

Official Transcript of Proceedings

Before the

UNITED STATES POSTAL RATE COMMISSION

In the Matter of: SPECIAL SERVICES FEES AND
CLASSIFICATIONS

Docket No. MC96-3

VOLUME 8

HEARING

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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BEFORE THE
POSTAL RATE COMMISSION

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In the Matter of: :
SPECIAL SERVICES FEES AND : Docket No. MC96-3
CLASSIFICATIONS :
- - - - - X

Third Floor Hearing Room
Postal Rate Commission
1333 H Street, N.W.
Washington, D.C. 20268

Volume 8
Monday, November 25, 1996

The above-entitled matter came on for hearing,
pursuant to notice, at 9:35 a.m.

BEFORE:
HON. EDWARD J. GLEIMAN, CHAIRMAN
HON. W.H. "TREY" LeBLANC, III, VICE CHAIRMAN
HON. H. EDWARD QUICK, JR., COMMISSIONER, PRESIDING
HON, GEORGE W. HALEY, COMMISSIONER

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1 C O N T E N T S

2 RULINGS BY THE PRESIDING OFFICER: PAGE

3 [None.]

4

5 WITNESS DIRECT CROSS REDIRECT RECROSS

6 DOUGLAS F. CARLSON

7 BY MS. DREIFUSS 2509

8 BY MR. HOLLIES 2605

9 BY MS. DREIFUSS 2648

10 LEO RAYMOND

11 BY MR. HOLLIES 3210

12 BY MR. CARLSON 3222

13 BY MS. DREIFUSS 3265

14 BY MR. CARLSON 3297

15 BY MR. HOLLIES 3298

16 BY MR. CARLSON 3301

17 BY MS. DREIFUSS 3303

18

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22 of Witness Carlson 2526

23 E-Mail Message of Richard Thomas dated

24 11/21/96 2653

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P R O C E E D I N G S

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[9:35 a.m.]

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COMMISSIONER QUICK: Good morning.

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Today we resume hearings in Docket MC96-3. First we will receive the final direct case of a participant other than the Postal Service. Then we will hear testimony from a Postal Service witness concerning the status of plans to implement the classification and rate changes proposed in this case.

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Today we are also scheduled to receive into evidence designated materials provided by the Postal Service. A large packet of these materials, which include answers to discovery by individual witnesses and by the Postal Service as an institution, is available at the front of the hearing room.

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I intend to admit these materials prior to hearing the testimony of our final witness this morning. I urge counsel to go through the packet and be prepared to make any necessary corrections when those materials are proffered for admission.

21

22

23

24

Since this is the last day of hearings to receive participant direct cases, the date for transcript corrections for this set of hearings is seven days from today, or December 2.

25

Finally, I mentioned at last Wednesday's hearing

1 that I would accept responses to the November 14 Postal
2 Service motion to strike as supplemented late last week up
3 until 12:00 noon, Monday, December 2. Participants filing
4 responses by that time need not include a motion for late
5 acceptance.

6 I intend to rule promptly on these motions.

7 Does any participant have a procedural matter to
8 raise before we begin?

9 MR. CARLSON: I have one briefly.

10 COMMISSIONER QUICK: Mr. Carlson?

11 MR. CARLSON: On November 14, I filed six
12 institutional interrogatories to the Postal Service, given
13 my understanding the deadline was November 15. So should I
14 designate those institutional responses as soon as the
15 responses are filed?

16 COMMISSIONER QUICK: Why don't you explain again
17 -- repeat the sequence for me.

18 MR. CARLSON: On November 14, I filed a set of six
19 institutional interrogatories to the Postal Service under
20 the understanding that November 15 was the deadline for
21 filing institutional interrogatories.

22 Of course, November 14 and 18, I believe, were
23 deadlines for participants to designate the institutional
24 interrogatories of the Postal Service; so, there wasn't
25 really a way for me to do that.

1 Should I simply designate those responses as soon
2 as they come in in the next week or so?

3 COMMISSIONER QUICK: I will answer that question a
4 little later in the morning.

5 MR. CARLSON: Thank you.

6 COMMISSIONER QUICK: Our first scheduled witness
7 is Mr. Douglas Carlson.

8 Ms. Dreifuss, will you please introduce Mr.
9 Carlson for the record and introduce the evidence after I
10 swear him in?

11 MS. DREIFUSS: I will be happy to.

12 I do have a question. I believe you said later
13 this morning you will be admitting into evidence the
14 designated materials provided this morning, institutional
15 responses of the Postal Service for the most part?

16 COMMISSIONER QUICK: Right.

17 MS. DREIFUSS: OCA has -- we received an answer to
18 our interrogatory 89 to the Postal Service on Friday. That
19 was too late for us to designate the answer.

20 Would an appropriate time for us to move that this
21 be admitted into evidence be just following the time that
22 the other answers are admitted into evidence or would you
23 like me to do that now?

24 I just didn't want to lose out on the opportunity
25 to do so.

1 COMMISSIONER QUICK: Let's hold on that when the
2 other material is included.

3 MS. DREIFUSS: All right.

4 The Office of the Consumer Advocate calls Douglas
5 Carlson to the witness stand.

6 Whereupon,

7 DOUGLAS F. CARLSON,

8 a witness, was called for examination by counsel for The
9 Office of the Consumer Advocate and, having been first duly
10 sworn, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. DREIFUSS:

13 Q Are you the Douglas F. Carlson who prepared direct
14 testimony filed on September 25, 1996?

15 A Yes.

16 Q Do you have any revisions to make to that
17 document?

18 A No, I do not.

19 Q If you were to testify to these matters today,
20 would your testimony remain the same?

21 A Yes.

22 MS. DREIFUSS: OCA moves that the testimony of
23 Douglas F. Carlson be admitted into evidence.

24 COMMISSIONER QUICK: Any objections?

25 MS. DREIFUSS: I would be happy to hand two copies

1 to the reporter.

2 [No response.]

3 COMMISSIONER QUICK: Hearing none, Mr. Carlson's
4 testimony and exhibits are received into evidence. I direct
5 it be accepted into evidence and be transcribed into the
6 record at this point.

7 [The Direct Testimony of Douglas F.
8 Carlson was received into evidence
9 and transcribed into the record.]

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

DIRECT TESTIMONY
OF
DOUGLAS F. CARLSON

September 25, 1996

Dated: September 25, 1996

DOUGLAS F. CARLSON

1 I. MY BACKGROUND

2 My name is Doug Carlson. For the past 12 years, as my
3 primary hobby I have been studying mail-processing operations
4 in the United States Postal Service. By touring postal
5 facilities all over the country, sending test mail to myself,
6 and examining and studying the mail I receive, I have become
7 an expert on mail processing and distribution. I am generally
8 a strong supporter and defender of the Postal Service. Often
9 I use my knowledge of mail processing to educate friends and
10 co-workers on proper addressing techniques so that they can
11 receive better mail service. Other times, I diagnose service
12 problems and work with the Postal Service toward correcting
13 the problems.

14 I began studying the Postal Service while I was in high
15 school in Santa Cruz, California. My interest continued
16 during my college years in the San Francisco Bay Area and the
17 Sacramento area. I received a bachelor's degree in economics
18 from the University of California, Berkeley, in 1990 and a law
19 degree from Berkeley in 1994. I have been employed as an
20 administrative analyst at UC Berkeley since 1994.

21 I live in Emeryville, California. Emeryville is a small
22 city located between two large cities, Berkeley and Oakland.
23 Emeryville is approximately seven miles east of San Francisco
24 via the San Francisco-Oakland Bay Bridge. Prior to living in
25 Emeryville, I resided in Walnut Creek, Davis, Berkeley, and
26 Santa Cruz (in reverse chronological order).

1 **II. MY CURRENT POST-OFFICE-BOX SERVICE**

2 **A. Emeryville**

3 When I decided in June 1995 to move from Walnut Creek to
4 Emeryville, I explored the post offices in the area prior to
5 my move to determine where I would obtain post-office-box
6 service. The Emeryville post office is conveniently located
7 approximately one-half mile from my new residence. However,
8 the box lobby is open until only 6:00 PM Monday through Friday
9 and 3:00 PM on Saturday. The box lobby is closed on Sunday.
10 I doubted that these lobby hours would be sufficient for me,
11 since sometimes I do not arrive home from work or errands
12 until after 6:00 PM. Also, on some weekends I go out of town
13 and am not able to check mail until Saturday evening or
14 Sunday. Especially since I enjoyed 24-hour access to my
15 previous two boxes, in Walnut Creek and Davis, I tentatively
16 decided that the lobby hours in Emeryville would be
17 inadequate.

18 Despite my concerns about lobby hours in Emeryville, I
19 opened a post-office box in Emeryville three months before my
20 move to test the delivery service. The service in Emeryville
21 was terrible. While I was accustomed to consistent overnight
22 delivery of test letters to Walnut Creek, test letters that I
23 mailed to the Emeryville post-office box typically arrived two
24 to four days later. Considering the unreliability of delivery
25 and the short lobby hours, I determined that box service at
26 the Emeryville post office would not be a realistic option.

1 **B. Berkeley**

2 The main post office in Berkeley is located not far from
3 the University of California campus, where I work. As soon as
4 I discovered the delivery problems in Emeryville, I opened a
5 box in Berkeley to test delivery service there. Delivery of
6 first-class letters was excellent. Whenever I mailed two test
7 letters simultaneously, one addressed to Berkeley and one
8 addressed to Emeryville, the letters to Berkeley consistently
9 arrived overnight, while delivery in Emeryville was sporadic.
10 In addition, the box lobby in Berkeley is open until 9:45 PM
11 Monday through Friday, 7:15 PM on Saturday, and 3:45 PM on
12 Sunday. These hours are sufficiently long to allow me to
13 check my mail on almost any day, regardless of how busy my
14 schedule is.

15 The Berkeley post office is less conveniently located
16 than the Emeryville post office. The Berkeley post office has
17 no parking lot, and on-street parking is difficult. Moreover,
18 most of the parking is metered. While the Berkeley post
19 office is on my way home from work, on most Saturdays I must
20 spend 30 to 45 minutes round trip driving to Berkeley just to
21 obtain my mail. In contrast, I could walk to the Emeryville
22 post office; and if I drove, a large parking lot would be
23 available.

24

25 **C. Discussion**

26 Due to the delivery problems in Emeryville and the short
27 lobby hours, a post-office box in Emeryville is not a viable
option for me. Since I value post-office-box service and do

1 not want to receive my mail at a street address, I have no
2 choice other than to seek box service at another post office.
3 Therefore, I chose the main post office in Berkeley.

4 If the Postal Service imposed a nonresident fee, I would
5 be required to pay an extra \$36 per year for my post-office
6 box. As I explained in section II(A), deficient service at my
7 local post office in Emeryville originally prompted me to
8 obtain a nonresident box. Already I feel that I am at a
9 disadvantage in being unable to obtain satisfactory box
10 service locally in Emeryville (compared to the quality of
11 service residents of other cities receive). The nonresident
12 fee would penalize me again, or place me at a further
13 disadvantage, for taking a reasonable step to avoid the
14 problems in Emeryville. Quite simply, the nonresident fee
15 would be unfair.

16 Moreover, a nonresident fee would be inequitable because
17 people who live two or three miles from me in Berkeley would
18 receive better delivery service and longer lobby hours at no
19 extra cost simply because they happened to be lucky enough to
20 live within the service area of a better post office. I am
21 similarly situated to people who live in Berkeley, yet under
22 the nonresident-fee proposal I would pay approximately 75
23 percent more to obtain the service that Berkeley residents
24 would receive for the basic box fee.

25 Assuming the term "resident" is defined according to
26 witness Susan Needham's definition (USPS-T-7 at 23, lines 20-
27 21 and at 24, lines 1-2), the nonresident fee would be
inequitable even for people who live in Berkeley. Berkeley

1 has several stations, each one in a different five-digit ZIP
2 Code area: Elmwood, Landscape, Sather Gate, North Berkeley,
3 South Berkeley, and Station A. All have post-office boxes.
4 However, the stations in Berkeley have hours generally shorter
5 than the hours of the Emeryville post office. People who live
6 in Berkeley but not within the five-digit ZIP Code area of the
7 main post office and who want longer lobby hours would be
8 charged \$36 more per year to obtain the longer hours of access
9 to their boxes that residents in the service area of the main
10 post office receive automatically.

11 The problem with lobby hours is not limited to Emeryville
12 and Berkeley. Residents of Oakland and San Francisco who
13 desire long lobby hours already are at a disadvantage compared
14 to the country in general. According to Witness Lion's
15 testimony, approximately 42 percent of post offices nationwide
16 provide 24-hour access to post-office boxes. USPS-T-4 at 12,
17 Table 8B. Oakland, in contrast, has approximately 15
18 stations, only one of which is open on Sunday or later than
19 3:00 PM on Saturday. Station D is not even open on Saturday.
20 All but two stations in Oakland close at 6:00 PM on weekdays.
21 San Francisco has 20 to 25 stations, only one of which is open
22 on Sunday or later than 4:30 PM on Saturday. All but one
23 station in San Francisco is closed by 6:00 PM on weekdays.
24 Commute times in the Bay Area prevent many people from
25 returning home from work before 6:00 PM. In contrast, in
26 suburban cities, such as Concord and Walnut Creek, or in less-
27 urban counties, such as Sacramento and Yolo, 24-hour access to
boxes is common.

1 Since variations in lobby hours nationwide are
2 inevitable--and possibly fully justified--the level of service
3 boxholders receive necessarily varies, too. The nonresident
4 fee would only increase the inequity by applying a surcharge
5 on residents of Oakland and San Francisco who sought longer
6 lobby hours by obtaining box service at a nonlocal post
7 office, either near their local post office or somewhere else.

8
9 **D. Costs I Impose on Postal Service**

10 As a nonresident boxholder in Berkeley, I can hardly be
11 deemed to impose costs on the Postal Service above and beyond
12 the costs a typical resident boxholder would impose. I check
13 my mail daily. I call for accountable and oversized articles
14 promptly. I pay my fees on time. And I do not contribute to
5 lobby clutter.

16 Given that I was on a waiting list for only one week
17 before I received my post-office box, I probably am not
18 preventing in any significant way another person from
19 obtaining box service at the Berkeley main post office.

20
21 **E. Value to Me of My Nonresident Box**

22 In my cross-examination of Witness Needham, Ms. Needham
23 referred to the high value of service that nonresident box
24 customers receive--a value that the Postal Service seems to
25 claim is higher than the value that resident customers
26 receive. Transcript at 833. Of course, no studies have been
27 conducted to compare the value that resident and nonresident
3 boxholders place on their boxes. Transcript at 834. Not

1 surprisingly, I am unable to understand how my post-office-box
2 service is worth \$36 more per year to me than it is to the
3 resident boxholder next to me.

4 Indeed, my nonresident box in Berkeley is worth less to
5 me than my previous resident box in Walnut Creek because
6 service problems exist in Berkeley that did not exist in
7 Walnut Creek. While the service I receive in Berkeley is
8 better than in Emeryville, and delivery of first-class letters
9 in Berkeley is extremely reliable, for the past year I have
10 experienced serious, consistent delivery delays with first-
11 class flats, first-class small parcels, and Priority Mail.

12 First-class flats usually are delivered one to five days
13 later than they should be. After observing problems with
14 flats for over a year, I conducted a modest test of delivery
15 of flats in July 1996 by mailing test flats to myself from
16 within the local, overnight delivery area. All four flats I
17 mailed (on different days) were delayed from one to two days.

18 My participation in this rate case provides another
19 example of delivery problems. The Postal Service mails
20 documents to me daily as flats, using a G-10 permit label.
21 Assuming the Postal Service does, in fact, mail the documents
22 on the same day as they are filed, these flats typically
23 arrive four to ten days later. When I departed from
24 California on September 8 to attend the Postal Rate Commission
25 hearings on September 9-11, I had received no documents more
26 recent than August 28. On September 17, I received flats from
27 the Postal Service that were sent via certified mail from
3 Virginia on September 10, 12, and 13. In addition, on

1 September 17 I received a copy of the transcript of the
2 proceedings that was sent Priority Mail from Washington on
3 September 12. I also received on September 17 a small parcel
4 that was sent via first-class mail from Ashland, Oregon, on
5 September 4.

6 On September 17, I mailed a letter of complaint to the
7 plant manager in Oakland, Carol Miller, and to the Berkeley
8 postmaster, George Banks, requesting a solution to the
9 delivery problems associated with first-class flats.

10 My experience with service problems in Berkeley is
11 evidence that the testimony of Witness Needham and Witness
12 Steidtmann that nonresident boxholders place a higher value on
13 their boxes than resident boxholders is naive and unrealistic.
14 Indeed, by renting a nonresident box I am attempting to escape
15 from service problems in Emeryville; by doing so, of course, I
16 only inherited another type of service problem. To charge me
17 an extra \$36 annual fee for my box in Berkeley because of some
18 unproven, untested assumptions about why people rent
19 nonresident boxes would be unfair and not in the public
20 interest.

21 22 **III. EXPERIENCE OF VALERIE J. HORWITZ**

23 My friend Valerie J. Horwitz received her law degree in
24 1995. She works long hours at a large law firm in downtown
25 San Francisco. During a typical week, she works into the
26 evening or even early-morning hours, and she often works on
27 weekends, too.

1 Before Valerie began working at the law firm, she lived
2 in Richmond, California. One day in 1995, she realized that
3 she had not received any first-class mail for several days.
4 She eventually discovered that the Postal Service had begun
5 returning her mail to the sender, for no reason. Postal
6 officials in Richmond displayed no interest in resolving the
7 problem. Meanwhile, her accounts with creditors became
8 delinquent. Knowing that she would be moving soon, and
9 desperate for an address at which she could receive mail, she
10 obtained a post-office box at the Rincon Finance Station in
11 downtown San Francisco, near her future office.

12 A few months later, Valerie moved to Oakland and started
13 her new job. Her local post office in Oakland, the Laurel
14 Station, provides access to its box lobby until only 6:00 PM
15 on weekdays and 2:30 PM on Saturday. The box lobby is closed
16 on Sunday. If Valerie had her box in Oakland, she probably
17 would be able to pick up her mail only once a week. Also,
18 Valerie's concern about her personal safety probably would
19 preclude nighttime visits to the Laurel Station even if the
20 post office were open. Either way, mail-accumulation problems
21 possibly would result.

22 Since Valerie works long hours and almost always returns
23 home after her post office has closed, she has retained her
24 box in San Francisco. While the box in San Francisco is
25 reasonably convenient during the work week, the box lobby
26 closes at 2:00 PM on Saturday and is closed on Sunday.
27 Therefore, unless she is working in San Francisco on Saturday,

1 she cannot obtain her mail unless she makes a special trip
2 into the city.

3 As I indicated above, Valerie obtained her post-office
4 box out of necessity because of delivery problems in Richmond.
5 She still considers the box to be a necessity. In early
6 August 1996, she received a letter from the Postal Inspection
7 Service informing her that mail destined for addresses in her
8 neighborhood was forcibly taken from a postal vehicle parked
9 in her area on August 1. The letter advised her to be on the
10 lookout for unusual activity in her financial accounts.
11 Valerie feels that a post-office box is the only way to ensure
12 the safety of her mail, especially since the mail usually sits
13 for hours at her house in Oakland each day before she arrives
14 home from work.

5 Valerie believes that the \$36 annual nonresident fee
16 would be arbitrary and unfair because, due to lobby hours the
17 Postal Service has set for the Laurel Station in Oakland, the
18 post office in San Francisco is the only one at which she can
19 obtain box service and still, at least on weekdays, pick up
20 her mail on the same day that the mail is delivered. She does
21 not consider the Laurel Station, with its short lobby hours
22 and unsafe location, to be a viable option. (Therefore, a box
23 at the Laurel Station would be worth less than \$40 per year to
24 her.) Moreover, because of the delivery and security problems
25 she has experienced recently, Valerie does not consider
26 residential delivery to be a realistic option, either. The
27 \$36 nonresident fee would penalize Valerie for taking

1 reasonable steps to remedy a situation that is largely beyond
2 her control.

3
4 **IV. COMMENTER FILE**

5 The Commission has received and placed in the commenter
6 file two letters opposing the proposed nonresident fee. The
7 first letter, from Stephen Holstein, explains that his company
8 is located in ZIP Code 15221 at the farthest point in the
9 15221 area from the post office that served ZIP Code 15221
10 when he opened his post-office box in 1973. (The 15221 area
11 now has a station, too.) He opened his company's post-office
12 box in 15112 instead because:

- 13 1. His business was (and still is) located geographically
14 closer to the 15112 post office than the 15221 facilities;
- 15 2. No boxes were available in the desired size at 15221;
- 16 3. Parking was easier at the 15112 office than the 15221
17 office;
- 18 4. Traffic was lighter toward the 15112 office than the
19 15221 office.

20 Mr. Holstein considers the nonresident-fee proposal to be
21 "irrational," since the "nonlocal" 15112 post office is, in
22 fact, closer to his business than his "local" 15221 post
23 office. Moreover, he was unable to obtain the size of box he
24 needed at his "local" 15221 post office in 1973, yet if the
25 nonresident fee is approved he now may be penalized for his
26 rational decision in 1973 to obtain box service at a nearby
27 office that was able to provide the service he needed.

1 The second letter in the file arrived from Congressman
2 Mike Doyle of Pennsylvania, who cautions the Commission
3 against "setting up a needless two-tier system that unfairly
4 penalizes some customers."
5

6 **V. CONCLUSION**

7 The Postal Service has presented no study explaining why
8 people obtain or hold nonresident boxes. The proposal for a
9 nonresident fee seems to be based on an assumption that most
10 people obtain nonresident boxes for prestige, business, or
11 convenience reasons that are not related to shortcomings in
12 the service at their local post office. The proposal,
13 however, overlooks cases such as Mr. Holstein's, where he
14 obtained a nonresident box for his business many years ago
15 because the "local" post office had no boxes available in the
16 size he needed. The proposal also would penalize people in
17 the predicament that Valerie Horwitz and I are in. Indeed,
18 instead of confronting these service problems, the Postal
19 Service is proposing to charge us for avoiding these problems
20 by obtaining box service at another post office. This
21 proposal, therefore, is not in the public interest. In
22 addition, by relying only on anecdotal evidence at admittedly
23 atypical post offices, the Postal Service has yet to produce
24 any evidence that the nonresident fee would be fair and
25 equitable, as opposed to unfair and arbitrary, if it were
26 applied at every post office nationwide.

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 section 3(B)(3) of the Special Rules of Practice.

September 25, 1996
Emeryville, California

DOUGLAS F. CARLSON

POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Special Services Fees and Classifications

Docket No. MC96-3

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF DOUGLAS F. CARLSON
WITNESS CARLSON

The parties listed below have designated answers to interrogatories directed to witness Carlson as written cross-examination.

<u>Party</u>	<u>Answers To Interrogatories</u>
Office of the Consumer Advocate	DBP: Interrogatories DFC-1-6 OCA: Interrogatories DFC-1 USPS: Interrogatories DFC-1-21
U. S. Postal Service	USPS: Interrogatories DFC-1-21

Respectfully submitted,



Margaret P. Crenshaw
Secretary

**DOUGLAS F. CARLSON
RESPONSE TO INTERROGATORIES
OF DAVID B. POPKIN**

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DBP/DFC-1. By renting a post-office box near your place of work (in Berkeley) instead of a box at the post office that serves the five-digit ZIP Code area in which you live (Emeryville), do you believe that you impose costs on the Postal Service higher than the costs that you would impose if you instead used a box in Emeryville?

RESPONSE:

No. In fact, I believe that I impose lower costs on the Postal Service by renting my box in Berkeley because the long lobby hours allow me to pick up my mail daily. The short lobby hours of the post office in Emeryville would prevent me from picking up my mail on a daily basis, so from time to time my mail might accumulate if my box were located in Emeryville.

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DBP/DFC-2. Witness Needham has testified repeatedly that nonresident boxholders are apt to present costlier situations to the Postal Service than resident boxholders. See, e.g., Response to DFC/USPS-T7-6. Do you have any evidence indicating that the Postal Service encourages or discourages customers from obtaining box service at a post office other than the one that serves the five-digit ZIP Code area in which they live?

RESPONSE:

Yes. Postal Service Publication 201, Consumer's Guide to Postal Services and Products (July 1996), states that "Post office box delivery is a secure and private means of getting your mail any time the post office lobby is open. With post offices conveniently located near most businesses, you can get a jump on your day by receiving your mail at a post office box near where you work." Library Reference LR-DFC-1 at 7. This publication appears to be promoting the concept of obtaining a post-office box at a post office near a person's place of work--a post office which, in many cases, would be a post office other than the customer's local post office. Witness Needham has testified that nonresident boxholders cause added administrative burdens for the Postal Service, and she cites these alleged burdens to justify the nonresident fee. This recently updated Postal Service publication appears to be promoting precisely the type of consumer behavior that Witness Needham claims is placing additional burdens on postal operations--a behavior for which the Postal Service now requests relief in the form of a nonresident fee.

I know of no attempts by the Postal Service to discourage customers from renting nonresident boxes.

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DBP/DFC-3. Suppose the lobby hours in Emeryville were increased to match the lobby hours of your post office in Berkeley. Suppose, further, that delivery service in Emeryville became just as reliable as delivery service in Berkeley. Assuming the fee for each box were identical, would you move your box to Emeryville?

RESPONSE:

Probably not, because I would incur certain significant costs in changing my address. For example, I would need to: order a new rubber return-address stamp and new address labels; notify 75 to 100 correspondents of my new address; and re-write all macros in my computer that I use in writing and addressing business mail. I made my decision to obtain box service in Berkeley based on the circumstances that existed in June 1995, and if the services between the offices subsequently became more equal, I probably would elect to avoid the cost and hassle of changing my address, despite some additional convenience that I could gain by having my box closer to home.

Similarly, if the Postal Service imposed a nonresident fee on my box in Berkeley, I would incur additional costs regardless of whether I kept or relinquished my box. If I retained the box, I would pay the nonresident fee. If I obtained box service elsewhere, I would incur costs in changing my address.

For another example of the penalty that a nonresident fee would impose on people who made a rational decision when they originally obtained box service, please see my testimony, DFC at 11.

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DBP/DFC-4. Do you contend that the nonresident fee would interfere with customers' ability to avoid delivery problems at particular post offices by obtaining box service at another post office?

RESPONSE:

Yes.

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DBP/DFC-5. Can you cite an example other than Emeryville of a post office that experiences serious delivery problems?

