while this feat rarely was accomplished with mail that was not bar-coded in the originating city. The reason was simple: the originating city sorted the bar-coded mail directly to San Jose or Oakland, allowing this mail to bypass the ADC in San Francisco. Prior to RBCS, a mailer could not enjoy this advantage of bar-coded mail if his mail was not properly addressed to allow an OCR to read the address.

My observations reveal that OCR-readable mail is more accurately sorted than non-OCR-readable mail because the human element--and opportunity for error--is reduced.

Now that RBCS has been deployed in most P&DC's, an OCR-readable address is somewhat less important than before because the RBCS system can apply a bar code. A legible, complete address still is necessary, however. And even with RBCS, I still encourage people to prepare OCR-readable mail because the chance for error is reduced if the machine can eliminate the human element, and the processing will be speedier if the OCR itself can read the address.

(b) Over the past 12 years, I have mailed thousands of test letters and postal cards to myself from all over the country. My tests have allowed me to determine, to a

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certain extent, the type of processing equipment that various P&DC's have. I have used my tests to evaluate collections, delivery time, and mail flow within a P&DC. I also enjoy maintaining the collection of test mail and postmarks that I have accumulated over the years.

I generally have not documented or summarized my tests, since the mental notes I make about the tests results always have been sufficient for my purposes. In 1988, I did use a series of tests of metered mail that I sent from Berkeley to prove that Oakland was using its eight OCR's inefficiently by routinely diverting metered mail away from the OCR's and placing it instead on MPLSM's. (In 1988, since the facer-canceller machines were unable to separate typewritten and handwritten mail, metered mail was considered a better read candidate for OCR's than stamped mail, so processing facilities were supposed to run as much metered mail as possible through the OCR's. When OCR capacity was not sufficient to accommodate all mail, stamped mail was supposed to be diverted to the MPLSM's first; thus, metered mail rarely had to be diverted. I knew that Oakland, with eight OCR's, always would have sufficient capacity to process all the metered mail on OCR's, so my test results showing much of my metered mail being diverted to MPLSM's indicated a problem.) I wrote a letter to Joseph Caraveo, who was Regional Postmaster General for the Western Region, to request his assistance in resolving the problem. See Attachment 1 to Response to USPS/DFC-13(b). For the next two years after I received his response, on only one occasion did my metered mail fail to be processed on an OCR. Thanks to my study and letter, Oakland corrected this problem.

P.O. Box 4041
Berkeley CA 94704-0041
April 18, 1988

Mr. Joseph R. Caraveo
Regional Postmaster General
Western Region
United States Postal Service
850 Cherry Avenue
San Bruno CA 94099-0100

Dear Mr. Caraveo:

I am a sophomore Economics major at the University of California at Berkeley. For all of my life I have had an interest in the Postal Service. During the last four years, my curiosity of how mail is processed--from the point of mailing to the point of delivery--has turned into a full-fledged fascination. I grew up in Santa Cruz, so I have learned much of my present knowledge from various people in San Jose and Santa Cruz. I also have toured several postal facilities throughout the West in cities I have visited during vacations. My goal has always been, simply out of a personal interest, to understand the details of processing of first-class mail. In 1984 and 1985 I was primarily devoted to learning the schemes used on MPLSM's to sort mail because I could then apply this knowledge to other facilities in the country to gain a general understanding of how large ADC's and MSC's sort their mail. Once I learned most of what I needed to know about the mechanized side of mail processing, my interest shifted to Automation, and this is where it has been since.

As with the MPLSM's, I have been learning the types of sortation programs that are used to sort mail on the Automation; again, my goal is to gain a general overview of the theory and logic behind Automation sortation, then to concentrate on the specifics of facilities that I send a lot of mail through (San Jose, in particular). Furthermore, I have taken an interest in Automation readability and am careful to prepare all my mail to standards that facilitate automated processing. When the only OCR's in Northern California were the Burroughs machines, I used to notice quite a bit of variability in acceptance rates of mail that I would run on the machines when I toured facilities. The ECA machines, on the other hand, have never rejected a letter of mine (and I have probably personally seen 500 to 600 pieces of my mail run on these machines). The ECA's certainly offer a lot of promise to the Postal Service's plans for Automation (including multi-line).

Finally, I should note that my way of monitoring the processing of letters that I mail regularly is by sending letters to myself. By mailing letters to myself from different cities, I can find out how my mail is being sorted and whether it is being run on the Automation. In addition, I began leasing a postage meter in March, 1986, since I had always been curious

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about postage meters. Although I don't always have volumes of mail that would normally require a postage meter, I do mail a moderate amount of personal and business letters, as well as sweepstakes entries (another hobby of mine). I have mailed as many as 100 letters in a single metered mailing on a few occasions. Whenever I mail a metered bundle, I send two letters to myself as the "test" letters. The postage meter--and thus metered mail--brings me to my purpose for writing this letter.

Everything I have learned in my studies of the Postal Service has told me that priority is always given to properly bundled/trayed, correctly dated metered mail when it is necessary to choose between running stamped versus metered mail on the Automation. Most facilities that I have visited have sufficient numbers of OCR's to run all the metered mail on the OCR's everyday (barring equipment failures). My postage meter is licensed in Santa Cruz. Whenever I mail a bundle of metered mail in Santa Cruz or San Jose, it almost always is run on one of San Jose's four OCR's. San Jose is excellent about running all the metered mail on the OCR's.