RESPONSE:

Yes. I used a box at the Sather Gate Station in Berkeley from 1986 to 1990. At the Sather Gate Station, several delivery problems existed. Flats almost always were delayed one day. On Saturdays, the station had only two clerks, who were responsible for sorting all the mail to the boxes and servicing the window in a busy location one block from the UC Berkeley campus. Consequently, often not all the box mail was delivered to the boxes on Saturdays because the clerks elected to serve the window customers instead. On one memorable Saturday--the Saturday of Labor Day weekend in 1989--I was expecting several letters containing documents that I had to sign and mail back that day. I pleaded with the window clerks several times to sort the box mail, but they refused because the line for window service was too long. I had to leave town around 1:00 PM--well after the posted deadline for distributing box mail--and allow the deadline on my letters to pass. Sure enough, the letters were in my box on Tuesday morning, and they most likely were in the station, unsorted, on Saturday.

Boxholders at the Sather Gate Station suffered from another service problem. In the late 1980's, Oakland, the Processing and Distribution Center that serves Berkeley, used both Multi-Position Letter Sorting Machines (MPLSM's) and Bar Code Sorters (BCS's) to sort mail to the Sather Gate box section. (The Sather Gate box section shared the ZIP Code of the surrounding city streets, but the carriers worked out of the Berkeley main post office. Thus, Oakland separated the box mail for Sather Gate and dispatched it directly to Sather Gate.) While no consistent problem existed with delivery of MPLSM-sorted mail on Saturdays, the

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mail that received secondary sortation on a BCS almost never arrived on Saturday. It almost always was delayed until Monday. Before multiline OCR's were deployed, I could test the problem as often as I wanted, with predictable results each time. I would mail two test letters to myself in a bundle of metered letters. On one letter I used my 5-digit ZIP Code, while on the other letter I used my 9-digit ZIP Code. The letters would receive corresponding 5-digit ("A field") and 9-digit ("C field") bar codes. The letter with the 5-digit bar code would receive secondary sortation on an MPLSM and arrive on Saturday. The letter with the 9-digit bar code would receive secondary sortation on a BCS and arrive on Monday. The problem was so predictable that I finally brought it to the attention of the Oakland P&DC, only to receive a letter informing me that they were unable to "pinpoint" the problem. Nonetheless, the problem continued through May 1990, when I closed my box and left Berkeley.

I would disapprove of a nonresident fee that would charge me an extra fee for obtaining box service at another post office so that I could avoid problems such as the one I described at Sather Gate.

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DBP/DFC-6. Do you believe that customers can effectively obtain solutions to delivery problems by bringing the problems to the attention of postal authorities? Provide examples.

RESPONSE:

Often customers face significant obstacles in obtaining solutions to their problems. I was unable to secure a solution to the problems at Sather Gate that I described in my response to DBP/DFC-5, despite letters to the Berkeley postmaster and postal officials in Oakland. I was particularly disturbed that the problems were not solved given that I had used my expert knowledge of mail processing to determine that only mail that received secondary sortation on automation was affected. In other words, I did quite a bit of work before I even brought the problem to the Postal Service's attention, and I provided the Postal Service with a large amount of useful information. Most customers probably would have been able to provide significantly less information in their complaint letter, so I doubt they would have received a solution, either.

In my testimony, DFC at page 8, lines 6-9, I noted that I mailed a letter to the plant manager in Oakland regarding the problem with delivery of flats to my box in Berkeley. I have attached the letter from Ms. Carol Miller that I received in response to my letter. Attachment 1 to Response to DBP/DFC-6. While the letter is courteous and provides some interesting information about dispatch times, it does not offer me promise of a prompt solution to the problem. Indeed, service has not improved since I sent my letter or since I received Ms. Miller's response.

SENIOR PLANT MANAGER
PROCESSING & DISTRIBUTION CENTER

2534



September 26, 1996

Mr. Douglas F. Carlson
PO Box 12574
Berkeley CA 94712-3574

Dear Mr. Carlson:

Thank you for your letter of inquiry and information. We would like to take this opportunity to extend our sincerest apologies for any inconvenience you have experienced due to service delays.

All first class flats are worked during the night shift and dispatched at 0630 and 0700; any residual first class flats that arrive in the unit during the day shift are worked and dispatched later in the afternoon.

Although this does not explain why you have continued to experience delays in service, my staff will continue to monitor this operation to ensure all first class flats are being pulled in time for scheduled dispatches.

Again, we thank you for bringing this to our attention. We at the Oakland Processing & Distribution Center are committed to providing our customers with the highest quality of service possible.

Sincerely,

A handwritten signature in cursive script that reads "Carol A. Miller".

Carol A. Miller
Senior Plant Manager

cc: Postmaster, Berkeley CA 94704-9998

1675 7TH STREET RM 236
OAKLAND CA 94615-9997
TEL: (510) 874-8282
FAX: (510) 874-8544

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OF THE OFFICE OF THE CONSUMER ADVOCATE

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OCA/DFC-1. Refer to your testimony at page 12, lines 8-12, where you assert that the Postal Service's non-resident fee proposal "seems to be based on an assumption that most people obtain nonresident boxes for prestige, business, or convenience reasons. . . ." Do you have any concrete evidence concerning the underlying rationale for the Postal Service's proposal for a non-resident box fee? If so, please provide such evidence.

RESPONSE:

Attachment 1 to Response to OCA/DFC-1 is an article from the Washington Post dated June 8, 1996. In the paragraphs that I have identified with an arrow, Bill McAllister explains that the nonresident fee is motivated by a desire to "make more money" off the demand for boxes in communities that have prestige addresses. Id. Another Washington Post article, dated October 9, 1996, repeats this explanation. See Attachment 2 to Response to OCA/DFC-1.

These newspaper articles cast doubt on whether the nonresident fee was devised to recover the additional costs that nonresident boxholders supposedly impose on the Postal Service. Instead, according to these articles, the fee is merely an attempt to extract more revenue from customers whom the Postal Service believes would be willing to pay higher fees.

Attachment 1 to
Response to OCA/DFC-1

Higher Prices Sought For Postal Cards, Prestige Addresses

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By Bill McAllister
Washington Post Staff Writer

For the third time in two years, the Postal Service yesterday proposed increasing the price of its printed postal card. This time it wants to charge 22 cents.

It also recommended that individuals who don't live in a community and rent a post office box there pay a premium fee of \$36 a year for the privilege. The idea is to make more money off the demand for postal boxes in communities that have prestige addresses, such as Vail, Colo.; Middleburg, Va.; and Valley Forge, Pa.

The Postal Service also urged the Postal Rate Commission to approve increases for insuring parcels and certified and registered mail, as well as ending special delivery service. It said that demand for special delivery of letters has "all but ceased," replaced by its overnight Express Mail service and competing overnight commercial package services, such as Federal Express.

The independent rate commission must endorse the changes, which would raise \$339.9 million a year in new revenue, before the Postal Service can implement them. The commission has twice rejected proposals to boost the price of the agency's postal cards above 20 cents, a rate that has made it a bargain compared to the 32-cent price of a first-class letter.

This time the Postal Service redefined "postal cards" as "stamped cards" and told the commission it would keep the postage required on the cards at 20 cents. But it wants to charge customers a 2-cent surcharge on each card to cover the price of printing and paper.

The first-class postage for regular, non-agency post cards would remain 20 cents.

The recommendation to boost post office box prices follows Postmaster General Marvin T. Runyon's reaction to a Washington Post article describing the booming demand for post office boxes in the Virginia hunt country town of Middleburg. Because of the town's tony image, its small post office has been hard pressed to keep up with the demand for mail boxes. When Runyon read that account, he urged the agency to consider pricing the mail boxes based on customer demand.

Under the new schedule, it will do just that, making the most expensive mail boxes in Manhattan, where the minimum \$48-a-year box will increase to \$60 for Manhattan residents and \$96 for nonresidents. Washington would be classified as a high-cost city, and the price of mail boxes in the District would increase from the current \$44 minimum to \$56 for residents and \$92 for nonresidents.

Mail boxes in many small communities that have residential mail delivery would increase sharply, but residents in communities with no residential mail service would find their current \$2-a-year box rental fee eliminated. Even so, postal officials said their box rentals would remain well below the cost of private mail boxes provided by commercial firms, such as Mail Boxes Etc.

"The post office box fees are antiquated—especially in places where they are much lower than the cost of the spaces the boxes occupy," said Postal Service Vice President John H. Ward.

The amount of insurance available for letters and parcels would increase to \$5,000 from the current \$600 limit. The fees would range from 75 cents for \$50 coverage to \$45.70 for the \$5,000 maximum. Registered mail could be insured up to \$15 million under another fee schedule submitted to the

P.O. Box May Become Pricier Address

Runyon Wants to Raise Rent; Small-Town Post Offices Raise Roof

By Bill McAllister
Washington Post Staff Writer

The small-town post office—an American icon for generations—has come under attack from an unlikely source: the U.S. Postal Service.

Postmasters across the country are complaining that one of Postmaster General Marvin T. Runyon's latest money-raising schemes will kill many of the nation's small post offices.

Runyon wants to double the cost of renting a post office box in small towns—and add a \$36 annual fee for nonresidents who want in-town boxes. Rural postmasters say the sharply higher fees—which will typically jump from \$8 to \$16 a year—will drive their loyal customers away—perhaps forever.

"I will probably lose half my customers," fretted Charlotte Ray, postmaster of the tiny Laird Hill, Tex., post office, which has 362 rental boxes.

Runyon plans include raising fees for boxes everywhere, although it is only the rural post offices that will see rates double. In Manhattan, the minimum \$48 box would jump to \$60 for residents; \$96 a year for nonresidents. In the District, the minimum \$44 would jump to \$56 for residents; \$92 for nonresidents.

Runyon's idea for higher rents was inspired by a newspaper account of the overwhelming demand for postal boxes in the Virginia hunt country's tony hamlet of Middleburg. Runyon saw this as evidence that the Postal Service was underpricing its boxes and decided to test the idea nationally. His plan was submitted in June to the independent Postal Rate Commission, which could rule on the case early next year.

It is only one of a number of money-raising schemes the independent federal agency has devised in recent months in an effort to raise revenues from sources other than postage in order to keep Runyon's promise not to increase the price of a 32-cent letter. Runyon has said the agency does not want to raise the price of a first-class stamp until the year 2000 and that edict has postal executives scrambling for new sources of revenue.

As a result, the agency has begun an ambitious and controversial plan to rent space to privately owned cellular telephone towers at its 40,000 post offices. The agency contends that the proposal could raise "bil-

ions" of dollars but it is being sued over it in one locale by residents who charge the agency has skirted zoning laws. The service is testing plans to electronically read utility meters by placing recording devices in its delivery trucks, selling long-distance telephone cards at its counters, testing electronic money orders to Mexico and developing plans to help American Express process its incoming checks more efficiently. The Postal Service also has begun to open retail stores selling T-shirts, clocks and ties all emblazoned with the Postal Service logo or replicas of stamps.

But none of Runyon's money-raising plans has created the national groundswell of opposition that his plan for higher rates on postal boxes has encountered. And it is in the small crossroads communities where the line has been drawn.

"This is a battle for small-town America, rural America . . . against the giant U.S. Postal Service," said Hugh Bates, president of the National Association of Postmasters of the United States (NAPUS). Earlier this year, Bates, the postmaster of Clanton, Ala., (pop. 7,669) stunned postal officials by announcing that his management association would oppose the agency's request for higher box rents.

Then, in an unprecedented step for a management group, NAPUS intervened in the rate case, complaining that Runyon's box rent proposal was "excessive . . . grossly unfair" and predicting many small-town postal customers "might well see it as a form of price-gouging." The action stunned Runyon, whom Bates said grumbled at him: "I hope you know where we're going to get \$154 million if we lose."

For individuals, the dollars involved are relatively small. But Bates and his fellow postmasters point out the 100 percent increase would be faced by many poor and elderly persons living on fixed incomes. Bates sees the annual \$36 "nonresident" fee that many boxholders would pay only as more aggravation.

Coming at a time when the agency is bragging about two years of \$1 billion profits, the small-town postmasters fear that their customers will simply abandon in-town rental boxes and erect a mail box on a rural route demanding more costly daily delivery service. "It's a lot easier to deliver to a P.O. box than an icy

porch," said Stan Moore, postmaster of Kingman, Kan.

Postal spokesman Bob Hoobing said rental boxes in rural areas have been priced well below our costs for a long time and, even if this request is approved, they'll still be below our costs. Besides, the privately run mailbox firms, such as Mailboxes Etc., are charging much more than the Postal Service for their boxes, the officials said.

Small-town post offices have long had a special place in the postal bureaucracy. A landmark 1980 study for the rate commission found small-town post offices to be key social institutions in rural America. As a result, some say, the commission has protected them from actions that might already have forced them to close.

Runyon's plan for increased box rents has produced an uproar in the hinterland unlike anything since Elvis Presley was recommended for a stamp. "Have they taken leave of their senses?" asked Postmaster Linda A. Hall of Means, Ky. "They can candy-coat it all they want but it just amounts to one thing—closing the small offices! . . . I can at least understand the reasoning behind the stamp increases—we have to break even—but this increase is ludicrous," she said.

Postal officials have had to issue formal memos to deny such rumors, calling fears of closings "totally unfounded."

At the rate commission, Runyon's idea for the post box increase has been received with skepticism. Transcripts from the hearing show that postal witnesses could not provide specifics on who would have to pay the \$36 nonresident fee, or how it was devised.

James F. Callow, a representative of the rate commission's consumer advocate office, urged the panel to reject the filing. He argued that, except in 11 isolated cases including Middleburg, Beverly Hills (Zip code 90210) and Canadian and Mexican border towns, that there was no national shortage of rental boxes, proving there is no cause for higher rates. Callow's solution: cut box rents or leave them unchanged.

Many small-town postmasters question why the issue has come up. As Athena Thompson, postmaster of Heart Butte, Mont., a small community in the middle of the Blackfoot Indian Reservation, put it: "Why fix something that doesn't need fixing?"

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USPS/DFC-1. Please refer to your testimony at pages 2 and 3.

(a) Why did you obtain post office box service, rather than carrier delivery, in Walnut Creek?

(b) Why did you obtain post office box service, rather than carrier delivery, in Davis?

(c) Was the only reason you obtained a post office box in Emeryville to test the delivery service there? If not, please explain fully.

(d) Why did you obtain post office box service, rather than carrier delivery, in Berkeley?

(e) Have you obtained post office box service in any other post office? If so, please list each post office, and explain why you obtained post office box service.

(f) What size boxes have you used at each of the locations where you have used post office box service? If you have used other than size 1 boxes, please explain the circumstances that led to your use of larger boxes.

RESPONSE:

(a) I obtained box service in Walnut Creek because:

(i) The Postal Service is one of my hobbies, and I enjoy going to the post office every day to pick up my mail;

(ii) A post-office box provides better security for my mail than carrier delivery. When large articles arrive at my post-office box, the articles are held for pickup at the window (or, at some offices, placed in a secure locker). In contrast, large articles that arrive at cluster mailboxes in apartments typically are left out in the open near the mailboxes, increasing the risk of theft. Also, occasionally thieves burglarize postal vehicles that are parked on city streets. My mail probably is safer from theft when it is delivered to a post-office box;

(iii) By using a post-office box, I can avoid revealing my street address to my correspondents. Thus, I can more effectively protect my privacy;

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(iv) A post-office-box address usually is easier to communicate to people over the telephone than a street address, since I can avoid spelling out the street name;

(v) Often I can obtain my mail earlier in the day from a post-office box than through carrier delivery. Also, the Walnut Creek post office delivered mail to post-office boxes on non-widely-observed holidays, such as Martin Luther King Jr.'s Birthday, Presidents Day, Columbus Day, and Veterans Day.

(b) Please see my response to USPS/DFC-1(a).

(c) When I decided that I might like to move to Emeryville, I obtained a post-office box for the sole purpose of testing delivery service. I determined from just two weeks of testing that delivery service was so inconsistent that I could never rely on the box in Emeryville for receiving my mail. In addition, I decided that the lobby hours were too short.

(d) Since I do not reside in Berkeley, I am not eligible for carrier delivery in Berkeley.

(e) I have had post-office boxes at the following offices:

Berkeley, CA (Sather Gate Station)--I used a post-office box during my four years at UC Berkeley, from 1986 to 1990. I obtained box service for the reasons described in my response to USPS/DFC-1(a). In addition, since I lived in university residence halls, I did not want non-USPS employees to handle and sort my mail. I also wanted one mailing address for the entire four years; indeed, I had had four different street addresses by the time I graduated.

Seattle, WA (University Station)--I attended summer session at the University of Washington. I obtained box

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service for the reasons described in my response to USPS/DFC-1(a). In addition, since I lived in a university residence hall, I did not want non-USPS employees to handle and sort my mail.

Minneapolis, MN (Riverside Station)--I was considering attending law school at the University of Minnesota. During my exploratory visit to Minneapolis, I wanted to be able to test delivery at the post office nearest the campus, since I value box service for the reasons described in my response to USPS/DFC-1(a). I opened a box before I visited Minneapolis according to the procedure described in DMM § 910.2.1. After arriving in Minneapolis, I promptly closed the box when I discovered that the station did not provide delivery or access to the boxes on Saturday (or Sunday). Delivery six days a week is a minimum criterion to me for box service. The University Station on the other side of campus also did not provide delivery or access to the boxes on Saturday (or Sunday).

Concord, CA (Main Office)--I opened the box in Concord because the Walnut Creek post office had a 3-week waiting list for boxes. Since my move from Davis to Walnut Creek was rather sudden, I needed a box for the interim. The Concord post office was not much farther from my residence than the Walnut Creek post office. I desired a box for the reasons described in my response to USPS/DFC-1(a).

Santa Cruz, CA (Main Office)--I opened a box during high school--my first box--just because I was interested in the Postal Service and thought I would enjoy the opportunity to walk to the post office at lunchtime or after school to obtain my mail. By holding a box in Santa Cruz, I learned the advantages of box service, as I described in my response to USPS/DFC-1(a).

(f) Size 1.

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USPS/DFC-2. In any instance when you have used post office box service, was carrier delivery to your residence available as an alternative? If so, to what extent have you received mail both at your residence and your box on the same day? If not, please explain why carrier delivery was not available, to the best of your knowledge.

RESPONSE:

During my first two years in Berkeley, I lived in a campus residence hall. The residence halls used the university's unique 5-digit ZIP Code, and they received their mail directly from a USPS carrier. However, the residence halls did not receive mail delivery on Saturday. During my summer in Seattle at the University of Washington, the residence hall received its mail from the campus mail service, after the mail had been delivered to the university by the USPS. (The university had a unique 5-digit ZIP Code.) Otherwise, I have always been eligible for city carrier delivery.

With only a few narrow exceptions, I have always had all my mail sent to my post-office box. (For example, I will give out my street address for mail-in rebates when the rebates will not accept a post-office box. I also occasionally send test letters to my street address.) Therefore, at my street address I receive mail that is initiated by me only approximately once or twice a week, or approximately five to ten times a month. The other mail that arrives is walk-sequenced advertising mail, such as Advo mailers, or other advertising mail that companies send after my name ends up on mailing lists. (Incidentally, when I lived in Walnut Creek, the carrier never delivered the Advo mailings to the individual cluster mailboxes, despite my complaints to the post office. Instead, he/she dropped the bundled pile below the mailboxes, and within 48 hours the apartment-complex management would discard the

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material.) When I lived in the residence halls, I received only two or three pieces of mail per month, and this mail usually was test letters that I sent to myself. My correspondents knew only my post-office-box address.

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USPS/DFC-3. Please refer to your testimony at page 3, line 28 to page 4, line 2.

(a) Please describe what you value about box service.

(b) Why do you not want to receive your mail at a street address?

RESPONSE:

(a) Please see my response to USPS/DFC-1(a).

(b) Please see my response to USPS/DFC-1(a). In addition, I now have a reason to be concerned about receiving mail at my street address. When I lived in Walnut Creek, my name was on enough mailing lists that I typically received one or two pieces of first-class mail per week. When I moved to Emeryville in August 1995, I filed a change-of-address order. During the first four months of the forwarding order, I received exactly two pieces of forwarded mail, and both pieces I received were test pieces that I had sent to my old address. Many other test letters and postal cards that I sent to my old address disappeared, as did all the other mail that I normally received each week. The carrier supervisors at the Walnut Creek post office were not particularly interested in helping me. I received no response from the postmaster, Layton Hansen, to a letter I sent him pleading for assistance. When I visited Mr. Hansen in person, he was completely indifferent and did not even offer to take any steps to investigate the problem. My guess is that the mail was being delivered to my old address and the new tenant was keeping or discarding the mail. In any event, since a post-office box usually remains out of service for a period of time after a boxholder closes it, I believe that problems with mail forwarding are less common than with street addresses. The fewer problems with mail forwarding at a post-office box represent another reason to use post-office-box service instead of carrier delivery.

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USPS/DFC-4.

(a) Please refer to your testimony at page 4, lines 3 through 8. If the Postal Service's non-resident fee proposal is approved and implemented, would you (1) keep your box service at Berkeley, assuming the fee would include the \$36 non-resident fee, (2) move your box service to Emeryville, assuming the \$36 fee would not apply, or (3) give up box service entirely, and receive all your mail by carrier delivery?

(b) Please answer part (a) assuming, hypothetically, that a free box is available to you in Emeryville.

RESPONSE:

(a) As I discussed in my testimony on page 2, I would not move my box service to Emeryville because the lobby hours are too short and delivery service is unreliable.

I do not know whether I would (1) keep my box in Berkeley and pay the nonresident fee, or (2) give up box service entirely and receive my mail by carrier delivery. I do not intend to give the matter serious thought unless the Commission recommends the nonresident fee and the Board of Governors approves it, as the decision would be a difficult one. On one hand, I would bitterly resent the nonresident fee because I would, in effect, be penalized for living in a city whose post office, through no fault of my own, had lobby hours significantly shorter than the post office in Berkeley or many other cities. The nonresident fee also would penalize me for taking a rational step to avoid the problems in Emeryville. Meanwhile, "resident" boxholders who held boxes in Berkeley next to mine would be paying \$36 less per year for their boxes than I would, simply because they were fortunate enough to live near a post office with longer hours. Moreover, some of these "resident" boxholders probably would be imposing greater costs on the Postal Service than I do, since I abide by all regulations, pick up my mail daily, and pay my fees on time.

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On the other hand, I place a high value on box service, so I might decide that box service would still be worthwhile to me despite the increased total fee (which would happen to include a nonresident surcharge). Note, however, that I place a high value on box service per se, not just nonresident box service. (For a discussion of the value I place on box service, please refer to my response to USPS/DFC-1(a).) While I might place a value on box service high enough to cause me to keep my box in Berkeley even with a nonresident fee, I would place an even higher value on a local box in Emeryville if the Emeryville post office offered lobby hours and delivery service comparable to Berkeley, since the Emeryville post office is more convenient than the Berkeley post office. See my testimony, DFC at page 3, lines 15-23. Thus, the basic fee plus nonresident surcharge would merely be capturing the value to me of post-office-box service in general, not the value to me of nonresident post-office-box service.

(b) Based on my tests and observations over the past 13 months, delivery to my street address in Emeryville is noticeably more reliable than delivery to my Emeryville post-office box. I doubt that I would be willing to receive my mail at a free box in Emeryville when I could pay for better service and longer hours in Berkeley or receive better service for free at my street address in Emeryville. Reliability of delivery is extremely important to me. Moreover, the lobby hours in Emeryville still would be insufficient, even if the box were free. Therefore, I do not believe that availability of a free box in Emeryville would change my answer to (a).

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USPS/DFC-5. Please refer to your testimony at page 4, lines 8 to 11. Please provide all studies or other documentation that you relied upon to determine that box service in Emeryville is less satisfactory than the box service for residents of other cities.

RESPONSE:

Lobby hours are one factor in assessing the quality of box service. Emeryville's lobby hours are significantly shorter than the lobby hours in many other cities, including those in which I have had box service--e.g., Davis, Walnut Creek, Santa Cruz, and Berkeley. Indeed, the Postal Service's own survey revealed that approximately 42 percent of post offices provide 24-hour access to their box lobby. USPS-T-4 at 12 (Table 8B). Surely many more post offices offer longer hours than Emeryville. (For the lobby hours in Emeryville, please see my testimony, DFC at page 2, lines 7-9.)

Reliability of delivery is another important factor in assessing the quality of box service at a particular post office. When I opened my box in Emeryville in May 1995, on approximately 10 to 15 days I mailed at least one test letter or postal card to both my box in Walnut Creek and my new box in Emeryville. For each test, I deposited the test mail simultaneously and always compared similar types of mail--that is, I compared letters with letters, postal cards with postal cards, handwritten mail with handwritten mail, and typewritten mail with typewritten mail. Although I do not have written records of the results of this test, I recall that on approximately 25 to 50 percent of the days, the test letter or postal card addressed to Walnut Creek arrived on time (overnight) while the mail addressed to Emeryville was delayed at least one day. The difference in the levels of service was very obvious. As much as I wanted

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to receive good service in Emeryville, I concluded that serious delivery problems existed in Emeryville.

In June 1995, I opened a box at the main post office in Berkeley. I conducted a similar test, this time comparing Walnut Creek to Berkeley. Reliability of delivery of my test letters and postal cards to Berkeley was at least as good as to Walnut Creek. I then decided to use the box in Berkeley as my address when I moved to Emeryville in August.

Since my move to Emeryville over a year ago, I have continued to test delivery to the Emeryville box periodically. While delivery service seems to have improved somewhat, delivery is always more reliable in Berkeley, as test mail sent to Berkeley will arrive on time when mail sent to Emeryville will not--but rarely, if ever, does the reverse occur.

After I received this interrogatory, I decided to conduct another small test. The results are reported in Attachment 1 to Response to USPS/DFC-5. This one-week test reveals that delivery to Emeryville has improved since my last systematic test in May and June 1995. However, delivery still is unreliable. On Friday, October 11, I mailed three pieces of test mail from San Francisco to Berkeley and three pieces from San Francisco to Emeryville. (Berkeley and Emeryville are in San Francisco's overnight delivery area.) All three items arrived in Berkeley on Saturday, October 12, while none arrived in Emeryville. This unreliable, sporadic service is unacceptable, especially when mail that should be delivered on Saturday is not delivered until Monday, two days later. (In this case, Monday is Columbus Day, so the earliest that this mail can arrive is Tuesday.)

In July, I also tested delivery of flats to my box in Berkeley (94712), my box in Emeryville (94662), and my

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street address in Emeryville (94608). The results are summarized in Attachment 2 to Response to USPS/DFC-5. This test provides further support for my testimony that delivery of flats in Berkeley is poor, as the flats I mailed to Berkeley were delayed on all four occasions. See my testimony, DFC at 7-8. This test also reveals that delivery to my box in Emeryville is unreliable: while delivery of flats to Emeryville was better than to Berkeley, the flat that I mailed on July 10 did not arrive until July 15.

I am not an expert on statistical sampling methods, so I cannot provide confidence intervals for my tests. However, I do know that Berkeley outperforms Emeryville noticeably every time I test delivery of first-class letters. Indeed, I believe that the failure of the three pieces of test mail that I mailed on October 11 to arrive in Emeryville on October 12 provides strong support for my contention that service in Emeryville is insufficiently reliable for my needs.

**DELIVERY TEST OF FIRST-CLASS MAIL
WEEK OF OCTOBER 8-12, 1996**

Item	Date Mailed	From	To Box In . . .	Received	On-Time?	Days Late
Postal Card	10/7/96	Berkeley	Berkeley	10/8/96	Yes	
Postal Card	10/7/96	Berkeley	Emeryville	10/8/96	Yes	
Postal Card	10/8/96	Emeryville	Berkeley	10/10/96	No	1
Postal Card	10/8/96	Emeryville	Emeryville	10/10/96	No	1
Envelope	10/8/96	Emeryville	Berkeley	10/9/96	Yes	
Envelope	10/8/96	Emeryville	Emeryville	10/9/96	Yes	
Postal Card	10/9/96	Berkeley	Berkeley	10/10/96	Yes	
Postal Card	10/9/96	Berkeley	Emeryville	10/10/96	Yes	
Postal Card	10/10/96	Emeryville	Berkeley	10/11/96	Yes	
Postal Card	10/10/96	Emeryville	Emeryville	10/11/96	Yes	
Postal Card	10/11/96	San Francisco	Berkeley	10/12/96	Yes	
Postal Card	10/11/96	San Francisco	Berkeley	10/12/96	Yes	
Postal Card	10/11/96	San Francisco	Emeryville	Not rec'd as of 10-14-96	No	?
Postal Card	10/11/96	San Francisco	Emeryville	Not rec'd as of 10-14-96	No	?
Letter	10/11/96	San Francisco	Berkeley	10/12/96	Yes	
Letter	10/11/96	San Francisco	Emeryville	Not rec'd as of 10-14-96	No	?

DELIVERY TEST C, FIRST-CLASS FLATS

Date Mailed	From	Collection Time	To	Received	On-Time?	Days Late
7/10/96	Emeryville	5:00 PM	94608	7/12/96	No	1
7/10/96	Emeryville	5:00 PM	94662	7/15/96	No	4
7/10/96	Emeryville	5:00 PM	94712	7/12/96	No	1
7/12/96	Emeryville	5:00 PM	94608	7/13/96	Yes	
7/12/96	Emeryville	5:00 PM	94662	7/13/96	Yes	
7/12/96	Emeryville	5:00 PM	94712	7/15/96	No	2
7/12/96	San Francisco	6:00 PM	94608	7/13/96	Yes	
7/12/96	San Francisco	6:00 PM	94662	7/13/96	Yes	
7/12/96	San Francisco	6:00 PM	94712	7/15/96	No	2
7/16/96	Emeryville	5:00 PM	94608	7/17/96	Yes	
7/16/96	Emeryville	5:00 PM	94662	7/17/96	Yes	
7/16/96	Emeryville	5:00 PM	94712	7/18/96	No	1

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USPS/DFC-6. Please refer to your testimony at page 4, lines 20 to 21. How are you "similarly situated" to people who live in Berkeley, given that you do not live in Berkeley?

RESPONSE:

I do not accept the apparent premise in the question that the definition of "similarly situated" depends on whether I live in Berkeley versus Emeryville. As a resident of Emeryville, I believe, for the following reasons, that I am similarly situated to residents of Berkeley:

(i) My residence is located only 0.5 miles, via common city streets, from the southern city limit of Berkeley.

(ii) Berkeley and Emeryville both are in Alameda County.

(iii) Most residents of Berkeley and Emeryville are represented by the same congressman and the same representatives in the state legislature.

(iv) Residents of Berkeley and Emeryville face similar problems related to crime, traffic, and general living conditions in the East Bay.

(v) Residents of Berkeley shop in Emeryville. Residents of Emeryville shop in Berkeley. Typically, each city's commercial establishments offer some products or services that the other city's establishments don't--and vice versa.

(vi) I work at the University of California, Berkeley. Many of the approximately 40,000 students, faculty, and staff live in Berkeley. All of us spend a majority of our daytime lives in the same location and face many similar issues related to transportation and personal safety.

(vii) Residents of Berkeley and residents of Emeryville both share equally in the right to be free from undue or unreasonable discrimination by the Postal Service among users of the mail when the Postal Service establishes fees. See 39 U.S.C. § 403(c).

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USPS/DFC-7. Please refer to your testimony at page 5.

(a) Please provide any documentation underlying your testimony on the hours of operation at the facilities you refer to on this page.

(b) Do the hours you report represent the only hours in which access to post office boxes at these facilities is possible? How do you know?

RESPONSE:

(a) I placed phone calls to the main customer-service telephone numbers for the Postal Service in Oakland and San Francisco. I informed the representative who answered that I needed to determine how late the box lobbies were open, and on which days of the week box lobbies were open, at stations and branches in their city. The representative in Oakland gave me the information for Monday through Friday, Saturday, and Sunday, then mailed me a chart that showed the same information.¹ See Attachment 1 to Response to USPS/DFC-7. The representative in San Francisco read the hours of various box lobbies to me over the telephone but did not have the information in a hard-copy form that she could send me. I am confident that the information she gave me was accurate, as we spent over 10 minutes on the telephone as she scrutinized her information closely and read the hours of several stations to me over the phone. The information also was consistent with my own observations of hours of stations in San Francisco.

If the Postal Service has any concerns about the reliability or accuracy of my information, the Postal

¹When I received the chart, I did discover one discrepancy. The station at Mills College also is open 24 hours a day. I do believe, however, that this post office is not necessarily accessible to the general public, as a guard station exists at the entrance to Mills College, an all-female college.

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Service should consider DFC/USPS-T4-1 and the Postal Service's response thereto.

(b) As far as I know, boxholders do not have access to their post-office boxes except as I indicated in my testimony at page 5, lines 11-28. I have not seen indications at any post offices that I have visited in San Francisco or Oakland that boxholders have access to their boxes except during the hours that are posted for the box lobbies.

Customer Satisfaction Index (CSI)

In the beginning of September, Opinion Research Corp., Princeton, N.J., mailed Postal Customer Satisfaction Index (CSI) questionnaires to 5,000-8,000 randomly selected households in each of 170 ZIP codes. They were asked to rate the Postal Service on overall performance and on various services from Letter Carrier and Window Clerk service to parking space availability, complaint handling, and courtesy received. In Oakland, 82 percent — three points up from 79% one year ago — of all households gave overall satisfaction was Excellent/Very Good/Good.

External First-Class Measurement System (EXFC)

How is our First-Class Mail service? To find out, the Washington, D.C. independent measures service EXFC measures performance for First-Class Mail from deposit to delivery ("collection box to mail slot") in 93 locations. The latest EXFC results for the Oakland Post Office indicate 85 percent of First-Class letters destined for addresses within their overnight area were delivered on time. That figure is up 5 points from last year's 80%.

STATION	Window Service Hours	PO Box Lobby Hours	Early Bird Hours	Holiday Hours Dec 1-24	Notice Left Early Pick-up Hours	Last Collection Pick-up Times	Box Mail Available	Passport Forms Available	Passport Processing	Philatelic Center	PO Box	Self-Service Vending Machines
AIRPORT 8495 Pardee Dr	M-F 8:30am-5pm Sat closed	M-F 6am-6pm Sat 6am-3pm	M & F 7am-5pm	Dec 10 & 17 8:30am-2pm	M & F 7am-5pm	M-F 7pm Sat 5pm	9:30 am	•			••	•
ARMY TERMINAL Bldg 840 (On Base)	M-F 10am-4pm Sat closed					M-F 3pm Sat 1:15pm		•				
CIVIC CENTER 201 13th St	M-F 8:30am-5pm Sat 8am-2pm	M-F 6am-6pm Sat 6am-3pm	Tu & F 7am-5pm	M-F 11-6pm	Tu & F 7am-5pm	M-F 7pm Sat 5pm	10 am	•		•	••	•
DIAMOND 2226 MacArthur Blvd	M-F 8:30am-5pm Sat 8am-2pm	M-F 6am-6pm Sat 7am-2pm				M-F 6:45pm Sat 5pm	8:30 am	•			•	•
EASTMONT 8033 MacArthur Blvd	M-F 9am-5pm Sat 8am-1pm	M-F 6am-6pm Sat 6am-3pm	M & F 7am-5pm		M & F 7am-5pm	M-F 6:30pm Sat 5pm	9 am	•			••	•
EMERYVILLE 1595 62nd St	M-F 8:30am-5pm Sat 8:30am-1:30pm	M-F 6am-6pm Sat 6am-3:30pm	Tu & F 7am-5pm		Tu & F 7am-5pm	M-F 6:30pm Sat 5pm	8:30 am	•			••	•
FRUITVILLE 1445 34th Ave	M-F 8:30am-5pm Sat 8am-2pm	M-F 8:30am-5pm Sat 8am-2pm		M-F 11-5:30pm		M-F 7pm Sat 5pm	10 am	•			••	•
GRAND LAKE 490 Lakespark Ave	M-F 8:30am-5pm Sat 8am-2pm	M-F 7am-5pm Sat 7am-2pm	Tu & Th 7am-5pm		Tu & Th 7am-5pm	M-F 7pm Sat 5pm	8 am	•			••	•
KAISER CENTER 300 Lakeside Dr (Mezz)	M-F 8:30am-5:30pm Sat closed					M-F 5:30pm Sat closed		•				
LAUREL 3521 Maybelle Ave	M-F 8:30am-5pm Sat 8:30am-1:30pm	M-F 6am-6pm Sat 6am-2:30pm	W & F 7am-5pm		W & F 7am-5pm	M-F 6:30pm Sat 5pm	10 am	•			•	•
MAIN OFFICE 1675 7th St	11-5 AM-8 PM	Every day 24 hrs		Mon from 6 am		Every day 8 pm	8:30 am	•	•		•	•
MARCUS FOSTER 201 E 14th St	M-F 8:30am-5pm Sat 8am-2pm	M-F 8:30am-5pm Sat 8am-2pm				M-F 6:30pm Sat 5pm	9:30 am	•			•	•
MILLS COLLEGE CAMPUS 5908 MacArthur Blvd	M-F 8am-3pm Sat closed					M-F 5pm Sat 4:15pm	10 am	•			•	•
NAVAL HOSPITAL (BASE) 8750 Mountain Blvd	M-F 8:30am-3pm Sat closed					M-F 5pm Sat 4:30pm		•				
NAVAL SUPPLY CENTER Bldg 221 (Base)	M-F 10am-3:45pm Sat closed					M-F 4pm Sat 1pm		•				
NORTH OAKLAND 4988 Telegraph Ave	M-F 8:30am-5pm Sat 8:30am-1:30pm	M-F 6am-5:30pm Sat 6am-3pm	Tu & F 7am-5pm		Tu & F 7am-5pm	M-F 7pm Sat 5pm	10 am	•			••	•
PIEDMONT 195 41st St	M-F 8:30am-5pm Sat 8:30am-1:30pm	M-F 6am-6pm Sat 6am-3pm	M & F 7am-5pm	M-F 11-5:30pm	M & F 7am-5pm	M-F 7pm Sat 5pm	8 am	•			•	•
STATION B 1448 Franklin St	M-F 9am-5pm Sat closed					M-F 7pm Sat 5pm		•				•
STATION C (EMBORROW) 20th St & Broadway	M-F 10am-8pm Sat closed	M-F 7am-5pm Sat closed		M-F from 11am		M-F 5pm Sat closed						
STATION D 580 14th St	M-F 8:30am-5pm Sat closed	M-F 7am-5pm Sat closed				M-F 7pm Sat 5pm	10 am	•			•	•
STATION E 1854 Mountain Blvd	M-F 8:30am-5pm Sat 8am-2pm	M-F 7am-5pm Sat 7am-2pm		M-F 11-5:30pm		M-F 6:30pm Sat 5pm	10 am	•			•	•
WEST GRAND ANNEX 577 West Grand Ave	11-6 AM-5 PM 11-3 PM					M-F 6:30pm Sat 5pm		•				
CONTRACT #3 5337 College Ave	M-F 10:30am-6:30pm Sat 10:30am-2:30pm					M-F 5pm Sat 2pm		•				
CONTRACT #5 341 9th St (Chinatown)	M-F 9:30am-5:30pm Sat 9:30am-3:30pm					M-F 6:30pm Sat 5:30pm		•				
CONTRACT #7 3351 Grand Ave	W-Sat 10am-5pm					M-F 5pm Sat 4:15pm		•				

*Continuous service from 8:30 am M

11:00 pm Friday

•• PO Boxes

••



PHONE NUMBERS CUSTOMER SERVICE INFORMATION: (510) 251-3360; RATE INFORMATION: (510) 251-3300

Attachment 1 to Response to USPS/DFC-7 2554

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USPS/DFC-8. Please refer to your testimony at page 7, lines 4 to 7.

(a) Please estimate how much less a box in Berkeley is worth to you than your box in Walnut Creek.

(b) If your box in Berkeley is worth less than your previous box in Walnut Creek, why are you obtaining box service in Berkeley rather than Walnut Creek?

RESPONSE:

(a) I do not know, as I have never quantified the value to me of box service. I do not believe that I can reliably ascertain the value of box service until a particular price is presented to me and I must decide whether to renew at that price or cancel my box. I can, however, recognize when the quality of service is higher in one post office than another.

(b) I have a box in Berkeley instead of Walnut Creek for the same reason why I moved from Walnut Creek to Emeryville. When I lived in Walnut Creek, my commute to and from work in Berkeley was 30 to 60 minutes each way. (Walnut Creek and Berkeley are 12 miles apart.) I was tired of the commute. Now that I live in Emeryville, my commute is an easy 15 minutes each way via city streets. Thus, using a box in Walnut Creek would be impractical and would defeat my purpose in moving. When I testified that my nonresident box in Berkeley is worth less to me than my previous box in Walnut Creek, I was comparing the value to me of my box in Berkeley now that I live in Emeryville with the value of my box in Walnut Creek while I lived in Walnut Creek. Therefore, holding constant my residence in Emeryville, a box in Walnut Creek would not be more valuable to me than a box in Berkeley because Walnut Creek is 15 miles away--even though service and lobby hours were better in Walnut Creek.

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USPS/DFC-9. Please refer to your testimony at page 10, lines 20 to 24. How much less than \$40 would a box at the Laurel Station be worth to Valerie Horwitz?

RESPONSE:

Valerie Horwitz reports that she would not obtain a box at the Laurel Station in Oakland even if the price were lower because the location is not safe and the lobby hours are too short. She also added that if the Postal Service imposed a nonresident fee and, thus, raised the fee she pays now for her box in San Francisco, "especially in such an arbitrary way," she would be likely not to use a post-office box and instead to receive mail delivery at home, despite the risk of theft.

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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

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 week-ends) 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 widespread 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

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<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 94066-0100

May 9, 1988

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

Dear Mr. Carlson:

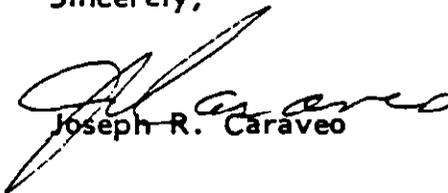
This is to acknowledge your letter to me dated April 18, 1988. I have read your letter with great interest and am appreciative of your personal concern for the efficient operation of the U. S. Postal Service.

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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2583

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)

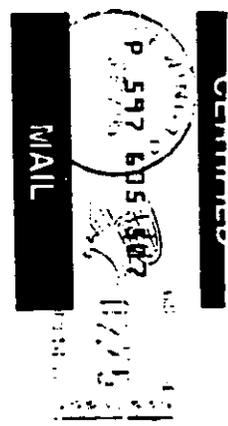
[REDACTED]

[REDACTED]

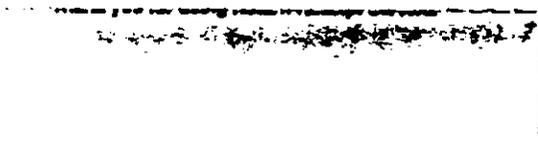
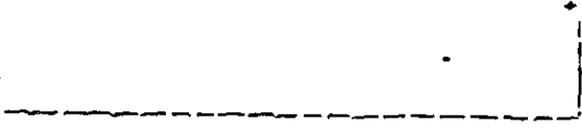
NAME _____
1st Notice Q11710C
2nd Notice _____
3rd Notice _____

CERTIFIED MAIL

USPS
R 597 B/D 506
0268



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



CERTIFIED

SEP 11 10 59 AM '08
P 597 A BDA SQA

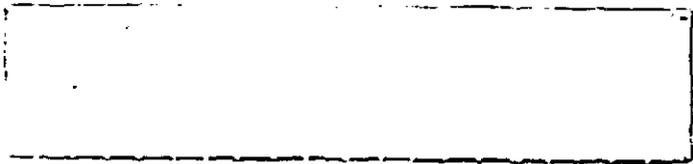
MAIL

NAME _____
1st Notice 9-23
2nd Notice _____
Return _____

CERTIFIED MAIL

SEP 19 1965
 SEP 19 1965
 5921
 1055320
 10000

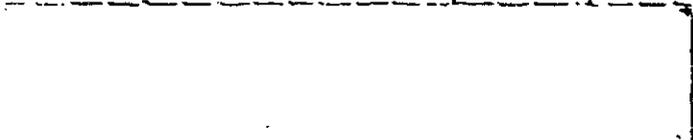
NAME: _____
 1st P... 9-24
 2nd P...
 P. 000



UNITED STATES
POSTAL SERVICE

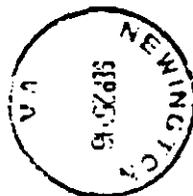
4751 L'Enfant Plaza SW
WASHINGTON DC 20020-0001

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

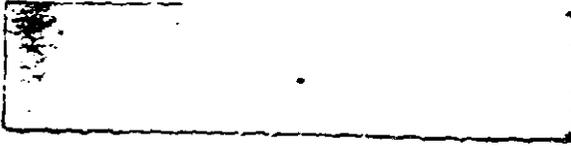


9-28

P 597 605 512



~~01/13~~
2013



 **UNITED STATES
POSTAL SERVICE**

478 L. Sawyer Plaza SW
Washington DC 20006-0001

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



P 597 605 513

0500000000

NAME *[Signature]*
1st Notice 10/90

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

478 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

 UNITED STATES
POSTAL SERVICE

MAIL

P 597 605 514

CERTIFIED

NEWINGTON
SEP 27 1990
VA

**UNITED STATES
POSTAL SERVICE**

478 L Street Plaza SW
Washington DC 20000-0001

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



P 597 609 515

10-4-96
noted



475 L'ENFANT PLAZA SW
WASHINGTON DC 20280-0001

UNITED STATES
POSTAL SERVICE

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

P 597 605 516



NEWINGTON
CONNECTICUT
OCT 1995

NAME
1st Notice 10/5/95
2nd Notice
Return

NAME _____
1st Notice 10/03/98
2nd Notice _____
Return _____

First Class Mail
USPS
Permit No. G-10

475 L'ENFANT PLAZA SW
WASHINGTON DC 20280-0001

 UNITED STATES
POSTAL SERVICE

P 597 605 527



0344

U.S. POSTAGE

II METER 481927

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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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2599

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 if 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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2601

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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2602

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

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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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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?

RESPONSE:

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

1 COMMISSIONER QUICK: Does any participant have
2 additional written cross-examination for Witness Carlson?

3 MS. DREIFUSS: Commissioner Quick, we did have
4 just one question, a clarification of Mr. Carlson's
5 testimony, but I would be happy to wait.

6 COMMISSIONER QUICK: After the Postal Service is
7 finished, you may proceed.

8 The United States Postal Service has requested
9 oral cross-examination of Witness Carlson. Mr. Hollies,
10 will you please begin?

11 CROSS EXAMINATION

12 BY MR. HOLLIES:

13 Q Good morning, Mr. Carlson.

14 A Good morning.

15 Q I'm glad you were able to make arrangements
16 permitting you to join us here this morning. I have several
17 areas in which to inquire, but ^{your} answering ~~your~~ questions will
18 not require a prolonged appearance on the stand. I hope
19 that is not a disappointment.

20 You obtain mail via carrier delivery at your
21 ~~carrier~~ ^{current} residence, though you prefer box service; is that
22 correct?

23 A Yes.

24 Q How many pieces of mail do you receive on -- via
25 carrier on a per-day or per-week basis?

1 A I'm going to take just a moment to look through
2 the interrogatory responses because I believe I addressed
3 it. So just one moment.

4 Q I believe you did address it with respect to the
5 numbers, perhaps, of first class pieces you received over
6 certain time intervals, but there was no indication I could
7 find of overall mail volume. Hence, my question.

8 A In a typical week, on Tuesday, I receive an Advo
9 mailer; Wednesday, an advertisement that's primarily Safeway
10 coupons; usually, there's no mail on Mondays; and usually
11 nothing on Thursdays, Fridays, and Saturdays.

12 So for third-class bulk mail, usually -- it is
13 probably on an average of two-and-a-half items per week,
14 given that there would be maybe a Publishers Clearinghouse
15 type advertisement occasionally.

16 So it's, say, two-and-a-half or three pieces a
17 week; but I do have distinct recollections that Mondays,
18 Fridays, and Saturdays are often empty days in the mailbox
19 unless I sent a piece of first-class mail there or there's
20 been some other first-class mail that's come.

21 But again, that's rare because I hardly ever give
22 out that address unless I have to.

23 Q You provided substantial evidence regarding your
24 hobby of studying the Postal Service. Does your hobby
25 extend to the study of carrier services?

1 A Carrier service is part of the Postal Service; so
2 I'm familiar with carrier service to the extent that it is
3 part of how mail is delivered; so I studied how mail is
4 sorted to carrier routes, whether it is sorted through one-
5 pass carrier route sortation on automation or two-pass
6 sector segment sortation, or delivery point sequencing by
7 automation.

8 I'm also familiar with post offices that either
9 have or still do sort the mail to the carrier routes
10 manually. I have seen carrier cases in detail a couple of
11 times when the Berkeley Post Office has had Customer
12 Appreciation Day the last few years and you have had free
13 tours, so I was able to get a pretty good idea of what a
14 carrier's case looks like.

15 When I was probably 10 years old, I used to spend
16 the summer following my letter carrier around on his route.
17 So I know some of the issues that he deals with, used to
18 deal with, and how he would handle accountable mail, large
19 pieces and so forth.

20 So to that extent, I have studied carrier service;
21 but I'm not sure if that's what you were getting at.

22 Q That was a fine answer.

23 Do you know your carrier well enough to identify
24 her or him?

25 A There is one woman at my current address whom I

1 have seen a couple of times. She was the person whom I
2 asked a couple of weeks ago, right before I prepared my last
3 set of interrogatory responses, as to whether Oakland does
4 sector segment or delivery point sequencing of Emeryville's
5 mail.

6 She said they do just carrier route sortation. I
7 don't know if she's my regular carrier, but she's one person
8 I can recognize.

9 Q In your response to USPS' DFC-4, you stated you
10 would "bitterly resent" a non-resident fee.

11 Those are pretty strong words, aren't they?

12 A Yes.

13 Q They show you have a pretty strong emotional stake
14 in at least one potential outcome of this case, right?

15 A I don't know if it's only emotional or just
16 emotional. It is a --

17 Q I did not mean to exclude other alternatives, but
18 the characterization is accurate, correct?

19 A I'm trying to determine how I would best
20 characterize my opposition to the non-resident fee; and as
21 with so many things in life, I oppose it analytically in the
22 sense that I think it's wrong; and I tend to respond
23 analytically before I respond emotionally in general in
24 life.

25 So I'm just not sure that calling it emotional is

1 really a fair characterization of my opposition. I might
2 bitterly resent it because it makes no sense to me.

3 Q So you bitterly resent it at an analytical level?

4 A Yes. I don't know if there's no emotional level
5 in there; but I think that I -- I thought it through and
6 said this non-resident fee proposal makes no sense to me;
7 therefore, I would bitterly resent having to pay it; and I
8 don't know whether that's emotional. I mean it may be
9 partially emotional.

10 Q Okay. But all else being equal, your tone and
11 approach in this case has really not been a very emotional
12 approach, correct?

13 A I would agree that it has been analytical.

14 Q In fact, you endeavored to conduct yourself in a
15 professional level in these proceedings; isn't that right?

16 A I have tried.

17 Q So, in some sense, the strong words "bitterly
18 resent" contrast with your general tenor and approach,
19 right?

20 A I don't know if the comparison is quite accurate
21 because, in conducting myself in this proceeding, I'm trying
22 to argue and produce evidence that the non-resident fee
23 should not be approved. The characterization that I would
24 bitterly resent it is really after the fact. If it gets
25 approved, if it is implemented, if I'm required to pay the

1 non-resident fee, then I might bitterly resent it; but we
2 are talking about the procedure right now of getting to the
3 point where there either is or is not a non-resident fee.

4 I would bitterly resent it by using the term
5 "would" is speaking about the future, the conditional, if it
6 is approved.

7 Q Okay. Let's turn for a moment to financial stakes
8 in this case.

9 As you know, most participants in proceedings --
10 am I losing my mike?

11 It is all in the touch, I guess.

12 Financial stakes. As you know, most participants
13 in proceedings before the Postal Rate Commission appear here
14 because of the significant financial impact decisions made
15 here can have for their businesses, right?

16 A I do not know for sure because I haven't been
17 involved in previous proceedings, but it sounds like a
18 reasonable statement.

19 Q The OCA, of course, would be an exception to that,
20 seeing as how they have statutory motivations; but other
21 participants generally take positions in Commission
22 litigation consistent with their financial interest,
23 correct?

24 A I would think so.

25 Q What are the financial stakes for you in this

1 case?

2 A Potentially none, if I gave up a non-resident box.
3 If I did not give up my non-resident box, I would probably
4 have to pay \$36 a year for my box in Berkeley. I currently
5 have my old box in Walnut Creek still; and if I kept that
6 box, I would have to pay a \$36 non-resident fee.

7 I don't know how long I will keep the box in
8 Walnut Creek. When I moved from Walnut Creek to Emeryville,
9 I did so with some hesitation in the sense that I really
10 like Walnut Creek so I wanted to think to myself that I
11 still had some connection to the community.

12 I don't use the box, but it is there; and if there
13 were a non-resident fee imposed, I would give it up. So it
14 probably -- probably \$36 per year is my financial stake in
15 the outcome of this case.

16 Q And how much do you estimate your participation in
17 this case has cost you, just in general terms?

18 A Probably on the order of \$700. I'm sorry. I'm
19 considering just the appearances in Washington. I have to
20 include mailing and photocopying.

21 I'd say a total ballpark figure of a thousand
22 dollars.

23 Q So the cost of your participation far exceeds the
24 potential savings you might realize, right?

25 A Of course, if the non-resident fee is approved, it

1 will probably be here forever. So I'd have to calculate \$36
2 per year times my expected lifetime, so actually maybe not.