In April, 1987, I obtained a drop-shipment authorization to allow me to use my postage meter to mail metered mail in Berkeley. Since April I have been able to use my Santa Cruz-licensed meter to deposit metered mail at the back dock of the Berkeley Post Office. This experiment allowed me to see whether Oakland would run my metered mail on the OCR's. I had had so much trouble getting stamped mail bar-coded in Oakland (even on weekends) during my freshman year (August, 1986 to May, 1987) that I was skeptical whether Oakland would bar-code my metered mail. To my pleasant surprise, however, ten out of the twelve metered bundles I mailed were bar-coded in April and May, 1987. This was when Oakland had four OCR's.

Since June, 1987, however, I have had the opposite results: 64.3% of my metered mailings have not gone to Oakland's OCR's. Even though Oakland now has seven OCR's and always bar-codes stamped letters that I mail, I just cannot seem to get my metered mail bar-coded. As you will see from the enclosed chart, I have not been mailing metered mail much in Berkeley since November 25. I did have luck in a mailing on March 25, but the most recent one, April 4, again was not bar-coded. (I now mail only stamped mail.)

I have tried everything I can think of to make my mail go to the OCR's: I have mailed it for the 3:00 truck; I have mailed it for the 5:00 truck; I have bundled it with a rubber band and put it in a tray of metered bundles; I have put the mail unbundled in a tray full of metered mail from a particular firm. Sometimes my bundles have 15 letters; other times they have 50. The result is the same each time: the letters are obviously treated as metered mail because there are no cancellation marks, but the mail has no bar code and instead has MPLSM imprints on the back. It cannot be a readability problem because the exact same mail reads 100% when mailed in San Jose. I have even had deflector tests done on my envelopes, and everyone has told me that my mail is "perfect" or "beautiful." Oakland, with seven

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OCR's, easily has enough OCR's to run all the metered mail on the Automation every night, even if two or three OCR's broke down for an entire day. Yet the metered mail continues to be diverted to the MPLSM's.

I have talked to supervisors and management people in Oakland during the past ten months of frustration about this problem, and I am always told that, yes, the metered mail should be going to the Automation--but that is the end of the story. No one seems to think that this is a problem which warrants serious attention. I am certain that it is not just my metered mail that is bypassing the OCR's in Oakland; it must be a wide-spread problem that is cutting into their efficiency. I like to see my metered mail bar-coded for three main reasons: 1) The OCR's are my area of interest and fascination; 2) I prepare all my mail to OCR-readable standards, using ZIP + 4 Codes, and meter it; thus, my mail is precisely the type of mail that should be run on the OCR's; 3) The chance of error is greater when the mail is not run on the Automation, and I get upset when mail that should have been run on the OCR's is subsequently missorted by an MPLSM.

I try to make my contact with the Postal Service two-way: the people I talk to help me understand how the Postal Service works--and for this I am grateful--and I offer suggestions and inform them of problems I see in the mail. (I provide the "customer" point of view.) San Jose is very receptive to my concerns and I feel my observations have been valuable. Oakland, however, just continues running my perfectly prepared metered mail on the MPLSM's! When I read in "Memo to Mailers" about the programs aimed at teaching mailers how to automate their mail, I think with sadness how my mail already is so well prepared and yet Oakland is processing it inefficiently. When I saw your name listed in the Postal Service's 1987 "Annual Report of the Postmaster General," I decided that it was worth bringing this problem to your attention. I see no hope that my metered mail will be processed correctly in Oakland in the near future unless someone steps in to correct the problem; and I don't imagine that this problem is confined to just my metered mail. I generally do not mail metered mail in Berkeley anymore because, ironically, it is the stamped mail that always seems to go to the Automation. Since Oakland gives better treatment to my stamped mail than to my metered mail, stamped mail is what they will get until the situation improves. I am not happy with it this way, but I am tired of wasting money sending metered mail that is not going to go to the Automation.

I am certain that you will see this problem as a serious one in this day and age of efficiency- and productivity-maximization. I will be happy to participate in any way that I can to find out what is happening with metered mail in Oakland. I still have all the letters I have sent to myself in my various metered mailings from Berkeley over the past year; if you are interested in seeing any of them, just let me know.

I appreciate your attention to this problem, and please let me know what you think you can do about it.

Sincerely,

Douglas F. Carlson

METERED MAILINGS FROM BERKELEY -- APRIL, 1987 TO APRIL, 1988

<u>DATE</u>	<u>BAR-CODED</u>	<u>NOT BAR-CODED</u>
April 14, 1987	X	
April 16	X	
April 17	X	
April 20	X	
April 22	X	
April 24		X
April 27		X
April 29	X	
April 30	X	
May 11	X	
May 12	X	
May 22	X	
June 8		X
July 7		X
July 27		X
August 3		X
August 7		X
August 10		X
August 17		X
August 18		X
August 20		X
August 24		X
August 28	X	
August 29		X
August 31	X	
September 1	X	
September 2		X
September 5		X
September 11	X	
September 14	X	
September 15	X	
September 22	X	
September 28		X
September 29		X
October 2		X
October 5		X
October 9	X	
October 12	X	
October 19	X	
October 23		X
October 26		X
October 30	X	
November 2		X
November 6	X	
November 9		X
November 16		X
November 20	X	
November 25	X	
December 1		X

<u>DATE</u>	<u>BAR-CODED</u>	<u>NOT BAR-CODED</u>
January 20, 1988		X
January 27		X
February 16		X
February 29		X
March 25	X	
April 4		X

Since June 8, 1987, 64.3% of the metered mailings have not gone to the Automation.

Prior to June 8, 83% of the mailings did go to the Automation.