3 Would you like me to repeat the answer?

4 Q No. I'm with you. I'm being informed my mike is
5 cutting in and out. It's off.

6 A Perhaps you want to try the mike at the other
7 counsel table.

8 COMMISSIONER QUICK: Let's go off the record.

9 [Discussion off the record.]

10 COMMISSIONER QUICK: Back on the record.

11 THE WITNESS: Just to add on to my last answer, I
12 suppose potentially my costs of participation have or will
13 not exceed the benefit, given that I may have a box for 50
14 more years and pay a non-resident fee. I potentially could
15 have two boxes that would be subject to a non-resident fee
16 at some point in the future.

17 But in the short-term, the costs of participation
18 are outweighing the immediate benefit.

19 BY MR. HOLLIES:

20 Q Are you being subsidized in a major way by --

21 MR. HOLLIES: Could we go back off the record?

22 [Discussion off the record.]

23 COMMISSIONER QUICK: Let's try again and see if
24 the mike is working.

25 Back on the record.

1 BY MR. HOLLIES:

2 Q I think we were talking about whether you were
3 being subsidized in a major way here?

4 A I am not being subsidized in any way at all. All
5 the expenses have come out of my own pocket.

6 Q You have given us to understand that you are also
7 something of a Postal Service hobbyist, right?

8 A Yes.

9 Q And a common attribute of hobbyists is that they
10 put money into their hobby?

11 A Many hobbyists do.

12 Q But at least in that respect, you are like other
13 hobbyists, excuse me -- lobbyists -- make that hobbyists.

14 A I suppose so.

15 Q So your participation in this case is not based
16 purely upon financial incentives but also drawing on your
17 bitter resentment and your hobby?

18 A Well, the bitter resentment --

19 Q Contingent bitter resentment, forgive me.

20 A Yes. And my interest in law, because I'm a law
21 school graduate and have decided that I didn't want to
22 follow the traditional law practice, at least at the
23 beginning; and so I don't do legal work in my current job.
24 I do occasional consulting type arrangements for a faculty
25 member at UC-Berkeley; but I still do like law, especially

1 when it is on a subject that I'm interested in.

2 So if I weren't a lawyer, I probably wouldn't be
3 participating in the case just because I wouldn't feel
4 comfortable with the proceedings and wouldn't feel like I
5 knew enough about how things worked.

6 So it has been a convenient combination of my
7 hobby, my personal interest in the subject matter of the
8 case, and my legal background.

9 Q Is it safe to assume that we will have the good
10 fortune of your participation in future cases as well?

11 A It's likely, but my participation may not be
12 active in future cases. I suppose it would depend heavily
13 on the subject matter of the case.

14 Q I want to turn now to the value of post office box
15 service that you currently receive.

16 You now receive box service and the value it
17 brings, right?

18 A Yes.

19 Q Now I know you have had a lot of boxes over time,
20 but how many are you currently using? You mentioned Walnut
21 Creek earlier.

22 A Yes. I have Berkeley, Emeryville, Walnut Creek,
23 and my old box in Santa Cruz where my mom still lives. I
24 have had that box since 1983. I have simply not wanted to
25 give it up just because it was my first box and it is

1 another tie to Santa Cruz; and I use it probably as often as
2 the Walnut Creek one, which means an occasional test letter,
3 you know, maybe 10 test letters if I am home over Christmas
4 vacation.

5 Not too much third class or bulk mail at the Santa
6 Cruz box because I have dropped off most mailing lists by
7 now since I don't use the address; whereas Walnut Creek
8 still has some residual bulk mail. The Emeryville box is
9 there just as really a test item that I have not made the
10 final determination to give it up; but I probably will soon.

11 Q Well, if only indicated by the fact that you have
12 these four boxes, you clearly value the service provided by
13 the four, correct?

14 A Sure. I place a value on them that must be not
15 less than \$20 per six months for each box.

16 Q You live in the delivery service area of the
17 Emeryville Post Office, right?

18 A Yes.

19 Q Given your current pattern of mail receipt, is it
20 safe to say that you value your box at this time more -- the
21 one at Berkeley Post Office more than the one at Emeryville?

22 A Yes.

23 In fact, I can add I value the box in Berkeley
24 more than any other of the individual boxes because I don't
25 really need them.

1 Q You indicated in response to USPS-DFC-4 that if a
2 non-resident fee were implemented as proposed, you are
3 unsure whether you would continue box service at Berkeley.
4 I believe you may have stated more on this in a later
5 interrogatory response.

6 What is your current position? Would you continue
7 box service at Berkeley?

8 A I'd say it is more likely than not that I'd
9 continue box service, but certainly not -- not a certainty.

10 Q In response to USPS-DFC-6, you expressed the
11 opinion that the definition of "similarly situated"
12 customers does not depend upon where customers live. Then
13 you go on to describe how in various senses Emeryville and
14 Berkeley are parts of the same community.

15 Is that an accurate characterization?

16 A No. Because I said in my response that the
17 definition of similarly situated does not depend on whether
18 I live in Berkeley versus Emeryville; not that it doesn't
19 depend on which city -- on the city in which a person lives.

20 Q But that portion of the question which basically
21 labeled Emeryville and Berkeley as parts of the same
22 community, you don't have a problem with that part?

23 A I'm a bit confused.

24 Q Are Emeryville and Berkeley parts of the same
25 community?

1 A How do you define community? I'm not sure how you
2 define community.

3 Q Well, let's start by using the factors you list in
4 response to that interrogatory.

5 A I think they are very similar. I wouldn't term
6 them the same community just because I think of a community
7 as following somewhat the geopolitical lines that are drawn;
8 so the fact that Emeryville and Berkeley have separate
9 identities makes me think that they are not the same
10 community.

11 But I think the people are similarly situated
12 enough to each other that different fees imposed on those
13 people would not be reasonable.

14 Q Okay. So your response to USPS-DFC-6 not being an
15 appropriate factor for distinguishing them for purposes of a
16 non-resident fee, you are talking specifically about
17 Emeryville and Berkeley?

18 A Yes. I said I do not accept the premise in the
19 question that the definition of similarly situated does not
20 depend on whether I live in Berkeley versus Emeryville.

21 Q So at some level, where one lives could be a basis
22 for defining where one is similarly situated?

23 A Sure. If I live in Washington, D.C. and have a
24 box in Berkeley, I think it would be fair to say I would not
25 be similarly situated as a Berkeley resident.

1 Q Who should be the appropriate arbiter of the level
2 at which one's residence becomes the basis for defining who
3 is similarly situated?

4 A I suppose the Commission, if it is postal rates.

5 Q In your response to USPS-DFC-7 -- you probably
6 don't need to turn to it to answer this -- you provide the
7 basis for answers in your testimony regarding the hours of
8 operation of certain facilities, right?

9 A Yes.

10 Q And you implicitly point out that your method of
11 obtaining the information, that is telephoning local postal
12 officials and asking them, was the ^{method} ~~evidence~~ suggested by the
13 Postal Service in response to DFC-USPS-T 4-1, right?

14 A Yes. Because I had asked Witness Lyon for that
15 information. At the time I asked the question, I was not
16 aware, or I should say that I had not put a statement in my
17 interrogatories, that responses should be redirected either
18 to another witness or as institutional interrogatories if
19 the witness was not able to answer the question. I believe
20 Witness Lyon said something to the effect that we have not
21 collected this information.

22 My purpose in asking the question of Witness Lyon
23 was to obtain the evidence in an easy way that I then
24 presented in my testimony. Yes.

25 Q How much effort did it take you to collect this?

1 A Probably on the order of 30 minutes or so; but as
2 you can see, I was not able to get written information for
3 San Francisco; so at least based on that telephone call,
4 since my -- my time parameters were short, so I wasn't able
5 to sit down and analyze the information. I really had to
6 make quick notes over the telephone, deciding while I was
7 talking to her what was most important to me.

8 So it is possible that I didn't get all the
9 information that I would have liked to have had.

10 But to obtain the information that I testified to,
11 probably about a half hour.

12 Q Do you have any doubts about the accuracy of that
13 information?

14 A No. Because it is consistent with my experiences
15 in those cities and what I would have expected. In fact, I
16 wouldn't have asked the questions and obtained the
17 information if I didn't know what the result was likely to
18 be.

19 In other words, if I knew that most post offices
20 in Oakland and San Francisco had 24-hour box service, I
21 wouldn't have gone out and looked for the information
22 because it wouldn't have helped me make my case about the
23 short lobby hours at several offices in the Bay area.

24 Q So in your years of hobby activity and recent
25 studies, have you come to perceive any pattern with respect

1 to where 24-hour box lobbies are or are not available?

2 A 24-hour box lobbies are the least frequently
3 available in large cities.

4 Q Can you draw an inference as to why that might be?

5 A Probably security. Probably security. I know
6 that the box survey -- and I don't know that I testified to
7 this, but the box survey showed group 1-A offices, I
8 believe, for lobby hours had something on the order of 9
9 percent; and I believe group 1-A is just New York City,
10 Manhattan, I believe.

11 So that would provide some independent evidence of
12 my sense that the large cities have the shortest lobby
13 hours. I think the group 1-B offices also had a relatively
14 small number compared to the group 1-C and group 2 offices.

15 Whether suburban versus rural, I don't feel fully
16 comfortable making that comparison. I believe I have seen
17 some rural post offices that have not had their lobbies open
18 24 hours. I feel very comfortable in the large city versus
19 suburban or rural that the lobby hours are much longer in
20 the latter.

21 Q Moving on to USPS-DFC-11, in the first sentence of
22 the second paragraph of your response to that interrogatory,
23 you state, "As a United States citizen, however, Valerie has
24 a right to receive mail delivery at a price less than the
25 price that could be extracted for a necessity."

1 I would like to inquire a little into this
2 somewhat curious assertion. What is it about her
3 citizenship that matters?

4 A I didn't mean to imply citizen versus resident.
5 Does that address the confusion?

6 Q It may begin to.

7 A I would make the same statement if she were a
8 United States resident but not a citizen.

9 Q So perhaps it would have been better stated
10 originally as a United States resident?

11 A No. Because she's a citizen; and --

12 Q I'm back -- what is it about her citizenship that
13 distinguishes her right, that brings out her rights?

14 A I think it would be at least as well stated if it
15 were -- if it said resident, but it's not inaccurate or --

16 Q Fair enough.

17 A Okay. And there's something -- something in the
18 back of my mind about the Constitution and some mention of
19 establishing Postal Services; and I don't know whether that
20 language might refer to citizens.

21 I don't know. I didn't research it. Since she
22 was a citizen, I put it in just in case it matters, but it
23 wouldn't be inaccurate to say resident either.

24 Q Would it be inaccurate to say -- to include within
25 this group that can be described as citizens or residents,

1 does that include resident aliens?

2 A What is the definition of a resident alien? Or --
3 for purposes of your question?

4 Q My understanding would be that that is a citizen
5 of some other country but a resident of this country.

6 A I think so. Again, if it is getting back to that
7 nagging clause or note, somewhere, I think, in the
8 Constitution about Postal Service is a -- and if it refers
9 to citizens, then I probably would feel a little more
10 comfortable making this statement just based on citizens
11 because I would have that provision of the Constitution to
12 back me up.

13 I could make an argument, I suppose, that a
14 resident or a resident alien also has this right; but I
15 didn't really want to get into making the argument, so
16 that's why I didn't say it.

17 If the Constitution -- let's suppose the
18 Constitutional provision that I'm thinking of refers to
19 residents or isn't specific, then I suppose any person who
20 lives in this country would have that right.

21 Q Okay. So that -- now we are talking about even
22 illegal immigrants?

23 A Well, I don't -- you know, what rights illegal
24 immigrants have is a contentious issue.

25 Q We are talking here about the rights that you

1 refer to in your answer to that interrogatory. Valerie has
2 a right to receive mail delivery. Those are your words.
3 Those are the kinds of rights I am talking about.

4 A I suppose somebody who is in this country
5 illegally maybe doesn't have that right. I don't know.
6 That -- when I made the statement, I was talking about
7 Valerie. I don't know -- I have not considered whether an
8 illegal alien should have a right to receive mail delivery.
9 They put their children in school. I don't necessarily
10 agree with that, but mail delivery? I don't know.

11 Q Okay. I'm not trying to go too far afield here.
12 What about Canadian citizens who are residents of
13 Canada? Do they also have the right to receive mail
14 delivery at a price less than the price that could be
15 extracted for a necessity?

16 A And would this be a Canadian citizen who has
17 really no contact with the U.S., owns no property, no
18 business?

19 Q Well, assume either end of that range of
20 alternatives.

21 A If a Canadian citizen owns property in the United
22 States, I think that person would have a right to receive
23 mail delivery at a price less than the price that could be
24 extracted for a necessity because that person may need to
25 receive property tax statements, I suppose, if the

1 government didn't want to send those across the -- across
2 into Canada.

3 If a -- similarly, if the Canadian owned a
4 business in the U.S., I'd say certainly he or she would have
5 the right to receive mail delivery. If the person has no
6 contacts whatsoever, I wouldn't have a problem charging the
7 person for delivery.

8 I wouldn't have a problem with the non-resident
9 fee for a person who has -- who is not a -- who doesn't live
10 in this country, doesn't do business in this country, and
11 really has no contact with this country except maybe to come
12 over here and shop and maybe pick up mail. I have no
13 problem with a non-resident fee for a person in that
14 situation.

15 Q Okay. You mentioned that perhaps the U.S.
16 Constitution provides a basis from which Valerie's right
17 arises. Is there anything else that you can indicate as a
18 source of Valerie's right?

19 A Nothing that I can point to. But if I wanted to
20 argue that she has a right, I would say that the Postal
21 Service is established to serve the public, and that the
22 purpose of the Postal Service is to foster commerce and
23 communication, and that it is an agency that is supposed to
24 operate in the public interest; and, therefore, it really
25 shouldn't act as a monopoly.

1 I think that a monopoly would try to extract as
2 much money as it could for a particular service. And I
3 don't think the Postal Service was established to serve that
4 role; so, therefore, a person has a right to receive the
5 services of the Postal Service at something -- at a price
6 less than could be extracted for something that we all
7 really need.

8 Q What is the "price that could be extracted for a
9 necessity"?

10 A It would be the value that that necessity is to
11 that person. So if the person values the necessity of mail
12 delivery at a hundred dollars, then the price that could be
13 extracted for a necessity would be a hundred dollars.

14 I think in this question I was concerned about
15 confirming or agreeing with statements that were -- that
16 were vague; so I don't know what the price is of a
17 necessity, but it is the -- the amount that could be
18 extracted is probably how much it is worth to that person.

19 Q So you don't have any quantified value for this?

20 A No. But I do know that it would be -- I think
21 Valerie would value mail delivery at a price greater than
22 \$40 a year that she currently pays for her post office box.

23 Q Is it fair to say that Valerie views her box as a
24 necessity?

25 A Yes.

1 Q Is box service generally a necessity?

2 A Well, there are many people who are not eligible
3 for carrier or rural delivery, so for them, I think it
4 probably would be a necessity.

5 There probably could be other people who either
6 are in Valerie's situation or feel so strongly about
7 security or the need to obtain mail early in the day, as
8 examples, that they would consider their boxes to be
9 necessities and wouldn't want to give them up. I think
10 certainly many businesses, caller service people would
11 probably consider boxes to be a necessity.

12 So I could see some other situations. I wouldn't
13 expect the typical box customer in a large city would
14 consider it a necessity, but they may value it highly.

15 Q In the last sentence of the answer to this
16 interrogatory, you indicate that Valerie resents the fact
17 that others receive satisfactory street delivery. Is such
18 resentment an appropriate basis for establishing rates or
19 fees or not establishing rates or fees?

20 A Oh, not directly, but I think the fact that a
21 customer might resent an aspect of the Postal Service's
22 service probably goes to fairness and equity of Postal
23 Service proposals.

24 In other words, if a person resents that other
25 people can get something for free that he or she has to pay

1 for, I think there's a fairness and equity issue underlying
2 that resentment.

3 Q In your response to USPS-DCF-12 where you restate
4 the question, you included a "sic" after the portion of the
5 question which reads, "Do you consider the higher charges
6 imposed on subway riders in the Washington, D.C. or Bay
7 areas?"

8 Now the question seems to be well-formed,
9 grammatical, typographically correct, and even logical.
10 Perhaps I'm missing something.

11 In the body of your answer, you indicate that part
12 of the Bay area subway system does not charge a higher rush
13 hour fare, correct?

14 A Yes.

15 Q Is this why you used the "sic"?

16 A No. The sic is because Bay is capitalized, A is
17 not, and areas is plural, so I'm not -- I wasn't sure when I
18 was responding to the question what Bay areas, as it was
19 given, was referring to because we are either -- we refer to
20 ourselves and most people refer to us, I believe, as the
21 capital B Bay, capital A area, singular, so Bay areas could
22 be San Francisco Bay area and Tampa Bay area because they
23 both call themselves the Bay Area. It was simply the fact I
24 didn't recognize the reference. I assumed it was San
25 Francisco Bay area.

1 Q I did miss something. I appreciate your filling
2 me in.

3 My point was, the question refers to the
4 Washington, D.C. or Bay areas, Washington, D.C. area, Bay
5 area. But I see your discomfiture with the non-standard use
6 of Bay area. Thank you.

7 A In fact, just now I thought you were going to say
8 you meant Chesapeake Bay area or something.

9 Q Could have, but no. Thank you for clearing that
10 up.

11 On the second page of your response to USPS-DFC-
12 12, you seem to hinge your opinion regarding the necessity
13 and equity of a rush hour surcharge on the presence or
14 absence of capacity constraints; is that right?

15 A I'm just going to take a moment to review the
16 answer.

17 I think that's a fair statement.

18 Q Have you ever experienced capacity constraints in
19 seeking to obtain box service?

20 A Yes.

21 Q Please elaborate.

22 A In -- let me back up. In Santa Cruz, I did not
23 have to wait for a box. When I obtained the box in Berkeley
24 in 1986 before going away to college, I believe there was a
25 waiting list of a few weeks, so I did apply for a box a few

1 weeks in advance.

2 I believe the same was true in Seattle, a few
3 weeks.

4 And it was true in Berkeley, with my current box.
5 It was true in Walnut Creek.

6 I think that's the extent of the capacity of
7 constraints that I have experienced.

8 Q But not in Emeryville?

9 A Correct.

10 Q Assume for a moment that when seeking to initiate
11 box service at a particular facility, you are told no size 1
12 boxes are available.

13 Is size 2 an adequate substitute for you?

14 A I believe I addressed at least part of that
15 question.

16 Q Yes. You do have an interrogatory response in
17 which you indicate that a larger box size, at least in one
18 context, was not something that really occurred to you as an
19 option. I'm asking a broader question here.

20 A I would like to refer to my answer just before I
21 -- do you happen to know which one it was?

22 Q Not right off.

23 A Okay. It is 15.

24 I did say in that response that I consider the
25 wait for a size 1 box to be worthwhile because, by waiting,

1 I have avoided the perpetual expense of renting a box larger
2 than the size I need.

3 I indicated that I might be unwilling to rent a
4 larger box and give all my correspondents that address, only
5 to have to change my address when a smaller box became
6 available. Then I indicated maybe I could have done that
7 after all.

8 I don't personally consider a size 2 box to be a
9 great substitute for my purposes.

10 Q When you refer to a perpetual fee, are you
11 describing the distinction between a box 1 -- excuse me, a
12 size 1 and a size 2 box?

13 A Yes. It would be that fee differential that I
14 would have to continue to pay for as long as I held my box.

15 Q You visited or toured quite a number of postal
16 facilities, right?

17 A Yes.

18 Q Witness Lyon put in play an indication that 38
19 percent of postal facilities face a capacity constraint in
20 at least one box size. The record also contains the OCA's
21 indication that 5 percent of facilities face a capacity
22 constraint in all box sizes at once.

23 But do you have any feel for how many face some
24 sort of capacity constraint?

25 A Only to the extent that I have obtained post

1 office boxes which are those roughly, I guess, six different
2 post office boxes I have had or whatever the total number
3 is. I have probably inquired at a few other post offices,
4 but I can't really remember where or what the responses are.

5 My sense is that since I tend to live in larger
6 areas, that maybe half of the ones I have tried to get boxes
7 at have had a capacity constraint but one where I have been
8 able to get a box within a few weeks.

9 So when I have toured postal facilities, I focused
10 on mail processing and haven't really looked at the capacity
11 of box sections.

12 Q Would it be fair to state that your criticism of
13 the proposed non-resident fee centers on the lack of cost
14 studies supporting the fee?

15 A Well, certainly partially and maybe fully. Let me
16 explain why. My main objection to the non-resident fee is
17 on fairness and equity grounds.

18 But the fee may be more fair and equitable than it
19 has been presented so far if reliable cost data were
20 available. It still wouldn't make it fully fair and
21 equitable because not all post offices are the same, so we
22 get back to the discussion of lobby hours.

23 And even if non-resident box holders were shown
24 conclusively to impose a specific greater cost on the Postal
25 Service, I still would have a problem with the non-resident

1 fee because, for someone in my situation, I'm a non-resident
2 because of a problem that's under the Postal Service's
3 control, namely the lobby hours in Emeryville and the
4 service in Emeryville to the extent I uncovered problems in
5 my tests.

6 So it is a combination; but the cost data would
7 reduce some of the fairness and equity concerns.

8 Q The Postal Service has put into the record
9 qualitative data regarding the proposed non-resident fee,
10 primarily in the form of the testimony of Witnesses Needham
11 and Landwehr; isn't that right?

12 A Yes.

13 Q And much of this data pertains to demand for box
14 service, particularly in border and prestige post offices,
15 does it not?

16 A Yes. To the extent that it addresses the
17 questions of demand, yes. It talks quite a bit about the
18 behavior of box holders, the number of box holders.

19 Q And to you, this data lacks all credibility?

20 A I think the testimony is accurate, is useful to
21 the extent that it says that San Luis, Arizona has a large
22 number of, if I remember correctly, either migrant workers
23 or Mexican nationals who have boxes there; the Blaine,
24 Washington post office apparently has a lot of Canadian box
25 holders. Middleburg, Virginia, apparently has a large

1 number of businesses and people who have boxes there,
2 presumably for prestige reasons, but we don't know for sure.

3 So I think the evidence is -- I think all the
4 evidence is credible and useful for what it is.

5 Q Thank you.

6 Please turn to the top of the second page of your
7 answer to USPS-DFC-17.

8 Actually, I want to read a sentence to you that
9 starts actually on the previous page. "Then again, I'm not
10 aware" -- let me start that again. "Then again, I'm not
11 aware of a previous case in which the Postal Service has
12 proposed a fee similar to the non-resident fee without
13 providing any credible evidence for either the fee itself or
14 the amount of the fee."

15 A moment ago, I asked you if the qualitative
16 evidence had any credence. You indicated that, yes, it did,
17 albeit qualitative rather than quantitative. Yet in this
18 response, you indicate the evidence is not credible at all.

19 Has something changed?

20 A Well, I think it is credible for what it says.

21 Namely, it describes the experiences of a few post
22 offices.

23 Q So it is not -- it is not incredible, it is
24 credible evidence?

25 A It is credible evidence for what it is, but I

1 don't think it's evidence for a non-resident fee to be
2 applied nationally. I suppose -- it would be fair -- it
3 would be fair to say that it's -- without providing any
4 credible evidence that -- nationwide experiences that would
5 justify the fee.

6 I think that's what I'm trying to get at in the
7 statement.

8 Q So it is not persuasive to you? The evidence has
9 some credence, but the evidence is not persuasive to you?

10 A No. It is certainly not persuasive to me.

11 I think -- maybe persuasive would be a better word
12 in the written interrogatory response than credible.

13 Q Thank you.

14 A Yes.

15 Q Please refer to your response to USPS-DFC-18,
16 subpart A. Is it your testimony that the non-resident fee
17 is a means chosen by postal management to address delivery
18 problems?

19 A I'm sorry. This is 18-A?

20 Q Yes.

21 A The question again?

22 Q Is it your testimony that the non-resident fee is
23 a means chosen by postal management to address delivery
24 problems?

25 A I don't think so. What exactly do you mean by

1 delivery problems? Of what type?

2 Q Well, you used the term there in the first
3 paragraph, the second to the last sentence. "In this way,
4 the non-resident fee could interfere with a more practical
5 solution to delivery problems."

6 A No. I don't think the non-resident fee is -- I'm
7 sorry, repeat the question again.

8 Q Perhaps I can cut to the chase a bit.

9 Your testimony is that the non-resident fee would
10 interfere with a customer's means of addressing delivery
11 problems, right?

12 A Yes.

13 Q But not that it would provide a management tool
14 for dealing with delivery problems?

15 A No.

16 Q It is a customer's tool?

17 A I agree. I do not believe that postal management
18 is proposing the non-resident fee to effect in any way or to
19 use it as a tool. I'll just use your words. I don't think
20 it is a sinister proposal in -- for customers who have
21 delivery problems.

22 I think it is more of -- maybe something they
23 didn't think about.

24 Q Okay. In a more perfect world, of course,
25 delivery problems should be addressed by postal management,

1 right?

2 A Sure.

3 Q So an approach to resolving delivery problems that
4 is even more practical than your suggestion that a customer
5 obtain box service would be for postal management to resolve
6 it, right?

7 A I'm sorry. Could you repeat the question?

8 Q It will be close to the same words. So an
9 approach to resolving delivery problems that is even more
10 practical than your suggestion that a customer obtain box
11 service would be for postal management to resolve it itself,
12 right?

13 A I think so.

14 Q In your understanding, are delivery problems
15 static and unchanging?

16 A Sometimes they are. Sometimes they aren't.
17 Walnut Creek was generally characterized by very good
18 delivery, including delivery on many holidays to the post
19 office boxes. There was a period of time in, I believe,
20 December of 1992 through a good part of 1993 when there were
21 consistent problems with delay of mail going to the boxes.

22 And I read somewhere, I think it was an
23 announcement that came out from the mail services on the UC-
24 Berkeley campus, saying something to the effect that we are
25 experiencing significant delays of mail because the

1 Postmaster General has ordered a reduction in overtime.

2 I read that somewhere. It is about the same time
3 I was noticing a lot of problems in Walnut Creek. There was
4 a period of time in early January right after the Christmas
5 rush where I could see by looking through my box the trays
6 in which they keep the mail for each box section before
7 distribution to the box section and they would be full at
8 3:00 in the afternoon. I hadn't received any of the mail
9 that I knew was destined for me that day. A couple of times
10 I went to the supervisors and said, will you please at least
11 get my mail out of there. And they did.

12 But that has gone away. It may have had something
13 to do with the delivery barcode sorter Walnut Creek received
14 whereas at the Cedar Great station in Berkeley when I was
15 there in the late '80s, Saturday delivery problems were
16 always there every Saturday. It was predictable. So it
17 varies. It varies. So far the problem with delivery of
18 flats in Berkeley at my box has been static in the sense
19 that it has been bad and consistently bad; but it could
20 change.