Since last June, Oakland has received three more OCR's. These results are not compatible with a gain of three OCR's!



REGIONAL POSTMASTER GENERAL

Western Region
San Bruno, CA 94099-0100

May 9, 1988

Douglas T. Carlson
P. O. Box 4041
Berkeley, CA 94704-0041

Dear Mr. Carlson:

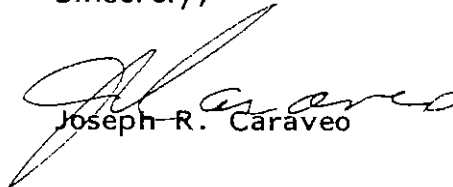
This is to acknowledge your letter to me dated April 18, 1988. I have read your letter with great interest and am appreciative of your personal concern for the efficient operation of the U. S. Postal Service.

We are very conscious of and sensitive to the "customer's point of view" in matters such as you described. We realize that it is constructive information from individual customers such as yourself that will enable us to improve and provide better service to all of our customers.

I have forwarded the information you have provided to the Oakland Division. The Oakland Division has taken note of your concerns and has made efforts to close loopholes in the mail stream that will insure the diversion of readable meter mail to automated equipment. However, do not be alarmed if some of your test letters bear both bar codes and MPLSM indicia marks. Automated mail processing is not yet in its final stages of implementation and some mail is processed on MPLSMs for final distribution in order to meet service commitments.

I can assure you that everything possible will be done to insure that all your concerns are addressed and corrected accordingly. Once again, thank you.

Sincerely,



Joseph R. Caraveo

cc: A. Hambric
General Manager/Postmaster, Oakland

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In August 1992, when I moved back to the Oakland SCF, I determined that Oakland was processing bundled metered mail incorrectly. Under standard postal procedure, metered bundles are separated from loose letters during the collection process, before dispatch to the P&DC, or during the culling operation at the P&DC. The bundles are taken to the 020 operation, where the rubber bands are removed and the letters are placed in trays. The trays then are taken directly to the OCR's for processing. Bundled metered mail benefits the Postal Service because the mail can bypass the culling, facing, and cancelling operations--and the concomitant problems that result when thick mail is rejected from the culling system, or when meter ink is not sufficiently fluorescent to be read by the facer-canceller machine, so the facer-canceller rejects the letters.

Within two weeks of sending metered mail through Oakland in August 1992, I determined that a problem existed. First, even when I would give a collector in Walnut Creek a metered bundle and I would watch the collector separate it into a tub of metered bundles, sometimes the letters still would go through an Advanced Facer Canceller System (AFCS) machine. Other times, the letters would not receive a cancellation, but they would receive bar codes from different OCR's--an occurrence that would be very unlikely since a bundle normally would be placed in one tray, and that tray would go to one OCR. The mystery deepened when I discovered, based on my knowledge of the shiny scuff marks that various types of mail-processing equipment place on mail, that these letters were going through an AFCS--even though they were not receiving a cancellation. I could not understand why Oakland seemed to be opening metered bundles and dumping them into the culling system along with loose letters. I

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was even more puzzled by why they would be setting certain AFCS machines not to cancel the meter indicia.

In September 1992, I telephoned a person in Oakland who was the counterpart of one of my postal friends at another office. I explained the problem and my diagnosis, noting that I felt somewhat foolish in suggesting that Oakland was opening bundles of faced metered mail and dumping the letters into AFCS's that had been set not to cancel meter indicia; thus, the AFCS's were merely refacing the mail and separating the typewritten mail from the handwritten mail.¹ He then viewed the operation and confirmed my observations! I visited the Oakland P&DC on November 2, 1992, and saw that the 020 operation consisted of two employees opening metered bundles that had been culled by collectors or post offices prior to dispatch to Oakland. The now-loose letters then were fed into two AFCS machines that had been programmed not to place a cancellation on meter indicia, just so the letters could be refaced.

Since the Postal Service had undergone a reorganization in July 1992, a new management team had arrived in Oakland. I brought the problem to the attention of the plant manager's office, and I began working with In-Plant Support to seek a solution to the problem. No one disputed that the 020 operation needed to be reformed, but other problems were

¹One might argue that this procedure was efficient because it separated the typewritten mail from the handwritten mail. In reality, it was creating extra work. To see why, suppose that 65 percent of metered mail is OCR-readable. (This readability estimate is fairly accurate.) If the metered mail is taken directly to an OCR, the OCR will read 65 percent of the mail, while 35 percent will either be diverted to MPLSM's or encoded by the RBCS system. If the mail is first processed by an AFCS, the AFCS must process 100 percent of this mail, and then the OCR's must process at least 65 percent of it again; with RBCS, the OCR's would be processing 100 percent of the mail again. Oakland was creating extra work by running the bundled metered mail through an AFCS, since most or all of it was destined for an OCR anyway.

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more pressing. Six to eight months later, the 020 operation seemed to have been corrected, and metered bundles were being processed properly. The operation regressed in early 1994, but by 1996 my tests indicated that metered bundles generally were being processed properly. (For much of 1994 and 1995, I deposited most of my metered mail in San Francisco to avoid the problems in Oakland.) Problems still exist in Oakland with treatment of metered bundles, but my involvement with this problem greatly improved the situation and was responsible for encouraging redevelopment of a properly functioning 020 operation.

(c) I look at the postmark, black Postnet bar code, orange RBCS ID tag bar code, MPLSM imprints, and scuff marks from processing equipment.

I usually can determine by looking at a postmark the type of facer-canceller machine that applied the postmark. I also understand how to determine, by looking at a postmark die hub, whether the letter was proceeding in the "lead" or "trail" direction when it entered the facer-canceller. In addition, I am familiar with the numbering system of machines and die hubs, so I often can determine precisely which machine and die hub in a facility applied a particular postmark.

I decode Postnet bar codes quickly, in my head, without use of any template. Deciphering a bar code allows me to confirm accuracy of the OCR or RBCS keying that generated the bar code. I also can identify the source of some delivery delays by decoding the bar code.

I have a computer program that decodes the orange RBCS ID tag bar codes. This bar code contains very useful information including the OCR number, RBCS site number, time

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of day and date on which the bar code was applied, and a sequence number. By decoding RBCS ID tags on my test mail, I can determine how swiftly my mail proceeded through a P&DC.

When MPLSM's were used more prominently than they are now, I tried to know, generally, the colors and letters of the imprints that were used in MPLSM's locally and nationally. For example, for years San Jose used green imprints beginning with the letters "A" through "E". Oakland used purple imprints beginning with "A" through "J". To an extent, I was able to determine how and where mail was processed by studying the MPLSM imprints.

Lastly, by studying mail, I have identified the unique scuff marks that processing equipment makes on mail, so I usually can determine the type of machine(s) on which a letter was processed by examining these incidental marks. Specifically, I am familiar with the marks that the following machines generate: AFCS; Pitney Bowes Mark II/Micro Mark facer-canceller; Electrocom OCR; Electrocom BCS; and Bell & Howell BCS. On a Mail Processing Bar Code Sorter, I can determine whether a letter was deposited in a stacker on the left side of the machine or the right side of the machine. I generally can determine by the style of bar code whether an Electrocom OCR is an "A" model or a "B" model. On the AFCS, I can reliably determine by looking at the scuff marks whether a letter entered the machine in the "lead" direction or "trail" direction. (When I saw these scuff marks, I was able to determine--correctly--that Oakland was sending metered mail through an AFCS that had been set not to cancel meter indicia. See Response to USPS/DFC-13(b).)

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(d) The table that follows lists the processing facilities that I have toured and the date on which I toured each facility. (The dates are accurate to the best of my recollection. In addition, this list may not be complete, but I have included all tours that I can remember.)

At each facility, I viewed the 010 back dock, the culling system, the facer-canceller machines, the Multi-Position or Single-Position Letter Sorting Machines (if applicable), and the automation (if applicable). At various facilities I have viewed other operations including Flat Sorting Machines, Small Parcel and Bundle Sorters, Priority Mail (incoming and outgoing), 020 (metered bundles), 030 (manual distribution), and dispatch. In general, I cannot recall exactly which of these operations I viewed at each facility, but I have viewed each of these supplementary operations several times total.

April 17, 1984	Honolulu, HI
April 19, 1984	Honolulu, HI
November 15, 1984	San Jose, CA
August 23, 1985	Los Angeles, CA (AMF)
November 29, 1985	Long Beach, CA
June 30, 1986	Anchorage, AK
July 22, 1986	Reno, NV
July 30, 1986	San Jose, CA
August 7, 1986	San Jose, CA
August 15, 1986	San Jose, CA
December 20, 1986	San Jose, CA
February 16, 1987	San Jose, CA
March 27, 1987	San Jose, CA
May 5, 1987	Oakland, CA
June 1, 1987	Honolulu, HI

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June 9, 1987	Seattle, WA
June 22, 1987	Fairbanks, AK
August 11, 1987	San Jose, CA
October __, 1987	San Jose, CA
December 21, 1987	San Jose, CA
February 5, 1988	Honolulu, HI
February 8, 1988	Honolulu, HI
November 8, 1988	San Jose, CA
December 19, 1988	San Jose, CA
August 18, 1989	Seattle, WA
December 22, 1989	San Jose, CA
December 17, 1990	San Jose, CA
February 21, 1991	Tampa, FL
December 23, 1991	San Jose, CA
June 15, 1992	Minneapolis, MN
July 7, 1992	Providence, RI
July 10, 1992	Boston, MA
July 14, 1992	Western Nassau, NY
July 15, 1992	New York, NY (Church St. Sta.)
July 15, 1992	New York, NY (Morgan GMF)
November 2, 1992	Oakland, CA
December 11, 1992	Oakland, CA
December 21, 1992	San Jose, CA
February 11, 1993	Tampa, FL
August 2, 1993	San Francisco, CA
December 21, 1993	San Jose, CA
February 4, 1994	Tampa, FL
May 5, 1994	Oakland, CA
September 9, 1994	New York, NY (Morgan P&DC)
December 19, 1994	San Jose, CA
July 7, 1995	Juneau, AK
July 11, 1995	Fairbanks, AK
December 18, 1995	San Jose, CA
October 17, 1996	Missoula, MT

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I also have viewed operations at post offices in Santa Cruz, Davis, and Berkeley.

(e) I believe that I have addressed or alluded to the primary means by which I developed my expertise. I also have been greatly assisted by the various postal friends I have made during my tours, so they have proved to be a resource for my questions even when I was not taking a tour. Lastly, I read every USPS publication that I see that contains information that might broaden or deepen my understanding of mail processing.

(f) Since my tests involved mail that I sent from San Francisco to Berkeley and Emeryville, I will describe processing for this direction only.