21 Q So it is safe to say many delivery problems change
22 over time, the new ones arise, older ones are resolved?
23 Maybe they change from time to time?

24 A Many do. I don't know if it is more common than
25 static delivery problems.

1 Q Who is paid to resolve such problems?

2 A I don't know. But I would think somebody within
3 the Postal Service.

4 Q That's what I'm looking for.

5 So postal officials constantly face a changing
6 variety of challenges in the delivery area; that is a safe
7 statement?

8 A That's probably true.

9 Q So box customers who, pursuant to your suggestion,
10 choose the location of their box service based on a delivery
11 problem may find that problem later disappears, right?

12 A It's possible. For example, if service improved
13 in Emeryville and the lobby hours were extended, I might
14 even go so far as to move my box. I don't know for sure,
15 but that's possible.

16 Q If customers act on your more practical solution
17 to delivery problems by basing their choice of location for
18 box service on the avoidance of delivery problems and rely
19 on that solution over the long haul, one outcome might that
20 be they have to change the location of their box service
21 repeatedly as delivery problems evolve; is that right?

22 A That is possible. It is also possible, if a
23 person such as I gets a box in Berkeley, and the delivery
24 problems and general problems in Emeryville go away, I may
25 decide it is too much trouble as far as changing addresses

1 to move.

2 I just said I might move. But then again, I might
3 not. It really depends on whether I feel that it is
4 appropriate to move; but it is true that a person may become
5 a box holder for a long period of time at a particular place
6 because of some problems at another office that then
7 disappeared. But the person has now made the decision, all
8 the address labels are ordered, all the bank statements have
9 that one address, and he just stays there.

10 On the other hand, if Berkeley -- if the delivery
11 in -- of first class letters in Berkeley deteriorated, I
12 probably would move or I would give up box service
13 completely. But there is no way that I would continue to
14 have a box if first class letters experience the problems
15 that flats do.

16 Q Subpart B of USPS-DFC-18 asks your opinion
17 regarding various factors that may affect where a customer
18 chooses to obtain box service. Your answer begins, "The
19 requested comparison is somewhat odd because the question is
20 asking me to compare in importance various benefits with the
21 price of those benefits."

22 Notwithstanding the perceived oddity of the
23 question you then proceed to ^{discuss} ~~does~~ how you weigh each of the
24 factors addressed in the question. Am I right so far?

25 A Yes.

1 Q Now what were the factors identified in the
2 question?

3 A Location -- I'm sorry, convenience of
4 availability, prestige, timeliness, accuracy, last line of
5 address.

6 Q With respect to the part of your answer that I
7 just quoted, is it your position that only one of these has
8 a price element?

9 A No. The reason I said comparison was somewhat odd
10 is I just didn't know how to answer the question. Or maybe
11 the question needs to be phrased in a different way.

12 Maybe if there's something that you are getting at
13 that I haven't addressed, maybe you can ask it in a
14 different way. All these seem to be factors that go into
15 the price. It seemed difficult to compare these factors
16 with a price.

17 Maybe I misunderstood what you were trying to do.

18 Q What price are the factors being compared with?

19 A I see where your confusion is coming from.

20 Q Please help me out.

21 A Well, okay. No. I meant that the non-resident
22 fee is a price; so I was having difficulty comparing all
23 those factors to a price, namely the non-resident fee.

24 Q Isn't it true that each of the identified factors
25 on the one hand provides value to some customers and, on the

1 other hand, that the absence of that factor in a chosen
2 location constitutes a loss of value or the cost of a
3 customer's choice?

4 A Yes, assuming that the person puts any value on
5 some of those items.

6 Q Is Berkeley, California a more prestigious address
7 than Emeryville, California?

8 A I have no idea.

9 Q Isn't it true many Emeryville residents tell
10 people from outside the Bay area that they are "from
11 Berkeley"?

12 A I know of no one who has done so.

13 Q Your testimony does indicate that Berkeley has or
14 at least has had a waiting list, though, right?

15 A Yes, at the main office.

16 Q I guess you confirmed that a moment ago.
17 And the co-occurrence of a waiting list and a
18 prestige address isn't particularly uncommon?

19 A We are speaking about prestige addresses in
20 general?

21 Q Yes.

22 A The only knowledge I have of prestige addresses
23 are the offices that have been introduced earlier in this
24 case. So it is obviously not uncommon at those offices; but
25 I have no basis for making the statement that prestige --

1 that offices with prestige addresses often have waiting
2 lists.

3 Q Valerie Horowitz resides in Richmond but obtains
4 box office service in San Francisco, right?

5 A She now lives in Oakland.

6 Q Okay. Is San Francisco more prestigious than
7 Richmond?

8 A Probably, but prestige is in the eye of the
9 beholder. I think there could be people who are proud of
10 the East Bay who don't like San Francisco; and perhaps think
11 Richmond, by sharing a name with Richmond, Virginia, is a
12 nice name. I don't know. Personally, I think San Francisco
13 is a more prestigious place to live than Richmond.

14 Q Please refer to your response to David Popkin's
15 third interrogatory to you, as well as your testimony, lines
16 8 through 12 and 16 through 20 on page 12.

17 You state that if the service and fees for boxes
18 were the same in Berkeley and Emeryville, you would probably
19 maintain box service in Berkeley, thus avoiding the costs of
20 changing your mailing address.

21 You further state there would be some additional
22 convenience in having the box closer to home at the
23 Emeryville post office.

24 During your work week, that's Monday through
25 Friday, I think, what would that additional convenience be?

1 A During the work week?

2 Q Yes.

3 A I say maybe once every two weeks, I go down to the
4 Berkeley post office at lunchtime to check mail, either
5 because I'm expecting something or because I don't have
6 anything better to do.

7 So -- I should add -- so that's convenient and it
8 would be less convenient if my box were in Emeryville.

9 However, sometimes by 12:15 or so when I get down
10 there, they haven't put all the mail up, even though 11:30
11 is the cutoff time, so sometimes I have to go back.

12 But putting aside that less common experience, it
13 would be more common versus convenient to have the box in
14 Emeryville than Berkeley, assuming the hours were long
15 enough, because parking is a chore in Berkeley because the
16 post office has no parking lot. So it is a battle for on-
17 street parking.

18 Q You have changed my question in two key respects.

19 A Okay.

20 Q You changed the hours of operation and parking at
21 Emeryville. I'm really asking about today's Emeryville.

22 A Could you start over? I did miss the reference to
23 the testimony. So maybe you could start the whole question
24 over?

25 Q In your response to David Popkin's ~~DPP-CX-3~~ ^{DBP/USPS-3} as

1 well as your testimony on page 12, you state if the service
2 and fees for boxes were the same in Berkeley and Emeryville,
3 you would probably maintain your box service in Berkeley,
4 thus avoiding the cost of changing your mail address.

5 But you go on and state there would be some
6 additional convenience in having your box closer to home at
7 the Emeryville post office. That's the end of the last --
8 excuse me, the last of the first paragraph.

9 During your work week, what would that additional
10 convenience be? The point seems -- the point was that
11 during the week, Emeryville is not more convenient for you
12 because you're not in Emeryville.

13 A Okay. So the answer would be primarily in respect
14 of parking, because there's no parking lot at the Berkeley
15 post office and I have to battle for parking on the street,
16 as well as some congestion around there, whereas the
17 Emeryville post office is off by itself with a nice parking
18 lot.

19 I suppose the other element of convenience during
20 the work week would be that the Emeryville post office
21 fairly often has a short line, whereas at Berkeley, for --
22 this is for picking up items that need to be picked up from
23 the window; whereas in Berkeley, there's just one window
24 where everybody is supposed to take pickup slips to.
25 Sometimes there will be a couple people. And I should say

1 only one clerk working at that window.

2 So sometimes I have tried to pick an item up in
3 Berkeley and have not been able to just because I didn't
4 have time to wait through six people in line which is at
5 least -- six or seven or eight minutes of time.

6 So I think those two factors would be the main
7 reason why a box in Emeryville probably would still be more
8 convenient even during the work week.

9 Q Is it fair to state that box service at any
10 particular location is inherently a compromise of
11 conveniences?

12 A Well, you certainly -- if you have a box, have to
13 go out of your house to get your mail, whereas that is
14 presumably closer to home -- I'm sorry -- you have letter
15 carrier delivery, presumably the box is closer than the post
16 office box is. I think it is certainly a compromise of
17 convenience in that sense.

18 Beyond that, I don't know if there necessarily are
19 other compromises. For instance, I envision a town where
20 the post office is fairly close to where a person lives,
21 hours are 24 hours. So maybe the only inconvenience would
22 be the mail is not right at the person's door but, in that
23 sense, it would be a compromise.

24 For some people, it would be probably more of a
25 compromise.

1 Q In your testimony at page 8, line 22 through page
2 11, line 2, you rely on anecdotal information regarding
3 Valerie Horowitz, while also in your testimony at page 12,
4 lines 21 through 26, you criticize Witness Needham for
5 relying on anecdotal information.

6 In your testimony, you are relying on anecdotal
7 information, correct?

8 A Yes.

9 Q So reliance upon anecdotal information is not
10 necessarily improper, correct?

11 A Well, if a case is being based solely or, as I
12 perceive it, solely on anecdotal information, then I think
13 it is fair to respond with anecdotal information; but if the
14 Postal Service is making a case based on a study, scientific
15 study, I don't think my coming in with my experience would,
16 you know, would be great rebuttal evidence.

17 I think the -- I think anecdotal evidence is
18 useful for showing if it is one person, what that person
19 does; but I'm relying on it heavily in this case just
20 because I'm answering anecdotal evidence with anecdotal
21 evidence.

22 Q You indicate in your response to DBP/DFC-1 that
23 you are unlikely to let your box mail accumulate at the
24 Berkeley post office because its greater hours of operation
25 permit you to retrieve your mail more frequently, correct?

1 A Yes.

2 Q As a practical matter, you are not a customer who
3 would permit your mail to accumulate, right?

4 A That's true, except when I go on vacation.

5 Q But with all of the mailing tests you perform, it
6 behooves you to monitor your mail closely or you wouldn't be
7 able to determine the date of delivery, correct?

8 A Even if I weren't testing, receiving mail is
9 usually one of the highlights of the day, as I think it is
10 for a lot of people.

11 Q How often do you pick up your mail in Walnut
12 Creek?

13 A When I first moved, I probably picked it up on an
14 average of every two weeks, maybe more often at the
15 beginning, but I think -- I had a rule in my mind that I
16 wanted to pick it up at least every 15 days in case some
17 accountable piece came, since I remember that a certified
18 item could be returned if it were unclaimed after 15 days.

19 Now I tend to check it every three or four weeks.
20 In the entire 15 months since I moved, I had exactly one
21 accumulation where they took the mail out of the box and
22 held it for me at the counter. I have had many more
23 accumulations in Berkeley since I have been living there
24 because of either vacations or one of those days where just
25 an unusual amount of mail arrives.

1 Q During the work week, can you or do you pick up
2 your mail during the workday, I guess, at Emeryville?

3 A I'm sorry. Repeat the question.

4 Q Fair enough.

5 During your workday, do you visit the Emeryville
6 post office to pick up your mail?

7 A No. Just as a supplemental answer to that last
8 interrogatory, part of the reason I stopped picking the mail
9 up in Walnut Creek as often is I noticed the volume and type
10 of mail that's coming is dropping off. So it doesn't seem
11 as important.

12 MR. HOLLIES: I have no further questions.

13 COMMISSIONER QUICK: We will take a break until
14 five after at this point and come back and continue Mr.
15 Carlson.

16 [Recess.]

17 COMMISSIONER QUICK: We will continue now.

18 Ms. Dreifuss, you had a question?

19 MS. DREIFUSS: Yes, Commissioner Quick, just one.

20 REDIRECT EXAMINATION

21 BY MS. DREIFUSS:

22 Q Could you turn to your testimony at page 11,
23 please?

24 A Okay.

25 Q Do you have it?

1 At page 11, you describe -- I guess you made a
2 review of the Commission's commenter file, and uncovered a
3 couple of letters that you describe in your testimony; is
4 that correct?

5 A Yes, as well as a quick review this morning.

6 Q In your review this morning, did you find any
7 other commenter letters that should be discussed?

8 A There were a few. One was a letter from the
9 National Association of Postmasters of the U.S., which I
10 didn't look at in any detail. One letter I just photocopied
11 from Whitaker Newsletters, Incorporated that was sent to a
12 congressman. I will read three sentences from it.

13 "The U.S. Postal Service has proposed a rule
14 imposing an extra charge on post office box customers who
15 rent a box in a location other than the community in which
16 they are based. What this means in your district is,
17 business on the south side of Scotch Plains, New Jersey
18 would have to drive one mile past the Fanwood post office to
19 go to its box in Scotch Plains or pay an extra fee."

20 I will leave that for what it is worth.

21 Then I received an unsolicited e-mail message last
22 week from a person who has been following this case on the
23 Internet on the Postal Rate Commission's World Wide Web. He
24 described to me -- it is about a page-and-a-half, his
25 situation, and why he thought a non-resident fee would be

1 unfair.

2 I could offer either to read this into the record
3 or offer it for the record as the -- does the Commission
4 have a preference?

5 MS. DREIFUSS: Commissioner Quick, may I ask that
6 it be admitted into evidence rather than waste a great deal
7 of time reading it into the record.

8 Apparently it is not part of the commenter file.
9 The Commission may not have another opportunity to review
10 what is in that message.

11 Would it be all right if I did that?

12 COMMISSIONER QUICK: Is there any objection?

13 MR. HOLLIES: Let me get this straight. This is
14 an e-mail message?

15 THE WITNESS: Yes. I have a printout of an e-
16 mail message that came in last week.

17 MR. HOLLIES: Unsolicited?

18 THE WITNESS: Correct.

19 MR. HOLLIES: You don't know the person who it is
20 from?

21 THE WITNESS: No.

22 MR. HOLLIES: We don't know if it is really from
23 that person?

24 THE WITNESS: I suppose e-mail is as secure as any
25 e-mail message, I would imagine. The situation that is

1 described therein seems believable and is probably
2 verifiable because it discusses two post offices.

3 MR. HOLLIES: I guess ~~your~~^{our} position is that this
4 is hearsay. There is no indication, overt indication of its
5 trustworthiness. As such, I don't see it could add to the
6 record. We object on that basis.

7 MS. DREIFUSS: If the Postal Service would be more
8 comfortable, the pertinent portions of the message could be
9 read into the record by Witness Carlson. Of course, the
10 Commission has often stated in its many rulings that,
11 normally, it has the expertise to determine how much weight
12 to attach to materials such as these.

13 I think hearsay generally is admitted. If the
14 Commission were to determine that it is really not reliable
15 evidence, it would attach little or no weight to it.

16 COMMISSIONER QUICK: We will accept it in the
17 record and give due consideration to the Postal Service's
18 comments and their objection.

19 BY MS. DREIFUSS:

20 Q Do you happen to have two copies, Mr. Carlson?

21 A Yes, I do.

22 MS. DREIFUSS: I do move this be admitted into
23 evidence and made part of today's transcript. I will hand
24 two copies to the reporter.

25 [An e-mail message from Richard

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Thomas dated 11/21/96, was received
into evidence and transcribed into
the record.]

Date: Thu, 21 Nov 1996 10:04:07 -0500
From: Richard Thomas <thomas1@bnl.gov>
Reply-To: thomas1@bnl.gov
Organization: Brookhaven National Laboratory
TIME-Version: 1.0
To: DCARLSON@ced.berkeley.edu
Subject: Non-resident Fee for Post-Office Box Service

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I have been reading about your activities on the Postal Rate Commission web pages and want to thank you for all your efforts.

I work at Brookhaven National Laboratory in Upton, NY. In fact, Brookhaven National Laboratory is Upton, NY, as Upton was once Camp Upton, a military training camp, and there are no permanent residents in Upton, NY 11973.

We do have our very own Post Office though. It is in the middle of the laboratory site in the same building as Staff Services. The laboratory occupies several thousand acres and consists of many separate buildings, but there is no one here who does not pass through the gate at the guard house. BNL has around 3,500 employees.

The Post Office has many post office boxes. None of these are for the laboratory departments or buildings however. The lab's Mail Room is the room right next to the Post Office rooms. All lab mail is just passed from one room to the next. The laboratory's official address is P. O. Box 5000, Upton, NY, but Box 5000 is a "virtual" post office box since there would be no single box large enough to hold the daily mail of a company with an annual budget of \$210 million dollars and 3,500 employees.

Some of the boxes are used by the temporary residents at the laboratory--generally graduate students and visiting scientists who live in on-site housing. The number of on-site residents is probably less than 300 people.

The rest of the boxes are rented by employees of the laboratory who need somewhere to receive their mail that is more convenient or reliable than where they reside.

I live about 10 miles away in the small unincorporated hamlet of Brookhaven, 11719. The lobby hours of the post office there are only until 6:00 p.m. As a physicist, I often find that I am working past 6 p.m., so I would not be able to get my mail except on Saturday if I rented a post office box there. I could get my mail delivered directly to my house, but that presents another problem.

I do much of my shopping by mail order and receive packages a couple of times per month, on the average. I would not be able to pick up these packages regularly if I used home delivery.

Since I do so much mail ordering, I receive over 300 mail order catalogs from separate companies. (Since some companies send out a catalog once every couple of months, the number of individual catalogs received annually is much larger.) I have received as many as 15 different mail order catalogs in one day! At the Upton post office they just need to stick these in my post office box. If I received my mail

at my residence, the postal service would have the additional expense of loading all these catalogs into a vehicle and driving them to a mail box on my property. I literally receive hundreds of pounds of mail every year, and it would obviously be more expensive for the postal service to deliver this mail to a residence mail box on a daily basis than it is to just stick it in a post office box at the Upton post office.

2654

In fact, I am saving the postal service money by going to a post office and picking up my mail myself. This is now very convenient to do, since my post office box is a short walk away from the building in which I work.

To force me to go to home delivery by imposing a non-resident fee will only increase the work load on postal employees and increase costs for the postal service. It makes no sense.

I certainly hope that your efforts are successful.

Richard Thomas
Applied Physicist
Brookhaven National Laboratory

P. O. Box 395
Upton, NY 11973-0395

1 THE WITNESS: I think I can let the e-mail message
2 speak for itself. I don't think I need to address that
3 here.

4 MS. DREIFUSS: I have no further questions,
5 Commissioner Quick.

6 COMMISSIONER QUICK: All right.

7 Mr. Carlson, I have a few questions and they are
8 related mostly to you and your interest in the Postal
9 Service. I don't think they are objectionable, but if you
10 don't want to answer them, that's fine with me.

11 You mentioned earlier, I think, when you were 10
12 years old, you were interested -- had a friendly postal
13 delivery person, a mailman, a mailwoman, and you would go
14 around on their route with them.

15 Is that when your interest in the Postal Service
16 developed? Did you ever have any relatives who worked for
17 the Postal Service?

18 THE WITNESS: I had no relatives who worked for
19 the Postal Service. My parents tell me when we lived in
20 Ventura, California when I was about a year, year-and-a-
21 half old, I used to like to go to the mailbox at the end of
22 my street.

23 When I was four, I liked the mail chute in my
24 father's office. I asked our mail carrier to explain to me
25 where postal meter marks came from. I think I was four or

1 five years old.

2 It has been an interest that has been there for a
3 long time, but it developed as I grew older.

4 COMMISSIONER QUICK: The object of curiosity
5 developed as you grew older?

6 In college, I noticed you majored in economics.
7 Did you do any work in college in the economics field
8 related to the Postal Service, specifically or other than
9 general economic principles?

10 THE WITNESS: No. I considered writing a senior
11 thesis on something related to the Postal Service and
12 pricing, but I decided that the scope of the project was too
13 great for the amount of time that I had. I never did write
14 anything academically.

15 COMMISSIONER QUICK: Did you ever work for the
16 post office?

17 THE WITNESS: No.

18 COMMISSIONER QUICK: Did you ever work for any
19 organized commercial users of the post office?

20 THE WITNESS: What exactly do you mean by
21 "organized commercial user"?

22 COMMISSIONER QUICK: Well, did you -- well, people
23 whose businesses depend upon the Postal Service for their
24 functioning?

25 THE WITNESS: I would say no, not beyond the

1 amount that any business depends on, law office, newspaper,
2 university, not beyond what any business -- the extent to
3 which any business depends upon the Postal Service. In
4 other words, no mailing organizations, no mail order
5 companies.

6 COMMISSIONER QUICK: In your current job, do you
7 utilize your knowledge of the Postal Service, either
8 directly or substantially, for whatever you do?

9 THE WITNESS: I often advise people in the office.
10 Lately they have been producing a lot of mailings for alumni
11 donations, and so I look at the envelopes that they are
12 sending out, their reply envelopes. Some of the other kinds
13 of publications they send out, when I see something, I will
14 offer comments on it or people will come to me, so it is
15 more informal; but it still is significant.

16 COMMISSIONER QUICK: You mentioned, I believe in
17 your testimony, perhaps in your cross-examination, you visit
18 postal facilities.

19 Do you do that regularly? What do you do? Just
20 walk in and say, can I look around --

21 THE WITNESS: Typically --

22 COMMISSIONER QUICK: -- schedule it with the
23 appropriate officials or what?

24 THE WITNESS: In most cases, I either write or
25 call in advance, especially the ones that are out of town,

1 and schedule the tours. I explain my interest, and then
2 schedule the tours.

3 There have been occasional ones, typically in San
4 Jose, where I have been there and walked up, but usually
5 because I knew the people. I think the one exception that
6 comes to mind is Missoula, Montana where I was on vacation a
7 month ago and wanted to ask them a question about -- or ask
8 a question whether they had automation.

9 Somebody said, "Yes, we have an old OCR." I said,
10 "Oh, what kind of machine is it?"

11 So it turns out -- she said, "You want to come
12 back and look at it?" I went in for about a half hour, I
13 suppose, on that tour. It turns out that machine was from
14 San Jose, California where I sort of grew up with
15 automation, one of their old machines.

16 Typically, I will plan the tours before I take the
17 trip; and as you can probably see from my response to the
18 USPS-DFC-13, the tours have tapered off in recent years,
19 both because of my time and -- I take tours only when
20 there's something that I think I can learn from that
21 facility. I don't like to take up people's time just for
22 the purposes of walking around and seeing something I have
23 seen before.

24 COMMISSIONER QUICK: And are you normally well
25 received when you --

1 THE WITNESS: Yes. Yes. People are interested in
2 why I'm interested. They are very, very helpful. I
3 wouldn't know all I know about the Postal Service if it
4 weren't for the helpfulness of their employees and sometimes
5 they are very accommodating people.

6 I know that the person in Honolulu seemed -- I
7 think he liked the idea that there was somebody else who was
8 interested in what he was interested in, so he enjoyed the
9 opportunity to answer questions.

10 COMMISSIONER QUICK: Thank you.

11 Mr. Chairman?

12 CHAIRMAN GLEIMAN: I have a few questions, Mr.
13 Carlson. Thank you for coming in today. It has been most
14 interesting. It is nice to have a real person every once in
15 a while.

16 Assuming, for the sake of discussion, that there
17 is credible qualitative evidence for a non-resident box fee,
18 have you seen any quantitative evidence that would support a
19 \$36 fee or any other specific amount for such a fee?

20 THE WITNESS: Are you asking if I've seen
21 quantitative evidence for a fee as opposed to no fee?

22 CHAIRMAN GLEIMAN: A particular fee.

23 THE WITNESS: Certainly not for a particular fee.

24 CHAIRMAN GLEIMAN: \$36 fee?

25 THE WITNESS: No.

1 CHAIRMAN GLEIMAN: Thank you.

2 You were asked whether you were representing
3 yourself, and you did some back-of-the-envelope calculations
4 with Mr. Hollies regarding your investment in this
5 proceeding and the likely benefit that would accrue to you.

6 Assuming, for the sake of discussion, that the
7 Commission were to agree with your position on non-resident
8 box fees, are you the only person that is likely to benefit
9 or are there other people that would also benefit as a
10 consequence of our recommended decision?

11 THE WITNESS: Certainly, there will be more
12 people. I have identified Valerie Horowitz; the person who
13 sent this e-mail, Richard Thomas; a couple of other people
14 who have written in to the commenter file.

15 I have no idea how many others, which was sort of
16 the concern we were having in cross-examination back in
17 September as to finding out to whom would this fee apply. I
18 have no idea how many people; but it is probably significant
19 if the fee were proposed in the first place.

20 CHAIRMAN GLEIMAN: You were asked a couple of
21 questions about defining the community before; and community
22 is an interesting word.

23 Do you know anyone at all, perhaps even yourself,
24 who takes an action, does something that benefits not only
25 that individual but might also benefit the community in

1 which that individual lives?

2 For example, some people later this week are going
3 to spend some time perhaps at homeless shelters preparing
4 food on Thanksgiving Day for others. Obviously, there is a
5 benefit to the individual who prepares the food; it makes
6 them feel good, it makes them feel like they are doing
7 something.

8 Does it benefit anybody else that these people are
9 taking an action, or is it all just greed on their part so
10 they can feel good that they spend some time, do you think?

11 THE WITNESS: I think in general, community
12 activists as well as local politicians such as city council
13 members, who presumably are not paid a great amount for
14 their work, are performing public service because they want
15 to perform the service and they don't receive monetary
16 benefits. They benefit from knowing they are performing
17 public service.

18 They also benefit a lot of other people in the
19 process. In fact, that's why a lot of people go into
20 government service or public service in general, I think.

21 CHAIRMAN GLEIMAN: Let me ask you again about non-
22 resident fees. Do you know of any services that the Postal
23 Service currently charges a non-resident fee for?

24 THE WITNESS: No.

25 CHAIRMAN GLEIMAN: Do you know whether CMRAs

1 charge a non-resident fee to persons who rent boxes from
2 them?

3 THE WITNESS: I do not know.

4 CHAIRMAN GLEIMAN: Concerning capacity
5 constraints, this is very interesting because, if I
6 understand correctly -- perhaps you can enlighten me if I'm
7 incorrect -- capacity constraint seems to be one of the
8 major considerations in the proposal to charge a non-
9 resident box rental fee.

10 The Postal Service, as I recall from a question
11 posed to you before, indicated 38 percent of the post
12 offices have capacity constraints. They mention -- the OCA
13 says they are 5 percent capacity constraints.

14 In any event, whatever the percentage is, do you
15 think capacity constraint is a good reason for charging a
16 non-resident fee?

17 THE WITNESS: Well, I don't, because I asked the
18 question in an interrogatory a while back as to why it is
19 more important for a non-resident -- I'm sorry, for a
20 resident versus a non-resident to be able to obtain a box at
21 a particular office.

22 And the response was something to the effect that
23 the Postal Service doesn't prefer residents over non-
24 residents.

25 I think that prices can be an effective means of

1 allocating a scarce resource, so if there were post offices
2 that had significant capacity constraints on an ongoing
3 basis, that may be efficient to charge a higher price at
4 those boxes, but it should be charged to everyone, not just
5 non-residents, unless somebody comes forward with a reason
6 for why not the -- why the non-resident should be treated
7 differently.

8 CHAIRMAN GLEIMAN: You mentioned that on occasion
9 you will go into the post office in Berkeley to pick up a
10 package that you have gotten a notice for and sometimes the
11 line is somewhat long and you can't achieve your objective
12 during your lunch hour, whatever it might be.

13 I had a similar experience, especially recently
14 with respect to a post office up the street here on 14th
15 Street. We used to have a post office around the corner on
16 "I" which was closed recently. It appears as though a lot
17 of the traffic from that post office now goes into the post
18 office a couple blocks up the road here.

19 You can go in there at non-lunch hour, 3:30 in the
20 afternoon, and find a line that is almost out the door.

21 Now, I get to work sometime between 8:00 and 8:30
22 most mornings and usually am here until 6:00 at night.
23 Sometimes I remember to buy stamps when I go to the
24 supermarket and am in the checkout line, but other times I
25 don't, so I walk up the street here to buy stamps.

1 The line is out the door and I'm a non-resident of
2 this area; and I'm creating more of a capacity problem than
3 otherwise might exist at the post office on 14th Street
4 between K and L, I believe.

5 Do you think it would be appropriate for the
6 Postal Service, in the interest of controlling this capacity
7 constraint situation, to impose a surcharge on non-residents
8 who go in there to buy stamps or to mail Priority Mail
9 packages to their kids who are away at school or the like,
10 to force us perhaps to go to post offices closer to where we
11 live that might not be as busy?

12 THE WITNESS: Well, I don't know why a non -- I'm
13 sorry, why a resident of this area, of this post office has
14 more of a right to buy stamps or mail packages from that
15 post office than a non-resident does.

16 It may very well be that an equal number of
17 residents of this area use your hometown post office to buy
18 stamps or use another post office. So a non-resident fee on
19 people for using window services may just accumulate a lot
20 more money by charging people fees everywhere.

21 On the surface, I don't know why non-residents
22 should be treated differently.

23 CHAIRMAN GLEIMAN: Even if it were a means of
24 controlling capacity constraints that the Postal Service
25 seemed to have?

1 THE WITNESS: Again, if a particular office had a
2 capacity constraint and we were able to get beyond the
3 notion that the Postal Service is supposed to serve the
4 public, I don't know why we would want to treat the
5 residents differently from the non-residents. I'm not
6 saying that there isn't a reason; I just -- no one has
7 articulated why you should -- why a resident has more of a
8 right.

9 CHAIRMAN GLEIMAN: It is more convenient for me to
10 go up the street than to find stamps on the way home at the
11 Giant or Safeway and I can't get to the post office in my
12 neighborhood. Since it is more convenient to me, there is a
13 value of service.

14 You don't think that is a good reason for charging
15 me extra for my 32 cent stamps when I go up the street here?

16 THE WITNESS: I think it is great the Postal
17 Service provides that convenience. Why should they charge
18 you for it?

19 CHAIRMAN GLEIMAN: Thank you. I have no further
20 questions.

21 COMMISSIONER QUICK: Mr. Carlson, I have a
22 tangential question based upon your knowledge and
23 observation of the Postal Service and the fact we recently
24 submitted in the record a message that got to you by e-
25 mail.

1 I'd be interested to know just off the top of your
2 head how you see electronic communications affecting the
3 Postal Service?

4 THE WITNESS: Well, I do communicate with many of
5 my friends now by e-mail, whereas before I probably would
6 have sent them some of the communications by U.S. Mail.

7 These days, though, I'm so busy that a lot of what
8 I sent by e-mail I probably wouldn't have sent otherwise or
9 might have communicated by telephone instead.

10 I see e-mail as siphoning off some of the Postal
11 Service's mail; but, personally, I still like to see hard
12 copies of anything that's significantly long or more
13 complicated than just plain text.

14 I don't particularly care for the idea of shopping
15 in a catalogue that is on a web page instead of a catalogue
16 that is in front of me.

17 So I think -- I think we are a ways away from
18 seeing e-mail take away a substantial portion of the Postal
19 Service's business. I think right now it is more of a
20 supplemental communication method, with some possible effect
21 on volume; but when people say, well, that will be the end
22 of the Postal Service, I think we will still be seeing, you
23 know, a lot of hard copy mail 30 years from now.

24 But then again, the way technology has changed in
25 just the last few years, who knows?

1 COMMISSIONER QUICK: Thank you.

2 Does any participant have follow-up cross-
3 examination as a result of the questions from the bench?

4 MR. HOLLIES: If I may have a brief moment?

5 COMMISSIONER QUICK: Yes, sir, Mr. Hollies.

6 MR. HOLLIES: We do not have any further
7 questions.

8 COMMISSIONER QUICK: Thank you. That brings us to
9 redirect.

10 Mr. Carlson, do you wish to clarify the record on
11 any of the topics raised during your cross-examination?

12 THE WITNESS: Without having seen the record, I
13 would like to state on anecdotal evidence that the testimony
14 about which Mr. Hollies asked me was where I said that I
15 didn't think it was permissible to rely only on qualitative,
16 anecdotal evidence.

17 I had said in my testimony I didn't think it was
18 permissible to rely only on anecdotal evidence, but that's
19 not to say that anecdotal evidence cannot be of some value.
20 That would be the only clarification.

21 COMMISSIONER QUICK: Did the redirect generate any
22 further recross-examination?

23 MR. HOLLIES: No. No, thank you.

24 COMMISSIONER QUICK: Mr. Carlson, we appreciate
25 your appearance here today and your contributions to our

1 record. If there is nothing further, you are excused.

2 [Witness excused.]

3 COMMISSIONER QUICK: We will give you a few
4 minutes to change positions here.

5 Our next order of business is to receive into
6 evidence designated institutional responses of the Postal
7 Service and responses provided by Postal Service witnesses
8 after leaving the witness stand. The packet of designated
9 materials has been at the front of the room this morning.

10 Does any party have objections to the packet of
11 corrected materials?

12 MR. HOLLIES: Not at this time. We did work with
13 Mr. Sharfman earlier to verify the accuracy of the
14 compendium and we believe it now to be accurate.

15 COMMISSIONER QUICK: Thank you.

16 The reporter will be given two copies of the
17 packet of designated materials and I direct that it be
18 received into evidence and transcribed into the record at
19 this point.

20 [Designated Institutional Responses
21 of the Postal Service and Responses
22 Provided by Postal Service
23 Witnesses were received into
24 evidence and transcribed into the
25 record.]

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

Special Services Fees and Classifications

Docket No. MC96-3

DESIGNATION OF MATERIAL
SUPPLEMENTING THE RECORD PURSUANT TO
PRESIDING OFFICER'S RULING MC96-3/25

The attached responses to interrogatories have been designated by parties and the Commission for inclusion into the evidentiary record in this docket.

Respectfully submitted,

A handwritten signature in cursive script that reads "Margaret P. Crenshaw".

Margaret P. Crenshaw
Secretary

**Designations of Institutional Responses
of the United States Postal Service**

Response to Interrogatories:		Redirected from:	Designated by:
APWU/USPS-	1-2		APWU, OCA
APWU/USPS-T8-	12(e)	Needham	APWU
NMS/USPS-	1-11		NMS, OCA
	13-20		NMS, OCA
	22-65		NMS, OCA
	67(b)		NMS, OCA
	70		NMS, OCA
	72		NMS, OCA
	77-82		NMS, OCA
OCA/USPS-	1-9		OCA
	14-35		OCA
	36(c)		OCA
	37-42(a-e)		OCA
	43(a-e)		OCA
	43(g)		OCA
	44-47		OCA
	49-52		OCA
	53(a)		OCA
	54		OCA
	54(c)		OCA
	54(e)		OCA
	55-56		OCA
	58-61		OCA
	63-65(a-c)		OCA
	65(g)		OCA
	66(b)		OCA
	66(c)(iii)		OCA
	67(b)		OCA
	67(c)(iii)		OCA
	69-72		OCA
	74-76		OCA

Response to Interrogatories:		Redirected from:	Designated by:
	77(a-c)		OCA
	78-83		OCA
	84(a-c)		OCA
	85-88		OCA
OCA/USPS-T4-	22-26	Lion	OCA
	28-34		OCA
	38-40		OCA
	46		OCA
	48(a-c)		OCA
	48(e-f)		OCA
OCA/USPS-T5-	5-9	Patelunas	OCA
	13-15		OCA
	19-22		OCA
OCA/USPS-T8-	18	Needham	OCA
	39		OCA
	41		OCA
	Response to Inquiry of OCA at Hearing 9/10/96; Tr. 3/763-64	Needham	OCA
UPS/USPS-	1-2		OCA

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-1 When the United States Postal Service was formed after the Postal Reorganization Act was enacted, what service provided the "most expeditious handling and transportation afforded mail matter by the Postal Service?"

RESPONSE:

Airmail and/or airmail with special delivery.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE AMERICAN POSTAL
WORKERS UNION, AFL-CIO

APWU/USPS-2 Referring to page one of the Postal Service's Request for a Recommended Decision, what "new data and analysis obtained since the last rate case " indicates that eliminating Special Delivery service will "better meet customer needs and reflect costs and customer demands"? Please provide copies of all such data and any such analysis.

RESPONSE:

See USPS-T-1 at 4, 5; Response of witness Lyons to OCA/USPS-T8-7(c);

Exhibit USPS-T-1A; USPS-T-2 at 7-8; USPS-T-8 at 116-36.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
REDIRECTED FROM WITNESS NEEDHAM

APWU/USPS-T8-12 At page 128 of your testimony you assert that Express Mail provides more expeditious delivery and is either equivalent in price or only marginally more expensive than Special Delivery.

* * * * *

e. Please provide the mean, median, and mode weight for Special Delivery mail matter for each year from 1970 through 1995.

* * * * *

RESPONSE:

e) Statistics on Weight per Piece of Special Delivery Mail

(Data in ounces)

<u>Fiscal Year</u>	<u>Mean</u>	<u>Median</u>	<u>Mode</u>
1992	14.65	1.33	1.01
1993	22.94	0.71	0.035
1994	4.14	0.50	0.40
1995	4.62	0.60	0.50

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-1.

Attached hereto as Exhibit A is a listing of the special service fee schedules, SS-1 through SS-20, found in the DMCS, along with revenues (in thousands) for certain of those special derives as reported in Docket No. R94-1, USPS-11I, which accompanied the testimony of witness Foster.

a. Please confirm that the 1993 actual revenues shown in the attachment are correct. If you do not confirm, please provide the correct amounts.

b. Please explain why no revenues were given for the fees in Rates Schedules SS-11a-d, and if 1993 actual revenues are available for the fees shown in Rate Schedules SS-11a-d, please provide them. If revenues which the Postal Service derives from the fees in Rate Schedules SS-11a-d are included with revenues from another special service, please so indicate and explain why they are not reported separately. If revenues which the Postal Service derives from the fees in Rates Schedules SS-11a-d are not included with revenues from another special service, but instead are reported somewhere else within the CRA, please indicate where revenues from fees for these special services are recorded and explain the rationale for including them elsewhere than under special services.

c (i) What is the amount of revenues in 1993 that the Postal Service derived from fees for merchandise return services shown in Rate Schedule SS-20? (ii) Where are such revenues recorded and reported in the CRA?

d. Please confirm the 1993 total revenues derived from fees for all special services shown in the last row of Exhibit A. If you do not confirm the total shown in the attachment, please provide the correct total.

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-1 Response.

a. The amounts are not confirmed. The source cited, Docket No. R94-1, USPS-111, shows 480,969 for Box/Caller Service and 7,472 for Restricted Delivery. Also, see the response to NM/USPS-3.

b. The revenue accounts associated with these fees also include other revenues, thus, it is impossible or nearly impossible to isolate the fees associated with these special services.

The fees associated with these special services are in the line "Miscellaneous Items" in the CRA. The rationale for including them as "Miscellaneous Items" in the CRA is that these services do not involve any specific class of mail nor do they involve any of the mail-related special services. A distinction should be made between mail-related special services, for example

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-1 Response.

Certified Mail, that are additional services provided to a piece of mail and a service that is performed for a mailer, for example, correcting address lists.

c. (i) The fees derived from merchandise return services in 1993 were not isolated or reported separately.

(ii) See response to NM/USPS-1c(i).

d The arithmetic for the summation is confirmed. If the amounts cited in the response to NM/USPS-1a are used instead though, the summation would be \$1,723,043

**Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab**

NM/USPS-2.

Please confirm that the 1993 CRA showed total revenue from special services as \$1,317,600,000. If you do not confirm, please provide the correct figure shown in the 1993 CRA.

NM/USPS-2 Response.

The 1993 CRA total revenue amount of \$1,317,600,000 is confirmed

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-3.

Please reconcile fully any difference between (i) 1993 total revenues derived from fees for special services shown in the attachment to preceding interrogatory NM/USPS-1, \$1,727,043,000, and (ii) total revenues for fees from special services as reported in the 1993 CRA, and discussed in preceding interrogatory NM/USPS-2. For any fees from special services that are reported separately in USPS-111 but that are not included in CRA special services revenue, please explain where the revenues are recorded, and state the rationale for not recording and reporting such fees as part of special services revenue in the CRA.

NM/USPS-3 response

There is nothing to "reconcile" between the different amounts. The fees for the special services in the attachment to interrogatory NM/USPS-1 are in a different format than that used in the CRA. It is important to note that by summing the individual items in the attachment to NM/USPS-1, double counting occurs. For instance, the 130,358 for return receipts and the 7,472 for restricted delivery are included in the special service that caused their existence; for example, the return receipts associated with certified mail are in the certified revenue.

For the individual items listed in the attachment that are not itemized in the CRA special services, the revenues are associated with either the class of mail that caused the service, the special service that caused the service, or in miscellaneous items. The rationale is that the CRA is designed to attribute costs to classes of mail; any secondary and tertiary services that can be identified with a class of mail are attributed to that class of mail.

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-4.

The following table compares (i) estimated revenues in Docket No. R94-1 from selected special services for 1995 Test Year After Rates, from POIR #10, question 2e (column 1 below), with (ii) actual 1995 revenues for certain special services as reported in Docket No. MC96-3, USPS-T-7 & 8 (column 2 below).

Fee Schedule SS-	(1) 1995 TY After Rates Revenues (000)	(2) 1995 Actual Revenues (000)
5 Certified	526,248	527,209
6. COD	24,508	??
8 Money Orders	213,870	??
9. Insurance	53,228	51,846
10. Box Caller Service	554,607	531,803
11. Registry	114,828	117,461
16. Return Receipts	_____	240,735
17. Special Delivery	2,655	2,800
19. Stamped Envelopes	<u>23,959</u>	<u>??</u>
Total	1,512,903	1,471,854

Please supply 1995 actual revenues derived from fees for the following special services: COD (SS-6); Money Orders (SS-8); and Stamped Envelopes(SS-19).

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

USPS-4 Response.

The FY 1995 actual revenues derived from fees were:

COD (SS-6)	20,813
Money Orders (SS-8)	253,300
Stamped Envelopes (SS-19)	25,400

It should also be noted that the correct FY 1995 amount for Return Receipts is 270,095 and this is included in the revenues for the underlying services in the CRA.

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-5.

Please provide the 1995 actual revenues from fees for the following special services: Address Corrections (SS-1); Business Reply (SS-2); Certificates of Mailing (SS-4); On-site Meter Setting (SS-12); Parcel Air Lift (SS-13); Restricted Delivery (SS-15); Special Handling (SS-18); and Merchandise Return (SS-20).

NM/USPS-5 Response.

	(000's)
Address corrections	99,964
Business Reply	91,345
Certificates of Mailing	4,116
On-Site Meter Setting	4,261
Parcel Air Lift	166
Restricted Delivery	9,885
Special Handling	865
Merchandise Return	1,774

Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab

NM/USPS-6.

a. Please confirm that the 1995 CRA, USPS-T-5C, shows total revenues from special services amounted to \$1,564,700,000. If you do not confirm, please provide the correct total.

b. Please reconcile fully the total revenue from special services as reported in the CRA with the total revenues for all special services provided in response to preceding interrogatories NM/USPS-4 and NM/USPS-5.

NM/USPS-6 Response.

a. The FY 1995 CRA total revenues from special services amount of \$1,564,700,000 is confirmed.

b. There is nothing to "reconcile" between the different amounts. The fees for the special services in the attachment to interrogatory NM/USPS-1 are in a different format than that used in the CRA.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA PHOTO INC. AND MYSTIC COLOR LAB

NM/USPS-7.

a. Please confirm that on April 23, 1996, at the National Postal Forum in Anaheim, California, the prepared remarks of William J. Henderson, Chief Operating Officer and Executive Vice President of the United States Postal Service, included the following statement:

In three years, we will see \$9.6 billion of additional expenses. And growth in total costs for the five-year period out to the year 2000 will be in the \$17 billion range....Our current forecasts show a gap of \$12.4 billion.

b. Please provide a full definition of the "gap" referred to by Mr. Henderson.

c. Starting with either FY 1996 or FY 1997, indicate on a year by year basis the annual gap forecasted by Mr. Henderson until it reaches the cumulative total of \$12.4 billion.

RESPONSE:

a. Confirmed.

b. The gap referred to by Mr. Henderson is the amount by which cumulative net income (equity restoration) for the period FY 94 - FY 2000 would fall short of the amount required to meet the targets established by Board of Governors Resolution No. 95-9, Restoration of Equity and Recovery of Prior Years' Losses.

c. The gap referred to by Mr. Henderson covered the period FY 1994 - FY 2000 assuming a continuation of current trends and no rate increases after the one implemented on January 1, 1995. The annual amounts for the period FY 1994 - FY 1997 are shown below. Estimates for the Period FY 1998 - FY 2000 have not been provided because they are beyond both the test year and the year in which the proposed special services reforms would be implemented.

Attachment to
NM/USPS-7

Net Income (Loss)
GAP From Equity Restoration Target
(\$millions)

1	2	3	4	5
Fiscal Year	Actual or Estimate	Needed to Meet BOG Target	Over/(Under) Target	Cumulative Amt. Over/(Under)
1994	(914)	(1,344)	430	430
1995	1,770	936	834	1,264
1996	923	936	(13)	1,251
1997	(652)	936	(1,588)	(337)

Column 2 - FY 94 & 95 reflect actual results. FY 96 & 97 reflect FY 97
President's Budget estimates.

Column 3 - FY 94 is Docket No. R94-1 estimated net loss for FY 94.
FY 95 - 97 amounts reflect average annual Prior Years' Loss amount
from Docket No. R94-1 Opinion.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-8.

- a. Since Docket No. R94-1, (i) has the Postal Service revised, corrected or updated any previous study dealing with BRM, including but not limited to the study submitted as a library reference in Docket No. R94-1; and (ii) has the Postal Service initiated or commissioned any new study or analysis dealing with BRM?
- b. Unless the answer to both (i) and (ii) above is an unqualified negative, please (i) identify all BRM studies or analyses completed, and submit copies of each completed study so identified as a library reference, and (ii) identify all BRM studies or analyses underway and describe fully the scope and status of any study not yet complete, and state the target schedule for completion of all such studies now in progress (include any studies in the planning stage as well as those actually underway).

RESPONSE:

a.

(i) No.

(ii) Yes.

b.

(i) No studies have been completed.

(ii) As part of its comprehensive management review of Business Reply Mail, the Postal Service is presently planning to study Business Reply Mail costs. The scope and timing of that study presently are being determined. It is expected to be completed by the end of the calendar year.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-9.

- a. What was the total number of BRM advance deposit accounts in 1994 and Base Year 1995? Please provide data that are comparable to the 64,244 BRMAS accounts [and 128,488 BRM accounts] estimated by USPS witness Mallonee and referenced in interrogatory NM/USPS-17.
- b. Of the total number of BRM advance deposit accounts identified in preceding part (a), please state the number or the percentage that qualified for the BRMAS rate in Base Year 1995, and explain the basis on which the estimate is derived.
- c. For Base Year 1995, please state the total revenues derived from the accounting fee for BRM advance deposit accounts; i.e., the \$205 per account shown in rate schedule SS-2.
- d. For Base Year 1995, please state the number of BRM permits issued and total revenues derived from the permit fee; i.e., the \$85 per account shown in rate schedule SS-2.

RESPONSE:

- a. The number of BRM advance deposit accounts in FY 1994 was approximately 131,917. The number of BRM advance deposit accounts in BY 1995 was approximately 134,369. The number of these accounts which were BRMAS accounts is not available at present. See response to NM/USPS-17.
- b. See response to part a. above.
- c. The total revenue from BRM advance deposit accounting fee for BY 1995 was approximately \$26,603,496. The fee increased during the BY from \$185 to \$205.
- d. For BY 1995, there were approximately 229,151 BRM permits issued, resulting in approximately \$18,720,176 in permit fees. The fee increased from \$75 to \$85 during the BY.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-10.

- a. What was the total volume of BRM in 1994 and Base Year 1995?
- b. What was the number, or percent, of total BRM pieces that paid the pre-barcoded rate of 2 cents per piece for advance deposit accounts in Base Year 1995?
- c. What was the number, or percent, of total BRM pieces that paid the "other" (non-pre-barcoded) rate of 10 cents per piece for advance deposit accounts in Base Year 1995?
- d. What was the number, or percent, of total BRM pieces that paid the rate of 44 cents per piece (when advance deposit accounts were not used) in Base Year 1995?

RESPONSE:

- a. The total volume of BRM in FY 1994 and BY 1995 is estimated to have been 1,067,614,836 pieces, and 1,250,481,913 pieces, respectively.
- b. 53 percent.
- c. 42 percent. This fee increased during By 1995 from 9 cents per piece to 10 cents per piece.
- d. 5 percent. This fee increased during By 1995 from 40 cents per piece to 44 cents per piece.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-11.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 3, fn. 2, stated that

BRMAS participants are required to use different ZIP+4 add-ons depending upon their use of postcards, 1 ounce pieces, or 2 ounce pieces.

Please explain how the BRMAS account holder can control what the sender puts into a BRM envelope and can tell in advance whether a BRM letter will weigh 1 or 2 ounces.

RESPONSE:

BRMAS envelopes are often sent out or provided with questionnaires, cards, etc, statements for enclosure in the reply piece. Many BRMAS mailers solicit specific additional enclosures, such as checks or money orders. Except in unusual cases, the same inserts, cards, or other specifically solicited items are returned to the BRMAS account holder. These items fall within the weight specifications approved for automation-compatible and machinable BRMAS pieces the account holder is expected to receive. While no BRMAS account holder expecting to receive 1-ounce pieces can say with absolute certainty that no incoming piece will exceed this limit, many are able to project with great confidence that pieces exceeding 1 ounce will be very rare. Such is the case for many remittance recipients.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

(Response to NM/USPS-11 continued)

Others BRMAS recipients who expect to receive essentially identical (weight and size) mail pieces (and little else) which weigh between 1 and 2 ounces (ballots in a union election, for instance), also are able to project with great confidence that pieces outside the expected weight range will be very rare.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-13.

- a. In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 5, stated that "Most sites that utilize BRMAS continue to process BRMAS mail pieces on a separate, unique sort program." Please confirm that witness Mallonee's statement is as true today as when it was written.
- b. If you are unable to confirm, please explain fully and cite all circumstances that have changed with respect to the way BRMAS mailpieces are handled at "most sites."

RESPONSE:

Each site which runs BRMAS continues to have a unique sort program. Since ZIP+4 densities are taken for each piece, it would be extremely time-consuming if letters other than BRMAS were sorted on this sort program. It would greatly extend the time required to print BRMAS bills. In addition, many sites have unique 5-digit ZIP Codes which, when held out during primary sortations, would not facilitate processing this mail on a non-BRMAS sort program.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-14.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 6, explained that

Inaccurate BRM billing occurs when BRMAS customer information is not maintained and kept current. Modifications to customer account characteristics, such as assigning new BRMAS bar codes to reflect the use of postcards as well as letters, [and] removing customers that drop out of the program . . . may affect the counting and rating process.

- a. How many customers dropped out of the BRMAS program in base year 1995?
- b. What form or forms are used to identify and keep track of customers that qualify for and participate in the BRMAS program?
- c. How many BRMAS accounts were added in base year 1995?
- d. In base year 1995, how many BRMAS accounts (i) changed from letters to postcards, or vice-versa; or (ii) started receiving post cards in addition to letters, or vice-versa?
- e. On average, how many times a year must BRMAS software be reprogrammed at local sites?

RESPONSE:

- a. The Postal Service has not performed a study that would permit it to estimate how many customers who were participating in BRMAS at the beginning of FY 1995 were not in the program at the beginning of FY 1996. A national survey of all Postal Business Centers and Postage Due Delivery Clerks would be required.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

Response to NM/USPS-14 continued)

- b. No standard forms are used. Attached to this response is a copy of a form used in the Southern Maryland Postal Business Center.
- c. The Postal Service has not performed a study that would permit it to estimate how many BRMAS accounts were added in fiscal year 1995.
- d. The Postal Service has not performed a study which would indicate, for 1995, how many BRMAS accounts (i) changed from letters to postcards, or vice-versa; or (ii) started receiving post cards in addition to letters, or vice-versa.
- e. It varies, depending on such factors as the frequency with which customers are added or dropped, or make letter/card changes, and whether multiple changes can be consolidated into a single reprogramming effort. For instance, in Southern Maryland, it is estimated that there are presently 3 new BRMAS customers added every two weeks. It is not known whether this is nationally representative. Whether there is a need to reprogram three times every two weeks at Southern Maryland, for instance, would depend on when the changes took effect in relation to one another and whether consolidation of reprogramming was a feasible option at any given time. Other facilities may input sort

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Response to NM/USPS-14 continued)

program changes several times a week or only several times a month, with the expectation that the changes take effect on specific date.

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NM/USPS-15.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 7, stated that

While there is a procedure through which the customer presents postage paid mailpieces for reimbursement, the Postal Service sometimes performs these manual counts as a customer service.

- a. Does the Postal Service continue to perform these manual counts as a customer service? If the answer is negative, please explain when the Postal Service discontinued providing manual counts as a customer service.
- b. Does the Postal Service have any policies relating to when it will perform these manual counts as a customer service? If so, please describe them in detail.
- c. Assume (i) that a Postal Service employee is performing a manual count to help a customer obtain a refund for postage paid BRM mailpieces, and (ii) while the employee is so engaged, an IOCS tally is taken on that employee. Would that tally, and the costs associated with that tally, be charged to BRM?

RESPONSE:

- a. Yes.
- b. No.
- c. Yes.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-16.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 8, stated that

While BRMAS software is now resident on all Postal Service bar code sorters, it does not currently interface effectively with the MMC DBCS software and therefore cannot be used to count and rate BRMAS mailpieces.