Loose letters that I deposit for collection in San Francisco are taken by a collector to the P&DC at 1300 Evans Avenue. Hampers of loose letters are dumped into a culling system that separates out oversized mail and distributes the letters to an AFCS. The AFCS scans the letters for Facing Identification Marks (FIM's), stamps, and meter indicia. The AFCS also determines whether the address is OCR-readable. The AFCS then applies a cancellation and faces and sorts the letters based on three separations: pre-bar-coded, handwritten, or typewritten.² Pre-bar-coded mail goes to a BCS that is running an outgoing FIM sort plan. Handwritten mail generally goes to an OCR that is running in ISS (Input Sub-System) mode for RBCS image lifting. Typewritten mail goes to any OCR.

²On February 11, 1993, in Tampa, I viewed the prototype AFCS that also applies an RBCS ID tag to the envelope and sends images of handwritten letters to the Remote Encoding Center, thus removing the need for the handwritten mail to be placed on an OCR for purposes of lifting the image. I understand that this modification will be installed on AFCS's nationally.

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Bundles of metered mail are separated by the collector. When they arrive at the P&DC, the 020 operation places the letters in trays. The trays are then taken to the OCR's.

Flats also are separated by the collector. At the P&DC, the metered flats and stamped flats must be separated. Stamped flats are cancelled on a flats cancelling machine. All the flats then are taken to the Flat Sorting Machines (FSM's).

If the OCR can read my address, it will apply a bar code and sort the letters--whether destined to Berkeley (94712) or Emeryville (94608 or 94662)--to a stacker labelled "SCF OAKLAND CA 946-947". If the OCR cannot read the address and the OCR is in ISS mode, it will send the image to the Remote Encoding Center. Once the REC operator enters data for the image, the letter will be taken to a BCS that is running in OSS (Output Sub-System) mode. This BCS will read the orange ID tag on the back, match the ZIP Code information that was keyed in at the REC, spray a Postnet bar code on the letter, and sort it to "SCF OAKLAND CA 946-947".

For flats, an operator keys the first three digits of the ZIP code, and the FSM sorts the flat. For Emeryville, the flat will go to a stacker labelled "OAKLAND CA 946". For Berkeley, the flat will go to a stacker labelled "BERKELEY CA 947".

The sorted mail then is dispatched by truck to Oakland.

Upon arriving in Oakland, the bar-coded letters are taken to a BCS that presumably would be running an incoming 946-947 sort plan. The BCS probably would have direct holdouts for 94608, 94662, and 94712 (if Oakland desired to have direct holdouts), since most BCS's have a minimum of 96

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stackers, and the 946 and 947 zones combined have fewer than 96 stackers. I suspect, based on my knowledge and experience, that Oakland performs at least one-pass, carrier-route sortation of Emeryville mail. Oakland may perform two-pass, sector-segment sortation or delivery-point sequencing as well.³ Carriers or box clerks then would perform any further sortation that were necessary. For the 94712 zone in Berkeley, Oakland performs no secondary sortation, so the Berkeley post office manually sorts the 94712 box mail to each box section and then to each box. (Oakland does perform one-pass and some two-pass sortation for the Berkeley carrier zones.)

Oakland would process the flats on a FSM that is running an incoming sort plan. Oakland would sort the flats to the appropriate zones (assuming they have separate holdouts for 94608, 94662, and 94712). Oakland does not perform secondary sortation by box section for 94712 flats. I do not know whether Oakland performs secondary sortation to the carrier routes or box sections for Emeryville flats.

³According to my carrier, Oakland performs only one-pass, carrier-route sortation of Emeryville mail.

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USPS/DFC-14. Please refer to page six of your testimony, lines 1-7, where you criticize the equity of the nonresident fee proposal when customers base their choice of box service location on the desire for "longer lobby hours." In your view, would an additional fee at offices with 24-hour lobbies be more or less equitable than what has been proposed? Why or why not? Please explain fully.

RESPONSE:

I am not certain whether the question asks me to consider an additional fee at offices with 24-hour access to box lobbies (1) in addition to the nonresident fee, or (2) in place of the nonresident fee.

I can state, first, that I consider the nonresident fee, as it has been proposed in this case, to be arbitrary and discriminatory. The Postal Service has introduced no evidence to explain why nonresident boxholders should be treated differently from resident boxholders. Although 39 U.S.C. § 3622(b) requires postal rates to be related to costs, the Postal Service has introduced no evidence proving that nonresident boxholders create costlier situations for the Postal Service than resident boxholders. The Postal Service's own expert witness Ellard testified that one could determine that nonresident boxholders create greater costs than residents only if one knew the costs, or behavior, associated with both groups. Tr. 2/384-85. However, in their testimony and cross-examination, neither witness Landwehr nor witness Needham could identify any study that was conducted to compare the costs imposed by nonresident and resident boxholders. Indeed, while the alleged problem of nonresident boxholders not checking their mail frequently perhaps is potentially the most believable and significant of the alleged burdens, witness Landwehr admitted on the stand that in a typical post office box accumulations are not a problem for the Postal Service. See Tr. 2/472-75 and

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2/478-80, where witness Landwehr testified that box accumulations are not a problem at his post office, and that his post office is probably representative of the box-accumulation situation at most post offices. Thus, so far the only credible evidence about this box accumulation "problem" is that box accumulations are not a problem at most post offices.

The other prong of the Postal Service's proposal to treat nonresidents differently from residents is the claim that nonresident boxholders place a higher value on box service than residents. Again, given witness Ellard's testimony, one can conclude that nonresidents value box service higher than residents only if one has information about the value that both residents and nonresidents place on box service. Tr. 2/384-85. And, once again, the Postal Service has nothing even approximating a study.