- a. Is it still true that BRMAS does not interface effectively with MMC DBCS software?
- b. In Postal Service facilities that are equipped only with MMC machines, please describe how BRMAS mail is handled.

RESPONSE:

- a. Yes.
- b. Currently, there are very few facilities which have only MMC machines. Many of the sites that received MMC DBCSs also now have MPBCSs which are compatible with the BRMAS software. Although BRMAS software does not work on the MMC machines, these sites could still use the machines to sort BRMAS and use the end-of-run reports to record bin volumes. This would not utilize BRMAS software, but would be an option to avoid manually counting this mail. In some cases, where the volumes are relatively small, the plant may elect to process this mail manually.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-17.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 8, fn. 5, stated that

665,010,200 [pieces] divided by 64,244 BRMAS accounts (assuming half of the BRM advance deposit accounts are for BRMAS) divided by 312 days per year (6 days a week) = 33.18 pieces per account/day.

- a. Does the Postal Service have any data that show the distribution of the volume of BRM mail by account? To illustrate the type of data desired, how many BRM accounts received more than 1,000,000 pieces per year; how many accounts received between 100,000 and 1,000,000 pieces per year; and how many received less than 100,000 pieces per year? Please provide all BRM distribution data, whether in the above size ranges or any other size ranges, that are in the possession of the Postal Service for the last three fiscal years. If no such data exist, please so state.
- b. Please provide the basis for witness Mallonee's assumption that "half of the BRM advance deposit accounts are for BRMAS." If any kind of surveys or other data underlie this statement, please identify them and provide copies thereof.

RESPONSE:

- a. No. A nationwide survey of accounts would be necessary, and one has not been performed.
- b. The estimate evolved from a discussion Mr. Mallonee had with persons in the Finance Department during the time he was preparing testimony in Docket No. R94-1. No record of the basis for this estimate has been preserved. The basis of the estimate has since escaped his powers of recollection.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-18.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at pp. 8-9, stated that

Seasonal fluctuations in BRM volumes produce a further reduction in volume for some days. Sites may not choose to repeatedly change their distribution, counting and rating procedures as individual BRMAS customer volume fluctuates. Instead these sites would use manual counting of BRMAS mailpieces. (fn. omitted)

- a. Please confirm that the above statement is as true today as when it was written. If you are unable to confirm, please explain fully and cite all circumstances that have changed with respect to the way the Postal Service handles BRM accounts with fluctuating low volume.
- b. What is the volume level (or range of volume) below which sites would generally use manual counting of BRMAS mailpieces?
- c. Is it a correct interpretation of the above-quoted statement that for some BRM accounts the Postal Service may generate automated BRMAS statements on some days of the year, and on other days of the year opt to use manual counting of the BRMAS mailpieces? If so, does the Postal Service nevertheless always charge such accounts the barcoded fee of 2 cents per piece, or does it charge the 10 cents per-piece fee when the volume is so low that it is more economical to count the pieces manually? If the fee does not depend on the way the mail is actually handled, please explain fully all reasons why not.

RESPONSE:

- a. The Postal Service has no basis for concluding that this statement applies any differently today than in 1994. Volumes for "seasonal" BRMAS customer volume normally fluctuate for periods of time. One example would be a college admissions office, which might receive large volumes of mail twice a year for four to six weeks at a

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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Response to NM/USPS-18 continued)

time. The rest of the year, the account would receive little or no volume. As the volume for a BRMAS account diminishes, it might be removed from the sort program for a period of time and then placed back on the program as volume increases.

- b. That determination is made locally, depending on local mailflows and operating practices and constraints. If a site has a 200-stacker processing machine and 150 BRMAS accounts, it might choose to have all accounts on the machine at all times. Another site may use 50 pieces as a cut-off, since this is the number normally used for firm holdouts on other automation sort programs. Some sites use numbers as low as 20 or 10 pieces. It is not unusual for the volume for a particular BRMAS account to be as low as five pieces per day before action is taken.

- c. A site would not sort an account on a machine three days a week, and then manually for 2 days a week. The account would either be on the sort program for a period of time or off the program for a period of time. These intervals are for weeks or months, not days. Since these accounts have been approved for BRMAS, if Mail Processing chooses

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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Response to NM/USPS-18 continued)

to switch the account to manual processing for an interval because of low volume, this does not negate the fact that the customer has been approved for the BRMAS and would be charged accordingly during the period of manual processing. The same is true for that portion of the automation rate mailstream which meets the specifications for automation discounts, pays discounted rates, but ends up getting processed manually or mechanically.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-19.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 9, stated that

As plants developed BRMAS sort programs they discovered that many bar code sorter stackers received minimal volumes. Consequently, the BRMAS report generation process, combined with the time used to process BRMAS mail pieces, actually took longer and used more resources than did the manual sorting, counting, and billing system used prior to BRMAS implementation. (fn. omitted)

- a. Please define the term "minimal volumes" as used here.
- b. Please confirm that the above statement is as true today as when it was written. If you are unable to confirm, please explain fully and cite all circumstances that have changed with respect to BRMAS accounts with low or "minimal" volume.
- c. Please explain fully why the Postal Service and the DMM do not require a minimum volume of incoming BRM mail in order to qualify for the BRMAS rate.

RESPONSE:

- a. "Minimal" varies in relation to the volume experienced at a particular facility. At some facilities, a "minimal" volume could be 50 pieces; at another, 10.
At many facilities, BRMAS is used regardless of volume.
- b. The Postal Service has no basis for concluding that this statement applies any differently today than in 1994.
- c. The Postal Service, through the DMM, sought to establish BRM specifications which were not inconsistent with the recommendations of the Commission, which are reflected in the DMCS, and based upon its recommended decisions.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-20.

For purposes of your answer to this question, please make the following assumptions:

- i. pre-barcoded BRMAS mail is segregated into separate sorter stackers for purposes of generating a "bill" for each customer;
- ii. a number of the sorter stackers contain a volume of mail just above the minimum level necessary to justify automated processing (i.e., the minimum level which you identified in the response to preceding interrogatory NM/USPS-19);
- iii. after the "bill" is prepared and the mail is removed from the sorter stacker, the mail must be "street" delivered by the carrier (i.e., the low volume does not justify a plant pick up by the customer); and
- iv. the carrier receives non-BRM letter mail presorted on either a DBCS or a CSBCS.

Please describe fully how BRMAS mail is integrated with other letter mail for delivery, including whether the BRMAS pieces are inserted manually, sorted into route sequence on automated equipment, or handled some other way. If the procedure differs based on whether a DBCS or CSBCS is used, please explain fully.

RESPONSE:

It is expected that a carrier receiving BRMAS mail would either put the bundle in a sack to be delivered to the firm; or place the BRMAS bundle in with the mail for the firm and tie it out as one bundle; or place the bundle of BRMAS mail in the relay container and deliver it with the rest of the customer's mail.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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NM/USPS-22.

In Docket No. R94-1, the Postal Service submitted rebuttal testimony of Hien D. Pham, USPS-RT-7. In that testimony, at p. 5, witness Pham stated that

the BRMAS operation performs the counting, rating and billing of BRM pieces, which in fact constitute the special service features of BRM, above and beyond those pertaining to regular First-Class Mail.

- a. Does the BRM special service have any distinguishing features other than counting, rating and billing? If so, please enumerate all other distinguishing features.
- b. Please confirm that the fee which mailers pay for BRM is based on the attributable costs which the Postal Service incurs to count, rate and bill BRM pieces, and which according to witness Pham, "constitute the unique special service features of BRM, above and beyond those pertaining to regular First-Class Mail." If you do not confirm, please explain fully the basis for the per-piece BRM fees.

RESPONSE:

- a. One of the objectives of the ongoing internal management review of Business Reply Mail is to determine whether there are other additional, previously unaccounted for, service features which, for both costing and pricing purposes, distinguish BRM.
- b. The fees which mailers pay today for non-BRMAS BRM are based upon the Commission's Docket No. R94-1 determination to recommend the "across-the-board" increases in the Docket No. R90-1 fees. The current BRMAS fee is the same fee that was recommended in Docket No. R90-1. Because the Postal Service was unable to persuade the Commission

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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(RESPONSE to NM/USPS-22 continued)

in Docket No. R94-1 that a 2-cent BRMAS fee was not appropriate, the Commission concluded in Docket No. R94-1 that it was "constrained to rely on the Docket No. R90-1 analysis." PRC Op. R94-1 at ¶5461. Until the Postal Service is able to complete a comprehensive review of BRM, including a study of costs associated with provision of that service, the Postal Service is unable to state whether "the fee which mailers pay for BRM is based on the attributable costs which the Postal Service incurs to count, rate and bill BRM pieces, and which according to witness Pham, 'constitute the unique special service features of BRM, above and beyond those pertaining to regular First-Class Mail.'"

**Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab**

NM/USPS-23.

For Base Year 1995, what was the total cost attributed to BRM?

NM/USPS-23 Response.

**The Base Year 1995 (FY 1995 CRA) total cost attributed to BRM
was \$105,393 thousand.**

**Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab**

NM/USPS-24.

a. Does the Postal Service use the IOCS to determine attributable costs of BRM?

b. If the answer to the preceding question is affirmative, please describe the activities tallied as chargeable to BRM, and state the number of tallies used to determine BRM attributable costs in Base Year 1995.

c. Does the Postal Service use any information other than, or in addition to, IOCS tallies to determine BRM attributable costs? If so, please describe fully and state how attributable costs of BRM are determined.

NM/USPS-24 Response.

a. The IOCS is used to determine the attributable costs of BRM in the CRA.

b. See Library Reference SSR-17, page 218, sections 5 and 6 for the definition of the tallied activities that are chargeable to BRM. There were 602 unweighted tallies and 39,686 dollar weighted tallies for BRM in Base Year 1995 (FY 1995 CRA).

c. The CRA uses no other basis for BRM other than IOCS.

**Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab**

NM/USPS-25.

a. With respect to the fees paid by BRM users with an active business reply advance deposit account, in Base Year 1995 did the 10 cent per-piece fee for "other" pieces (i.e., pieces not pre-barcode) on average cover all attributable costs of such other pieces?

b. With respect to the fees paid by BRM users with an active business advance deposit account, in Base Year 1995 did the 10 cent per-piece fee for "other" pieces (i.e., pieces not pre-barcode) cover all attributable costs of such other pieces when they are handled and counted individually by USPS employees?

c. If the answer to either of the preceding questions is negative, please provide all evidence on which the Postal Service relies to show that BRM fee of 10 cents per piece does not cover attributable cost, either on average or when BRM pieces are handled and counted individually by USPS employees.

d. Was the 10 cent per-piece BRM fee designed to cover all attributable costs when non-barcode BRM pieces are handled and counted individually? Unless the answer is an unqualified affirmative, please state the costs that the 10 cent fee was designed to cover.

NM/USPS-25 response.

a. In the CRA, the attributable costs for BRM are not captured separately for "BRM users with active business reply advance deposit accounts" nor are the costs captured separately for "pieces not pre-barcode".

b. In the CRA, the attributable costs for BRM are not captured separately for "such other pieces when they are handled and counted individually by USPS employees". See also the response to part a of this question.

c. Not applicable. See responses to parts a and b of this question.

**Answer of United States Postal Service to
Nashua Photo Inc. and Mystic Color Lab**

NM/USPS-25 Response continued.

- d. Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-26.

- a. Is it the Postal Service view that BRM fees derived from the 10 cent per-piece fee for "other" (non-pre-barcoded and/or non-machineable) pieces with advance deposit account should be used to cover attributable costs associated with pre-barcoded pieces?
- b. Unless the answer to the preceding question is an unqualified negative, please (i) state fully all circumstances that justify a higher fee for some BRM to cover attributable costs of other BRM that pays a lower fee, and (ii) explain whether such a practice constitutes good rate design.

RESPONSE:

As the Postal Service moves closer to the completion of its internal management review, it will be able to articulate a view as to whether this is the case and, if so, whether this should continue to be the case.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-27.

With respect to "other" BRM pieces (i.e., pieces not pre-barcoded and/or not machineable), does the Postal Service have in place any established procedures designed to avoid handling and accounting for each BRM piece individually? Unless your answer is an unqualified negative, please describe each such procedure and provide citations to the DMM or a library reference with all applicable instructions for use and implementation of each such procedure by post offices and field personnel.

RESPONSE:

Non-machinable/non-barcoded BRM has to be processed by the Postal Service in mechanized or manual operations. Most incoming cases and racks have a holdout for BRM mail for zone. Incoming Letter and Flat Sorting schemes also have a holdout for BRM. This mail would then have to be manually counted before delivery to the customer. Some plants have entered into local agreements with customers and have established "reverse manifest" procedures; however, there is no national policy which requires uniformity in the precise terms of these agreements.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-28.

- a. For FY 1995 (or the most recent year prior to 1995 if data are not available for 1995), of those mailers that used BRM and maintained an advance deposit account, how many or what percentage did not qualify for the BRMAS rate because their mail was non-automatable?
- b. Please state the other most important reasons why mailers that used BRM and maintained an advance deposit account did not qualify for the BRMAS rate.

RESPONSE:

- a. & b. The Postal Service has not performed studies or surveys since Docket No. R94-1 which have generated data or information which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-29.

For those mailers that (i) use BRM, (ii) maintain an advance deposit account, but (iii) do not qualify for the BRMAS rate, please indicate

- a. the nature of the business or type of industry in which most such mailers are engaged (or which account for the largest share of BRM mail that does not qualify for the BRMAS rate);
- b. the most common types of mail (*e.g.*, flats, small parcels, etc.); and
- c. the range within which the annual volumes of such BRM mail would be expected to fall for a typical BRM user.

RESPONSE:

- a. - c. The Postal Service has not performed studies or surveys since Docket No. R94-1 which have generated data or information which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-30.

For those mailers that (i) use BRM, (ii) maintain an advance deposit account, but (iii) do not qualify for the BRMAS rate, please indicate

- a. the number or percentage of such mailers for whom the Postal Service weighs and/or accounts for each incoming piece of BRM separately;
- b. the number or percentage of such mailers for whom the Postal Service (or the mailer) uses some form of "weight averaging" to estimate the postage and BRM fees due (*e.g.*, where a sample is weighed and rated and the results are then applied to the total weight of incoming mail);
- c. the number or percentage of such mailers for whom the Postal Service permits the mailer to prepare some form of incoming manifest system to estimate the postage and BRM fees due; and
- d. the number or percentage of such mailers for whom the Postal Service (or the mailer) estimates the total revenue due the Postal Service in some other manner that is designed to avoid the handling and accounting for BRM as individual pieces. Please provide a brief description of such other methods known to be in use.

RESPONSE:

- a. - d. The Postal Service has not performed an operation survey which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-31.

Please consider the Postal Service's offering of a new, lower rate for bulk non-automatable, non-barcoded Business Reply Mail where alternative handling and verification procedures are utilized, thereby avoiding individual processing of pieces (such as the incoming manifesting system used for Nashua's mail, and the weight averaging system used for Mystic's mail).

- a. Please identify any operational problems created by the offering of such a rate and new product.
- b. Would offering such a product create an unacceptable increase in the complexity of BRM rates or products?
- c. Assuming that the Postal Service's costs of such product are properly identified and measured, and an appropriate rate is charged, please identify all arguments against such a proposal.
- d. Please identify the factors that should be considered in determining the minimum volumes, as well as the period over which such minimum volumes are applied, for a mailer to qualify for such a bulk service.

RESPONSE:

- a. - c. The Postal Service assumes that if it were, in fact, offering the hypothetical service described in the interrogatory, a necessary prerequisite to that offering would be a decision by the Governors (presumably accepting a Commission recommendation) which implied that material operational issues were not anticipated, that rate complexity did not present a significant problem, and that arguments against the proposal did not outweigh the arguments in its favor.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-31. (RESPONSE cont'd:)

- d. Presumably, these details (which are absent from the hypothetical) would be reflected in the hypothetical recommendation of the Commission or the hypothetical decision of the Governors.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-32.

Please identify all recurring and nonrecurring per-piece costs incurred by the Postal Service associated with Nashua's use of Business Reply Mail.

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to this interrogatory.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-33.

Please identify all recurring and nonrecurring per-piece costs incurred by the Postal Service with respect to Mystic's use of Business Reply Mail.

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to this interrogatory.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-34.

With respect to Nashua's manifesting system for incoming BRM, what degree of accuracy is considered to be minimally acceptable? What degree of accuracy has been obtained thus far, and what changes can be made to increase that degree of accuracy, if necessary?

RESPONSE:

To the extent possible, the current arrangement was designed to meet the criteria in USPS Publication 401, Guide To The Manifest Mailing System. The attached documents reflect analysis which took place in October, 1995, as well as June and July, 1996. The Postal Service has not determined a final standard for minimally acceptable BRM reverse manifesting system performance, nor has it determined what changes can be made to the process currently employed by Nashua to increase its accuracy.

Analysis

During June there were postage adjustments 19 days (17 underpayments/2 overpayments and no adjustments on 11 days.

Adjustments for 12 of the 17 days were calculated at the time of this report. The average postage adjustment for June was about \$[REDACTED]. Overall the adjustments resulted in Nashua paying approximately 4% additional postage over the total amounts shown on their BRM reports.

Since the October sampling the overall errors have been reduced from 20.2% to 16.3%. Missing piece errors have been virtually eliminated. We still have a slight problem with No BRM Price pieces. These are pieces that are in the system, but were not identified as BRM pieces by the operator during the input of the order. Nashua contends this is due to customers detaching "old" envelopes with "old" prices (and no BRM media code) and using these for their orders. These errors only represent 2.2% of the pieces being returned, but just coming across one in a 50-piece sampling will normally result in a postage adjustment.

Nearly 75% of the errors involve mistakes by the operators when indicating whether there was a film canister in the order. By the operator saying there is a canister when there isn't will result in a .43 (actual) / .55 (manifest) error. By saying there isn't a canister when there is one in the order will result in a .55 (actual) / .43 (manifest) error. Several of the other piece weight discrepancies also appear to be caused by errors surrounding the existence of a film canister in the order. Overall, most of the decrease in the number of errors came in this category so Nashua has made some progress, but not nearly enough.

The remaining approximate 7% of errors involved piece weight discrepancies of 0.1 of an ounce or less. These are probably due to minute differences in predetermined weights and are unlikely to be corrected. They appear to be evenly spread between Nashua's favor and the Postal Service's favor and only represent less than 1% of the total pieces in the BRM universe. We could live with these.

Below is some volume/revenue trend analysis based on June '96 BRM activity:

Daily Average Volume - [REDACTED] pieces ([REDACTED] million annually)
 Daily Average Revenue (includes postage and BRM fees) - [REDACTED] ([REDACTED] million annually)
 Daily Average BRM fees ([REDACTED] pcs. X \$0.10) - [REDACTED] ([REDACTED] annually)
 Daily Average BRM fees if under BRMAS ([REDACTED] pcs. X \$0.02) - [REDACTED] ([REDACTED])
 Daily Average BRM fee savings if under BRMAS - [REDACTED] ([REDACTED])

Over 85% of Nashua's film orders are BRM. When the program was implemented in October of '94 only about 15% of their volume was BRM.

NASH PHOTO BRM - ACTUAL VS MMS

Date	.43/.55	.55/.43	.55/1.01	.78/.55	.78/1.01	.43/.32	Missing	No BRM	Totals
10/16	5	5		3				1	14/36
10/17	3	3					1		7/43
10/18	4	6						2	12/38
10/19	3	4							7/43
10/20	2	1							3/47
10/21	2	3					1	2	8/42
10/22	1	1	1	1	1	2			7/43
10/23	5	1		3	1			3	13/37
10/24	3	8							11/39
10/25		7		1					8/42
10/26	6	2			1		1	1	11/19
Total	34	41	1	8	3	2	3	9	101/449
	(6.8%)	(8.2%)	(0.2%)	(1.6%)	(0.6%)	(0.4%)	(0.6%)	(1.8%)	(20.2%)

**Of the 101 pieces (20.2%) in error - 57% of the errors are in Nashua's favor
43% of the errors are in USPS's favor**

**88% of the total errors are due to incorrect piece weights-
76% of the errors are +/- 0.1 ounces
21% of the errors are +/- 0.2 ounces
3% of the errors are greater than +/-0.2**

12% of the total errors are due to missing (3) or incorrect (non-BRM) media codes(9)

NASHUA PHOTO BRM - ACTUAL VS MMS

Date	.43/.55	.55/.78	.78/1.01	.55/.43	.78/.55	1.01/.78	Misc.	No BRM Price	Totals 50 Piece Sample
6/1	2			9	2			1	14-36
6/2	6	1	1	5	1			2	16-34
6/3	6	3		3			1	3	16-34
6/4			1	2					3-48
6/5	1			3				2	6-44
6/6	3		2					3	8-42
6/7		1		1		1		1	4-46
6/8	4	2		5			3		14-36
6/9	1	4	1	2				2	10-40
6/10	2	1		2	1				6-44
6/11	1			2				1	4-46
6/12	1			2				1	4-46
6/13	2			2					4-46
6/14				7	3			1	11-39
6/15	5			5				1	11-39
6/16	1			2				1	4-46
6/17	1			3		1			5-45
6/18	4			4					8-42
6/19	3							2	5-45
6/20	5	1		3				1	10-40
Totals	48	13	5	62	7	2	4	22	163-337

JUNE: (4.8%) (1.3%) (0.5%) (6.2%) (0.7%) (0.2%) (0.4%) (2.2%) (16.3%)

OCT: (6.8%) (0%) (0.6%) (8.2%) (1.6%) (0.6%) (1.0%) (1.8%) (20.2%)

(October '95 sampling percentages are in italic above.)

Of the 163 pieces (16.3%) in error - 58% of the errors were in Nashua's favor (57% in October)
 42% of the errors were in the Postal Service's favor (43% in October)

NASHUA PHOTO BRM - ACTUAL VS MMS

2722

Date	.43/.55	.55/.78	.78/1.01	.55/.43	.78/.55	1.01/.78	Misc.	No BRM Price	Totals Errors/ Correct
July	10	5		9	1		2	4	31-508
June	48	13	5	62	7	2	4	22	163-837
Oct	34		3	41	8		6	9	101-449

539 Piece Sample

JULY '96 (1.8%) (0.9%) - (1.7%) (0.2%) - (0.4%) (0.7%) (5.7%)

1000 Piece Sample

JUNE '96 (4.8%) (1.3%) (0.5%) (6.2%) (0.7%) (0.2%) (0.4%) (2.2%) (16.3%)

550 Piece Sample

OCT '95 (6.8%) (0%) (0.6%) (8.2%) (1.6%) (0.6%) (1.0%) (1.8%) (20.2%)

DETAILED LISTING JULY SAMPLING ERRORS

Actual Weight	MMS Weight	Postage	Difference
1. .958	1.05		+0.12
2. .921	1.02		+0.12
3. .901	1.52		+0.12
4. .878	1.01		+0.12
5. .923	1.05		+0.12
6. .935	1.04		+0.12
7. 1.06	.984		-0.12
8. 1.07	.984		-0.12
9. .959	1.02		+0.12
10. 1.01	.950		-0.12
11. 1.02	.950		-0.12
12. 1.02	.978		-0.12
13. .960	1.04		+0.12
14. 1.01	.984		-0.12
15. 1.68	.884		-0.12
16. .986	1.04		+0.12
17. 1.61	.984		-0.12
18. 1.99	3 oz.		+0.23
19. 1.96	3 oz.		+0.23
20. 1.97	3 oz.		+0.23
21. 1.17	NBRPrice		-0.65
22. 1.14	NBRPrice		-0.65
23. .883	NBRPrice		-0.53
24. .944	NBRPrice		-0.53
25. .854	Missing		-0.53
26. .895	Missing		-0.53
27. 1.96	3 Oz.		+0.23
28. 1.02	.984		-0.12
29. .977	1.02		+0.12
30. 1.94	3 oz.		+0.23
31. 2.09	2 oz.		-0.23
TOTALS		+\$2.45	-\$4.73

Total Difference: -\$2.28
 Approximate Postage Total Sample: \$302.00
 Error Percentage: 0.7%

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-35.

With respect to the weight averaging system used by the Postal Service to account for Mystic's BRM, what degree of accuracy is considered to be minimally acceptable? What degree of accuracy has been obtained thus far, and what changes can be made to increase that degree of accuracy, if necessary?

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to these questions.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-36.

- a. Please confirm that BRMAS rates are currently charged even at locations where BRMAS mail is handled entirely manually (*i.e.*, not handled on automation).
- b. Please provide the Postal Service's best estimate of the percentage of BRMAS rate mail which is handled manually.
- c. Please explain the reasons supporting the eligibility of mail handled manually for BRMAS automation rates.

RESPONSE:

- a. Confirmed.
- b. Since Docket No. R94-1, the Postal Service has not performed a study which has generated data or information which would permit it to respond to this question.
- c. Current BRM fees and eligibility requirements are based upon the recommendations of the Commission in Docket No. R94-1 and the decision of the Board of Governors to implement those recommendations.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-37.

Attached to this interrogatory as Exhibit A is an article from the newsletter Postal World, April 22, 1996, which discusses an experimental special service said to be offered by the Postal Service and known as Prepaid Courtesy Reply Mail ("PCRM"). Please confirm that as of April 22, 1996, the date of the newsletter, the Postal Service was then offering a product similar or identical to the one described in the newsletter to at least one customer. If you do not confirm, please state whether the Postal Service has at any time during the last two years offered any such product to one or more customers.

RESPONSE:

The Postal Service confirms that it was, as of April 22, 1996, engaged in a test of prepaid First-Class Mail reply letters involving a utility company and its customers. The descriptions of the test which are reflected in the attachment are those of its author.

Streamlined reply nixes accounting fee

Here's an important new phrase: **Prepaid Courtesy Reply Mail (PCRM)**. It's being tested now by a major mailer to the tune of over 20,000 pieces/day. The reply envelope does not have postage preapplied -- it's prepaid to USPS -- just as with Business Reply Mail -- but there is one key difference: **No 2¢/piece BRMAS accounting fee**. Instead of USPS doing the accounting work, the mailer produces in-house statements for withdrawals from a trust account.

The test, confirmed by USPS Chief Ratemaking Counsel, Dan Fouchueux, has been ongoing with no scheduled end date, indicating the concept is receiving favorable reviews. Still, there is no guarantee PCRM will continue or will be made available after final evaluation by postal reg officials.

How it works: The test mailer has kept a close watch on average daily volumes of BRMAS mail for many years and has estimated how much money to put into the Prepaid Courtesy Reply Mail account. Monies are pulled from the account based on a simple postage verification method. The reply piece has a special barcode and FIM that keeps the stream pure and separate from other reply devices. The PCRM pieces are provided to the mailer in a lump group. All the tally work is done by the mailer using standard USPS weight-based accounting methods.

Benefit to test mailer: A daily savings of over \$500/day on the 2¢ accounting fee, plus far quicker access to incoming payments.