The Postal Service, thus, has produced no evidence to justify treating residents and nonresidents differently. While the fairness and equity of the proposal is problematic for this reason alone, the nonresident fee raises additional fairness and equity concerns because not all post offices are the same. Thus, in my case, the Emeryville post office offers significantly inferior service than the Berkeley post office, yet I would have to pay the nonresident fee to obtain the better service that Berkeley residents would receive without a nonresident fee.

Compared to the current proposal for a nonresident fee, and assuming that the nonresident fee is not approved or implemented, the outcome perhaps would be more fair and equitable if box fees were adjusted to reflect the level of service provided at each post office. Thus, if box fees were lowered at a post office with short lobby hours such as

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Emeryville, and the fees in Berkeley were unchanged or raised slightly, I would not be treated differently from people who live in Berkeley. I would pay a lower fee in Emeryville for a lower level of service, and I would pay a higher fee in Berkeley for a higher level of service. Similarly, Berkeley residents would pay a higher fee for the higher level of service the Berkeley post office provides, and they could obtain a box at a lower fee by going to Emeryville and receiving a lower level of service. Residence status would be irrelevant to the box fee.

A proposal that imposed a surcharge only on post offices with 24-hour lobbies would be too arbitrary. I would value a post office with a 24-hour lobby only slightly higher than a post office with lobby hours from 6:00 AM to 9:00 PM, Monday through Sunday. For me, the important factors are evening hours (6:00 PM to 9:00 PM) and seven-day-per-week access. If my local post office happened to have 24-hour access, while the post office in the neighboring city were open 6:00 PM to 9:00 PM, Monday through Sunday, I might resent having to pay a surcharge for the 24-hour access if I wanted a box at my convenient local post office while a person in the neighboring town received service almost as good but avoided the surcharge.

Finally, business boxholders, who typically check their mail during regular business hours only, might not like fees that were tied to extended lobby hours since long lobby hours would be of low value to them.

While several problems exist with pricing boxes based on the length of lobby hours, these problems probably are less serious than the unfair discrimination that the nonresident fee would create. At least fees that were related to lobby hours would have some rational justification.

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USPS/DFC-15. Please refer to page six of your testimony, lines 16-19. You indicate that you were placed on a waiting list at the Berkeley Post Office for one week prior to obtaining service. Was a larger box available without going on the waiting list? Why would or wouldn't you consider obtaining a larger box if none of size one were available. Please explain fully.

RESPONSE:

I did not ask whether a larger box was available, so I do not know.

I have never encountered a waiting list so long that I had to take a larger-size box, especially since I have always tried to plan ahead when I have anticipated a need for box service--as I did when I obtained a box in Berkeley two months before I moved to Emeryville. I consider the wait to be worthwhile because by waiting I avoid the perpetual expense of renting a box of a size larger than I need. I would be unwilling to rent a larger box and give all my correspondents that address, only to have to change my address when a smaller box became available.

(Incidentally, when I rented my box in Concord while I waited for a box in Walnut Creek, as I described in Response to USPS/DFC-1(e), I did not think to ask in Walnut Creek whether a larger box was available. In retrospect, since I was willing to have a temporary box address in Concord to receive mail that was being forwarded from my old address in Davis, I probably would have been willing to have a temporary address in Walnut Creek.)

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USPS/DFC-16. Please refer to page seven, lines 4-10, of your testimony. Please describe the basis for your conclusion that the Berkeley Post Office experiences "serious, consistent delivery delays" for certain mail. If you conducted tests beyond what is reported in the next three paragraphs of your testimony, please detail these tests as best as you are able or provide citations to where they have been described. If you relied upon any qualitative information, please also provide that.

RESPONSE:

I believe that my testimony at page 7, lines 7-28 and page 8, lines 1-5 supports my contention that I receive serious, consistent delivery delays at my box in Berkeley. For further support, please see Response to USPS/DFC-5 (second-to-last paragraph and Attachment 2 to Response to USPS/DFC-5).

In addition, during my visit to Washington for the Commission hearing in September, I explained to Postal Service Attorney Anthony Alverno the problems I was having with delivery of first-class flats and, specifically, the flats the Postal Service was sending me almost daily for this case. Shortly thereafter, the Postal Service's printer, Corporate Graphics, Inc., began sending each day's flat via certified mail, return receipt requested. Each envelope now conveniently provides an independent record of the date the flat was mailed and the date on which the flat arrived in Berkeley (when the first notice was placed in my box). Photocopies of these flats appear in Attachment 1 to Response to USPS/DFC-16. Of the 11 flats, six arrived late, while only five arrived on time. (Please note that the mailer used the Form 3811, Domestic Return Receipt, as the address label, so when the return receipt was removed, so were my name and address. Also, the mailer placed the meter imprint on top of the Certified Mail label.)

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All flats mailed after October 2 have been mailed via regular first-class mail after I asked Mr. Alverno to stop sending the flats via certified mail, since certified mail did not speed up delivery and required me to wait in line to obtain the flats.

I do not have additional documentation of my claims because I have been making only mental notes of the problems--and my frustration--for the past 14 months. The documentary information I have provided in my testimony and responses to interrogatories is, I believe, representative of the scope of the problem.

Attachment 1 to Response to USPS/DFC-16
(11 pages)

[REDACTED]

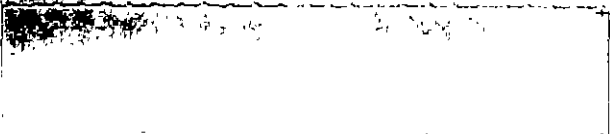
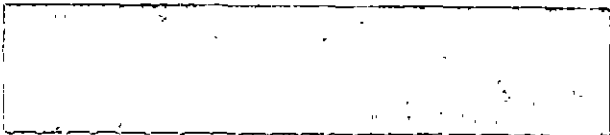
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NAME _____
1st Notice 9/11/92
2nd Notice _____
3rd Notice _____

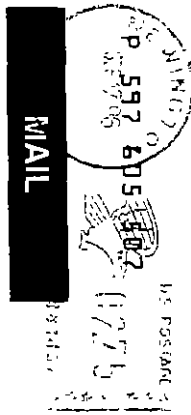
CERTIFIED
MAIL

SEP 16 1995
P 5 597 BOS
V.V.

02.00
SUBSCRIPTION DEPARTMENT



CERTIFIED



MAIL

NAME _____
1st Notice 9-20
2nd Notice _____
Return _____

Fold at line over top of envelope to
the right of the return address

CERTIFIED

9291535

P 597 A

SQA

MAIL

NAME

1st Notice 9-23

2nd Notice

Return

CERTIFIED

MAIL

5970
SEP 19 1996

1275

NAME
Dist Post 9-24
2nd

CERTIFIED

P 592 605 511

MAIL



U.S. POSTAGE
\$1.75
EFTL 4872



**UNITED STATES
POSTAL SERVICE**

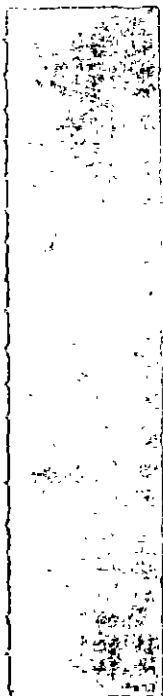
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

First Class Mail
Postage & Fees P
USPS
Permit No. G-10

NAME
1st Notice
2nd Notice
Return

9-28

First Class Mail
Postage & Fees Paid
USPS
Permit No. G-10



475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001



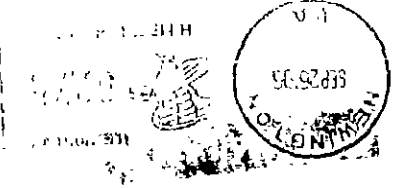
U.S. POSTAGE
FIRST CLASS PERMIT NO. 1077
NEWINGTON VA

P 597 605 522

CERTIFIED

CERTIFIED

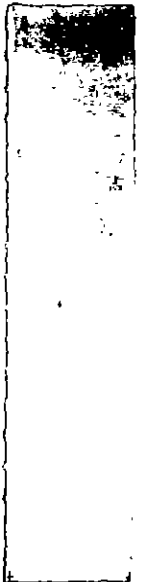
P 597 605 513



First Class Mail
USPS
Postage & Fees Paid
Permit No. G-10



475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001



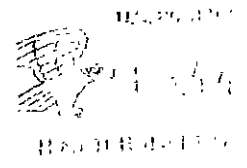
Handwritten initials and a date stamp: '9/25/95' and 'D'.

Fold at line over top of envelope to
the right of the return address

CERTIFIED

P 597 605 514

MAIL



 **UNITED STATES
POSTAL SERVICE**

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

First Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

NAME *[Signature]*
1st Notice 10-29-0
2nd Notice _____

CERTIFIED

P 597 609 515



Handwritten:
10-4-96

First Class Mail
Postage & Fees Paid
USPS
Permit No G-10

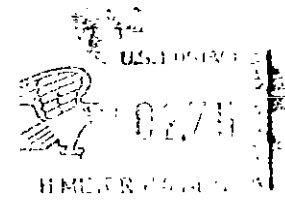
**UNITED STATES
POSTAL SERVICE**



475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

CERTIFIED

P 597 605 516



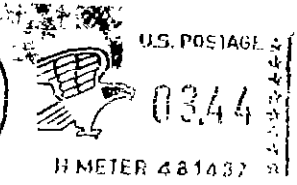
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

First Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

NAME _____
1st Notice 10/05/96
2nd Notice _____
Return _____

CERTIFIED

P 597 605 517



 **UNITED STATES
POSTAL SERVICE**

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

First Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

NAME _____
1st Notice 10/07/96
2nd Notice _____
Return _____

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USPS/DFC-17. Please refer to page eight, lines 16-20, of your testimony.

(a) Is it your position that the Commission can only base its decisions on quantified data?

(b) Are you aware of the variety of information on which the Commission has relied in recommending post office box rates in prior proceedings? If so, please explain your understanding. If not, would information used before by the Commission be an appropriate guidepost for what information should be used in this proceeding? Please explain your answers completely.

RESPONSE:

(a) I have not researched the various types of evidence on which the Commission is permitted by law to rely. Therefore, I have no opinion at this time about the type of evidence upon which the Commission does or should rely.

I do believe that qualitative evidence, such as behavioral evidence, to justify a change in the Domestic Mail Classification Schedule should be presented in a quantitative manner. For example, evidence about behavior of a particular group may be reported using a statistically reliable (quantitative) study. The specific dollar amount of a fee probably should be determined using primarily quantitative evidence.

(b) I am not aware of the variety of information on which the Commission may or may not have relied in recommending post-office-box rates in prior proceedings. I would assume, however, based on my participation in this case and the applicable law (39 U.S.C. § 3622) that Commission decisions are based on evidence relating to cost data.

Information used in previous proceedings might be an appropriate guide for the information that should be used in this proceeding. Then again, I am not aware of a previous

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case in which the Postal Service has proposed a fee similar to the nonresident fee without providing any credible evidence for either the fee itself or the amount of the fee. Therefore, perhaps the past is not a reliable guide for this case.

Before I write my brief, I will attempt to educate myself about the type of information upon which the Commission has relied in the past.

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USPS/DFC-18. Please refer to your response to DBP/DFC-4, in which you assert that a nonresident fee would "interfere" with customers' ability to avoid delivery problems.

(a) By "interfere" do you mean that customers would be precluded from avoiding delivery problems?

(b) How would a nonresident fee compare in importance to other factors affecting choice of box service location, such as convenience, availability, prestige, timeliness and accuracy of delivery, last line of address, etc.

(c) If a nonresident fee is either more or less important than all of these, please explain what it is about a nonresident fee that makes it so different from other factors affecting customer choices.

RESPONSE:

(a) Presently, customers can avoid delivery problems at their local post office by obtaining box service, at no additional charge, at another post office. Sometimes a customer can more practically address delivery problems by moving to another post office than by seeking solutions from the postal service. See Response to DBP/DFC-5 and 6. The proposed nonresident fee could impose an additional fee on a customer who sought to avoid service problems by obtaining box service at another post office. In this way, the nonresident fee could interfere with a more practical solution to delivery problems. Delivery problems at particular post offices already are unfair to customers, and I believe that a fee that penalized them for avoiding the problems would exacerbate the unfairness.

(b) The requested comparison is somewhat odd because the question is asking me to compare in importance various benefits with the price for those benefits.

I can say that prestige and "last line of address" are virtually irrelevant to me, unless the post offices under

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consideration have different three-digit ZIP Code prefixes that would provide different service standards for one-,

two-, and three-day delivery. (For example, I might prefer a box in Sacramento, California, with ZIP Code 958 over a

box in West Sacramento, California, with ZIP Code 95691 or 95799 because the standard for delivery of mail originating

in SCF Oakland or SCF San Francisco and destined to 958 is one day, while the delivery standard for mail destined to

956 or 957 is two days. ZIP Code prefixes 956 and 957 receive no benefits that 958 does not receive, so it

everything else were equal, I would prefer a box in 958 over a box in 956 or 957 because the service would be speedier.)

In contrast, timeliness and accuracy of delivery are very important. Availability and convenience are moderately important.

The nonresident fee would simply become part of the total price, and I would then decide whether I wanted a box, and its accompanying benefits, at that price or not--knowing that I could go to my local post office and save \$36.

(c) The nonresident fee no doubt would be a significant consideration because, under the proposed new fees, for a size 1 box in my area I could save 43 percent of the total fee per year (\$48 versus \$84) by not renting a nonresident box. Also, please see my response to part (a).

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USPS/DFC-19. This interrogatory seeks a technical correction. Please refer to your response to USPS/DFC-1e, specifically the seventh and eighth lines of the discussion regarding the Riverside Station. Would it be fair to state that the citation to the Domestic Mail Manual is incomplete, and should instead read, "DMM § D910.2.1"?

RESPONSE:

The correct citation is DMM § D910.2.1.

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USPS/DFC-20. Please refer to your response to USPS/DFC-6, in which you identify geographic, economic, political, and educational commonalities you share with Berkeley residents in support of the assertion that you are "similarly situated" to them for purposes of obtaining box service at the Berkeley Post Office. As you are aware, the Postal Service often bases its decisions on internal factors pertinent to its business purposes, such as ZIP code boundaries, mail processing locations, facilities and their capacities, transportation networks and service standards. Please address the extent to which you are "similarly situated" to Berkeley residents with respect to each of these internal factors.

RESPONSE:

The Postal Service may be in a better position than I to answer many of these questions relating to internal operations. Nonetheless, I will answer the questions to the extent of my knowledge.

My ZIP code in Emeryville is different from the ZIP codes in Berkeley. This difference is irrelevant in assessing whether I am similarly situated to a Berkeley resident, especially since the Emeryville and Berkeley ZIP codes are subject to the same service standards for first-class mail. All outgoing mail originating in Emeryville and Berkeley is processed at the Oakland P&DC. Oakland does not treat mail from Berkeley and Emeryville differently, so the capacity of the Oakland P&DC would appear to be a constant. A contractor may provide transportation between Oakland and Berkeley, while a Postal Service truck may provide transportation between Oakland and Berkeley. I do not know why this difference, if it exists, would matter. Emeryville has a fairly new post office (built in 1994). The main post office in Berkeley is an older building, but my box is located in a box annex in a leased building; this

box annex opened in 1990. I have no reason to believe that any characteristics of these facilities would cause me not to be similarly situated to Berkeley residents. From what I have observed, both post offices have sufficient capacity.

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Please see my testimony at page 9, lines 9-11.

RESPONSE:

USPS/DFC-21. Please refer to your response to USPS/DFC-9 and Attachment 1 to your response to USPS/DFC-7. In which facility does Valerie Horwitz obtain box service?

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DECLARATION

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

Dated: November 11, 1996

DOUGLAS F. CARLSON

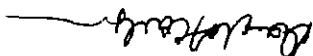


CERTIFICATE OF SERVICE

I hereby certify that I have this day served the

foregoing document upon the required participants of record
in accordance with section 12 of the Rules of Practice and
sections 3(B)(3) and 3(C) of the Special Rules of Practice.

DOUGLAS F. CARLSON



November 11, 1996
Emeryville, California