Benefit to USPS: There's no revenue loss and a major administrative thorn is removed.
(Continued on Page 2, Column 1)

mail center ops

Centralized mail query

As firms expand, re-engineer and re-examine all administrative services, including mail, there's a great opportunity for multi-site operations to benefit from centralized printing and mailing.

If your firm has sites linked by a network it's possible to transfer correspondence print activities from small branch offices to the HQ by wire. **The benefits:** Economies of scale can cut multi-site operating costs, slash postage and often increase mail delivery service quality.

If your organization has made such a move, we'd like to hear from you. Please call us at: 301-816-8950 x204, or fax, at: 301-816-8945.☐

What's inside...

- * **Publications to ADVANCE into tracking.....Page 2**
- * **Escaping NCOA limits for special address quality needs Page 2**
- * **Site Report: On the job with PBMS at The House.....Page 3**
- * **Making the most of a merger by bagging \$46k savings Page 5**
- * **Swatting five serious reclass bugaboos Page 6**

(PCRM: Continued from Page 1, Column 1)

Indeed, the mailer has found that by its own accounting it's paying slightly more postage than when USPS did the work.

Systemwide implications: The simple weighing technique used under this test could be replaced with something more sophisticated. Mailers who have bought MLOCR/barcode sorting equipment to sort and barcode outgoing pieces for discounts, could use the same equipment to produce full accounting manifests. The privately operated equipment is nearly the same as what USPS uses for BRMAS accounting.

We've also noted that in recent years MLOCR/barcoders are increasingly being used for sorting incoming reply pieces with either special barcodes on the backs or unique ZIP+4 barcodes.

Until now, all such mail has been strictly standard Courtesy Reply Mail and the sorts were done for internal reasons only. The advent of PCRM could take this existing technology to the next level. For instance, PCRM could open up a whole new revenue stream for presort bureaus who could share the saved costs with a variety of smaller mailers.☐

delivery quality monitoring**New ADVANCE rules ease use for 3C mail, add publications**

By August, 2C/Periodicals can take advantage of ADVANCE, the Postal Service's electronic delivery notification program. ADVANCE has been available for carrier-route presorted 3C/Standard Mail for some time.

ADVANCE allows participating mailers to track arrivals of carrier-route mail at Destination Delivery Units (DDU).

The rules for publications will be:

✓ Carrier routes with a minimum quantity (to be determined) will get a confirmation of arrival at a DDU. The minimum quantity has not been set, but will not be fewer than 6 pieces, nor more than 50 pieces. The likely target will be 15-50.

✓ There will be no minimum volume requirement for the mailing. This is to enable the small, local/region pubs to try out the service.

In addition, USPS is making ADVANCE more appealing for 3C/Standard mail users by eliminating the 1,000 piece/5-digit requirement and switching to 50 pieces per carrier-route as the trigger. The switch will increase the number of confirmation reports by carrier-route about 200% over the old method for a 500,000-piece mailing.

Also, don't let the 500k minimum mailing requirement stop you. In special situations -- such as a high percentage of carrier-routed mail -- mailings as small as 25k can be tracked through to DDUs.

Want to be a participant? USPS especially needs periodical publishers for a test series of the expanded ADVANCE. Contact: Glen D. Courmoyer, ADVANCE, National Team Leader, USPS, 475 L'Enfant Plz SW Rm 7143, Washington, DC 20260-2806.☐

reclass shut out**NCOA has limits for some mailers**

Under reclass, to qualify for 1C barcode discounts mailers must use National Change of Address/Address Correction Service, the address correction requested endorsement, FAST-FORWARD or other approved services.

WARNING: Copyright violations will be prosecuted. POSTAL WORLD shares 50% of the net proceeds of settlements or jury awards with individuals who provide essential evidence of illegal photocopying or electronic redistribution. To report violations, contact: Roger Klein, Esq., Howery & Simon, 1299 Pennsylvania Ave NW, Washington, DC 20004-2402. Confidential line: (202) 383-6846. POSTAL WORLD is published biweekly by United Communications Group, Suite 1100, 11300 Rockville Pike, Rockville, MD 20852-3030. Copyright 1996. Subscriptions: \$367/one year, \$704/two years. Phone: (301) 816-8950; Editorial: x204; Circulation: x223; Fax: (301) 816-8945. Marcus Smith, editor/publisher. Bruce Levenson, Edwin Peskowitz, Chief Executive Officers. To receive photocopying or electronic redistribution permission, call (800) 929-4824 x333 and ask about our copyright waiver, bulk-subscription and site license programs! Or e-mail: cust_svc@ucg.com.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-38.

In what month and year did the Prepaid Courtesy Reply Mail experiment start?

RESPONSE:

June, 1995.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-39.

Since Docket No. R94-1, how many mailers have actually participated in the Prepaid Courtesy Reply Mail experiment?

RESPONSE:

One utility company and thousands of its customers.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-40.

How many mailers are currently authorized to participate in the Prepaid Courtesy
Reply Mail experiment?

RESPONSE:

One.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-41.

How many mailers have requested authorization to participate in the Prepaid Courtesy Reply Mail experiment, but either have had their request denied or currently have their request pending?

RESPONSE:

A handful of other mailers have made inquiries and expressed interest, but none has followed-up with a request to participate.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-42.

Has the Postal Service established a limit on the number of mailers that will be allowed to participate in the Prepaid Courtesy Reply Mail experiment? Unless the answer is an unqualified negative, please indicate the maximum number.

RESPONSE:

No.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-43.

Has the Postal Service placed any other limitations on the mailers who will be allowed to participate (*e.g.*, size or location) in the Prepaid Courtesy Reply Mail experiment? If so, please indicate all such limitations.

RESPONSE:

No. The Postal Service wanted to conduct a trial of the administration and operations involved in applying the prepayment concept. The company that agreed to participate already had characteristics, mailing practices, and capabilities that established it as a good candidate for the test. Although the trial was initially undertaken as a prototype to evaluate the concept, rather than a broader arrangement involving other mailers, the Postal Service did not contemplate any preconceived limitations on the types of companies, firms, or individuals that might participate, if the concept was to be developed as a general undertaking. Rather, the focus has been on the characteristics of the mail and the context of the relationships that gave rise to the mailing activity. For example, the Postal Service considered machinability and automation-compatibility of mail pieces to be critical. It was also vital to limit the test to mail pieces which could be expected to be uniform and not in excess of an ounce in weight, so that issues related to additional-ounce mail could be avoided. The Postal Service favored.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

(Response to NM/USPS-43 continued)

close geographical proximity between entry and exit points for test mail. It also preferred to work with a mailer with a uniform, and fairly predictable monthly volume.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-44.

Is a minimum volume of mail required to participate in the Prepaid Courtesy Reply Mail experiment? If so, please state what minimum volume is required.

RESPONSE:

No specific minimum volume was contemplated as a precondition of the test that was undertaken, although it was expected that volumes could have a bearing on the results.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-45.

The Prepaid Courtesy Reply Mail experiment is being conducted under which section(s) of

- a. the Postal Reorganization Act;
- b. the DMCS; and
- c. the DMM?

RESPONSE:

The test is not being "conducted under" any specific section of the DMCS or DMM referring to this arrangement. The Postal Service's responsibilities, powers, and authorities under the Postal Reorganization Act (Title 39, United States Code) support its actions. See particularly, Chapter 1 of 39 U.S.C. (Postal Policy and Definitions), as well as Chapter 4 (General Authority).

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-46.

Please explain why the Postal Service considered it inappropriate or premature to include in the current docket any DMCS classification changes pertinent to Prepaid Courtesy Reply Mail.

RESPONSE:

The Board of Governors authorized the Postal Service to include in its Request in this docket proposals pertaining to specific special services. The Board did not authorize a proposal to change the DMCS in any other respect.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-47.

- a. What is the time frame for the Prepaid Courtesy Reply Mail experiment? That is, please explain how long the Postal Service plans to continue the experiment before it is either made permanent or discontinued.
- b. Please explain the criteria that the Postal Service plans to use to evaluate whether the Prepaid Courtesy Reply Mail is a success and should be turned into a permanent offering.
- c. What is the earliest date at which the Postal Service contemplates offering Prepaid Courtesy Reply Mail to all qualified mailers (assuming that the experiment eventually is judged a success)?

RESPONSE:

- a. Although the test is currently being evaluated, no set "time frame" has been established. At present, the Postal Service and the participating mailer mutually expect it to continue through November 30, 1996.
- b. No specific "criteria" have been formulated to evaluate the test. The results will depend on a comprehensive assessment of the actual experience, including advantages and problems encountered.
- c. This question cannot be answered until a comprehensive evaluation of the test has been completed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-48.

Where are the rules, regulations and other criteria for participating in the Prepaid Courtesy Reply Mail experiment published? Please supply as a library reference a copy of all rules, regulations, and criteria for participation that currently pertain to the Prepaid Courtesy Reply Mail experiment, regardless of whether published or unpublished.

RESPONSE:

The test has been governed by a memorandum of understanding between the Postal Service and the mailer. A copy of that memorandum has been filed as Library Reference SSR-149.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-49.

- a. Have the Board of Governors, MTAC, or any mailer group been given a formal briefing on the Prepaid Courtesy Reply Mail experiment? If so, please provide as a library reference a copy of all charts and exhibits used in that presentation.
- b. Has the Prepaid Courtesy Reply Mail experiment been approved by a resolution (or any other vote) of the Board of Governors? If so, please provide a copy of that resolution as a library reference.
- c. If the Prepaid Courtesy Reply Mail experiment was not approved by the Board of Governors, please explain the source of authorization for the Prepaid Courtesy Reply Mail experiment.

RESPONSE:

The USPS Board of Governors was informed of the test in a closed session at its March, 1995, meeting. Attached to this response is a copy of the pertinent part of the briefing outline shown to the Governors. Although the discussions of the Board in a closed meeting are confidential and privileged, the test was described to the Board as involving a joint arrangement with a mailer who would prepay the First-Class Mail rate for special, pre-approved envelopes that it provided to its utility customers. The mailer would perform accounting functions based on its records to establish the amount of postage. The Board took no specific action pursuant to this briefing.



Other Issues

- **Consumer Benefits**



- **Joint Test of Prepaid Reply Mail (with Brooklyn Union Gas)**



RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-50.

Did the mailers who have participated in the Prepaid Courtesy Reply Mail experiment use BRM, or any other form of prepaid mail, prior to using Prepaid Courtesy Reply Mail?

RESPONSE:

The mailer participating in the test has continued to use BRM throughout the duration of the test.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-51.

- a. In FY 1995, what volume of mail did the Postal Service carry under the Prepaid Courtesy Reply Mail experiment?
- b. In FY 1996, what volume of mail does the Postal Service anticipate carrying under the Prepaid Courtesy Reply Mail experiment?

RESPONSE:

Since the volumes involved are those of a specific Postal Service customer, which both the Postal Service and the customer consider to be privileged, the Postal Service will make the volumes available subject to protective conditions agreed to by the Postal Service, the participating mailer, and interested parties.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-52.

Please explain all factors that, in the opinion of the Postal Service, critically distinguish Prepaid Courtesy Reply Mail from BRMAS mail:

- a. From the perspective of participating mailers; and
- b. From the perspective of the Postal Service.

RESPONSE:

The "perspective of the participating mailer" would have to be explained by the mailer. The "critical" distinction is that BRMAS is a category of a permanent special service in the DMCS. The test is a cooperative effort between the Postal Service and the participating mailer to evaluate the concept and feasibility of prepayment of First-Class Mail postage in the circumstances involved in the trial.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-53.

- a. Does the Postal Service consider Prepaid Courtesy Reply Mail to be a "Special Service" similar to BRM?
- b. Regardless of whether the answer is affirmative or negative, please explain the way the Postal Service classifies Prepaid Courtesy Reply Mail, and provide the rationale for that classification.

RESPONSE:

No. See the response to NM/USPS-52. The test is not a classification.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-54.

Does Prepaid Courtesy Reply Mail cause the Postal Service to incur any costs by virtue of any special handling or other characteristics? When handling Prepaid Courtesy Reply Mail, please describe the nature of all costs which the Postal Service incurs that are different from or are in addition to the normal costs of handling First-Class Mail in prebarcoded courtesy reply envelopes with postage affixed by the sender rather than being paid by the addressee.

RESPONSE:

The Postal Service has not completed a study which would indicate whether it incurs any costs by virtue of any special handling or other characteristics of the test pieces. Nor has it completed a study which would indicate whether there are costs which are different from or in addition to the normal costs of handling First-Class Mail in prebarcoded courtesy reply envelopes with postage affixed by the sender rather than being paid by the addressee.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-55.

Does Prepaid Courtesy Reply Mail enable the Postal Service to avoid any costs that it incurs when handling BRMAS-qualified BRM? Please describe fully all costs avoided by the Postal Service and all worksharing activities performed by the recipients of Prepaid Courtesy Reply Mail that enable the avoidance of those costs.

RESPONSE:

The Postal Service has not completed a study which measures the cost associated with its processing and handling and administration of BRM pieces vs. its processing and handling and administration of test pieces. Therefore, the Postal Service is unable to state whether there are cost differences and, if so, what their magnitude might be.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-56.

List each rate that has been and each rate that is now charged for Prepaid Courtesy Reply Mail. If no rate is charged, please describe fully the Postal Service's rationale for not charging a per-piece fee for Prepaid Courtesy Reply Mail. If a fee is charged, please state the basis used to determine the fee.

RESPONSE:

Each test piece is charged 32 cents, the rate for the first ounce of a First-Class

Mail letter.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-57.

- a. Please specify all annual or intermittently recurring fees (*e.g.*, permit fee, deposit account fee, etc.), including the amount, that the Postal Service charges each mailer who participates in the Prepaid Courtesy Reply Mail experiment.
- b. If the fees specified in response to preceding part (a) differ from the fees for BRM mail (BRMAS accounts), please explain fully the rationale for the different fees.

RESPONSE:

The mailer participating in the test continues to use BRM and continues to pay all appropriate BRM permit and deposit account fees. No separate fee is charged to the mailer for participating in the test.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-58.

Does the Postal Service consider its experimental Prepaid Courtesy Reply Mail product (or special service) to be competitive with or complementary to its BRM/BRMAS product (or special service)? Please explain fully.

RESPONSE:

No. See the response to NM/USPS-52.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-59.

- a. Must Prepaid Courtesy Reply Mail meet the same machinability and automation requirements as BRM mail that qualifies for the BRMAS rate?
- b. If the answer is anything other than an unqualified affirmative, please specify all differences in the requirements for Prepaid Courtesy Reply Mail, and the rationale for those differences.

RESPONSE:

The test mail does not bear the very distinct, customary stack of horizontal BRM bars down the right-hand front of each mail piece, making them very easy to distinguish from BRM pieces. Moreover, the test envelopes are printed on different colored envelopes than the mailer's BRM pieces.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-60.

List by name and address each mailer which as participated in the Prepaid Courtesy
Reply Mail Program.

RESPONSE:

Brooklyn Union Gas

P.O. Box 020690

Brooklyn, New York 11202-9900

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-61.

Can mailers that wish to participate in the Prepaid Courtesy Reply Mail Experiment apply at the local or regional level and have the application approved at that level, or must the application be submitted to and approved by Headquarters? How are such mailers selected?

RESPONSE:

Inquiries about the test may be submitted to Headquarters. The Postal Service is not soliciting "applications" for participation.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-62.

To what organizational unit of the Postal Services should applications to participate in the Prepaid Courtesy Reply Mail Experiment be directed?

RESPONSE:

Marketing Systems, Marketing Department, USPS Headquarters.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-63.

Do any pieces of Prepaid Courtesy Reply Mail ever weigh more than one ounce? Unless the answer is an unqualified negative, please explain how the recipient and/or the Postal Service determines the number of pieces for which extra-ounce postage is payable.

RESPONSE:

The test mail is intended to consist of First-Class Mail remittances from residential and small business mailers and rarely contain more than a check (or money order) and a statement of account. Accordingly, pieces weighing more than one ounce would be extremely rare and have not been an issue during the course of the test.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-64.

Please explain fully all steps taken by the recipient of Prepaid Courtesy Reply Mail and the Postal Service to assure that the Postal Service is fully compensated for all mail delivered under the Prepaid Courtesy Reply Mail Experiment. If the procedure can produce results that are anything less than 100 percent accurate (*e.g.*, is subject to sampling or any other type of statistical variation error), please indicate the extent to which revenues actually paid may deviate from revenues that would be payable under a 100 percent accurate census of incoming Prepaid Courtesy Reply Mail.

RESPONSE:

See USPS LR SSR-149.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-65.

Under the Prepaid Courtesy Reply Mail experiment, what work is the mailer required to do to produce "in-house statements for withdrawals from a trust account?"

RESPONSE:

See USPS LR SSR-149.

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-67.

The response to interrogatory NM/USPS-30 stated that "[t]he Postal Service has not performed an operation survey which would permit it to respond to these interrogatories." Nevertheless, the interrogatory seeks information that would appear to be presently in the possession of the Postal Service, with no need for any kind of survey in order to provide the information sought by the interrogatories.

- (a) . . . [Objection filed]
- (b) If this information is not in the possession of the Postal Service, please explain whether any efforts are underway currently which would give the Postal Service information relevant to the subject of Interrogatory NM/USPS-30 by the time rebuttal testimony is due in this docket (December 6, 1996). If not, when would such information be available?
- (c) . . . [Objection filed]

RESPONSE:

- (a) . . . [Objection filed]
- (b) As a part of the internal management review of BRM which was described in the Postal Service's August 23, 1996, Response To PRC Order No. 1131, efforts to develop information "relevant to the subject of Interrogatory NM/USPS-30" are expected to be undertaken soon. It is not known presently what information relevant to the subject matter of Interrogatory NM/USPS-30 will be developed or available before December 6, 1996.
- (c) . . . [Objection filed]

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-70.

- (a) Please identify fully all documents provided in response to NM/USPS-34. Please identify any and all other similar and underlying documents in the possession of the Postal Service and provide copies with similar redactions.
- (b) Please provide USPS Publication 401 as a Library Reference.

RESPONSE:

- (a) The document provided in response to NM/USPS-34 is an analysis of errors in detected in Nashua's execution of the "reverse manifest" which has been employed for the last year. The analysis reflects a Postal Service review of October, 1995, and June and July, 1996. The narrative page included in the response to NM/USPS-34 describes the results of the June 1996 verification and compares them to October 1995. No documents containing the underlying raw data have been located.

Although no documents relating to any similar analysis of Nashua's "reverse manifest" system have been located, attached is a copy of notes taken during a February, 1996 telephone conversation between personnel at the Parkersburg Post Office and USPS Headquarters concerning another analysis of Nashua's performance.

- (b) A copy of USPS Publication 401 has been filed as USPS Library Reference SSR-148.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

Attachment to USPS Response To NM/USPS-70(a)
Docket No. MC96-3

Redactions pertain to irrelevant matter.
The notes read as follows:

"Talked to Joe DeMay
2-1-96

as of last week: Errors
21 days - postage errors were
in favor of Nashua

3 days - in favor of USPS

11 days - No errors.

Less than half of the time the manifest
is accurate."



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RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-72.

The response to NM/USPS-36(c) states that "[c]urrent BRM fees and eligibility requirements are based upon the recommendations of the Commission in Docket No. R94-1 and the decision of the Board of Governors to implement those recommendations." The interrogatory, however, asked for an explanation of the reasons supporting eligibility of mail handled manually for BRMAS automation rates, which is an issue that does not appear to have been addressed previously by the Commission or the Governors. In any event, please explain the reasons which you contend support the eligibility for BRMAS automation rates of mail handled manually, without regard to the Commission's recommendations and the Governors' decision regarding BRM.

RESPONSE:

The current BRMAS fee is a result of the Board of Governors' implementation of the Commission's Docket No. R94-1 recommendation to maintain the BRMAS fee which came out of Docket No. R90-1. That fee was based upon the record in that proceeding, which included the testimony of Postal Service witness Hien Pham (USPS-T-23). As acknowledged by the Commission, at PRC Op. R90-1, Vol. 1, at V-416, Mr. Pham's BRMAS attributable cost estimates are a weighted average of (a) the costs associated with BRMAS-fee eligible mail expected to receive automated processing and (b) the costs associated with BRMAS-fee eligible mail not expected to receive automated processing.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATIVES OF NASHUA PHOTO INC., MYSTIC COLOR LAB,
AND SEATTLE FILM WORKS, INC.

NMS/USPS-77
Page 1 of 1

NMS/USPS-77. For Base Year 1995, what is the average annual salary of a clerk/mailhandler:

- a. without fringe benefits?
- b. including all fringe benefits?

NMS/USPS-77 RESPONSE:

a. For Base Year 1995, the average annual salary (per workyear) of a clerk/mailhandler, without fringe benefits was \$35,442.71. This figure excludes costs for benefits, travel and relocation for accounts shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 3.

b. For Base Year 1995, the average annual personnel cost of a clerk/mailhandler, including fringe benefits, travel, and relocation was \$42,833.94. This amount includes salary, benefits, travel and relocation costs shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 3. The calculation of this figure can be found in Library Reference SSR-11, Section IIg, Personnel Cost Level Factor Calculations, Worksheet Average Annual Salaries. This amount excludes Corporate-wide personnel costs shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 18. These Corporate-wide costs are not distributed to individual cost segments.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATIVES OF NASHUA PHOTO INC., MYSTIC COLOR LAB,
AND SEATTLE FILM WORKS, INC.

NMS/USPS-78
Page 1 of 2

NMS/USPS-78. For Test Year 1996, what is the average salary of a clerk/mailhandler that is assumed in exhibit USPS-T-5H:

- a. without fringe benefits?
- b. including fringe benefits?

To the extent that Test Year assumptions for various components of the pay package (e.g., overtime, holiday leave, repriced annual leave, etc.) differ from the actual outcome in 1995, please indicate those assumptions and how they differ from actual experience in Base Year 1995.

NMS/USPS-78 RESPONSE:

a. For Test Year 1996, the average annual salary (per workyear) of a clerk/mailhandler, without fringe benefits was estimated to be \$35,635.85. This figure excludes costs for benefits, travel and relocation for accounts shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 3.

b. For Test Year 1996, the average annual personnel cost of a clerk/mailhandler, including fringe benefits was estimated to be \$43,297.62. This amount includes salary, benefits, travel and relocation costs for accounts shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 3. The calculation of this figure can be found in Library Reference SSR-11, Section IIg,

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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Personnel Cost Level Factor Calculations, Worksheet Average Annual Salaries. This amount excludes Corporate-wide personnel costs shown in Library Reference SSR-11, Section IIc, Base Year Personnel Costs, Worksheet Seg 18. These Corporate-wide costs are not distributed to individual cost segments.

For information on Test Year 1996 assumptions on the various components of salary and benefits and how they differ from Base Year 1995, please see Library Reference SSR-11, Section IIc, Unit Cost Calculations, Section IIe, Unit Cost Summaries, Section IIh, Rollups & Unit Cost Adjustments and Sections IIIb. and IIIc., Workyear Mix Adjustment Calculations. _

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA PHOTO INC. , MYSTIC COLOR LAB,
AND SEATTLE FILM WORKS, INC.

NMS/USPS-79
Page 1 of 1

NMS/USPS-79.

- a. For a clerk/mailhandler, what was the average number of productive hours worked in Base Year 1995?
- b. For a clerk/mailhandler, (1) what was the average productive hourly wage rate in Base Year 1995, and (2) what is the projected average productive hourly wage rate in test year 1996?

NMS/USPS-79 RESPONSE:

- a. As reflected in Chapter III.d., page 140 of Library Reference SSR-11, the average number of productive hours worked per workyear by a clerk/mailhandler during FY 1995 was 1,796.
- b. As reflected in Chapter II.j., page 112 of Library Reference SSR-11, the average clerk/mailhandler productive hourly rate for FY 1995 was \$23.8496. The projected rate for the test year is \$23.939 on a before rates basis, and \$23.952 on an after rates basis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF NASHUA PHOTO INC., MYSTIC COLOR LAB, AND
SEATTLE FILM WORKS, INC.

NMS/USPS-80
Page 1 of 1

NMS/USPS-80.

For Base Year 1995, what is the appropriate piggyback factor to apply to the salary of a mail clerk assigned full-time to a plant-load facility?

NMS/USPS-80 Response:

If "plant-load facility" means detached mail unit at the mailer's plant, then the answer is that we do not have a specific piggyback factor for this. The closest available piggyback factor is the Bulk Mail Acceptance Unit piggyback factor of 1.717276 from USPS LR-MCR-9, page II-2, from Docket No. MC95-1. A special study would be needed to develop the piggyback factor for clerks at a detached mail unit. Also, depending on the activities to which the piggyback factor would apply, other possible piggyback factors are Platform-BMC or Platform-Non-BMC which are 1.979788 and 1.916132, respectively.

Answer of United States Postal Service to
Interrogatories of
Nashua Photo Inc., Mystic Color Lab,
and Seattle Filmworks Inc.

NMS/USPS-81.

Please provide a responsive answer to NM/USPS-1(c)(ii). That is, please indicate specifically where within the JCRA revenues derived from the fee for merchandise return services are reported. For base year 1995, please indicate whether such fees were part of third-class regular rate mail, fourth-class parcel post, fourth-class special rate, or fourth-class bound printed matter.

NMS/USPS-81 Response.

The revenues in the 1993 CRA that were derived from fees for merchandise return services were reported with the revenue for the class of mail associated with the return service. For example, if the piece of mail was First Class, the fee for the merchandise return service would have been reported as First Class revenue. For base year 1995, such fees were reported as revenue for the following classes: First Class, Priority, third-class, and fourth-class.

Answer of United States Postal Service to
Interrogatories of
Nashua Photo Inc., Mystic Color Lab
and Seattle Filmworks Inc.

NMS/USPS-82.

The response to NM/USPS-3 states:

For instance, the 130,358 for return receipts and the 7,472 for restricted delivery are included in the special service that caused their existence; for example, the return receipts associated with certified mail are in the certified revenue.

Please refer to the attachment to NM/USPS-1 and note that the \$130,358(000) is for **registry, not return receipts**. Please clarify the response. Was the intent to say that revenues from **registry** are included elsewhere, or was the intent to say that the \$186,938(000) of revenues for **return receipts** are included in the certified mail revenue of \$414,999(000)?

NMS/USPS-82 Response.

The intent of the response was to state that the 186,938 for return receipts and the 7,472 for restricted delivery are included in the special service that caused their existence. Thus, the total revenue of 194,410 from return receipts and restricted delivery are included in the registry, certified and insured special service amounts.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-1. Refer to the Postal Service's Request at 3 where it states "any net revenue resulting from these proposals will be helpful in meeting the Postal Service's goals for recovery of Prior Years' Loss amounts." Please confirm that Postal management intends to use net revenue resulting from proposals in the Request for the sole purpose of recovering Prior Years' Loss amounts.

- a. If you cannot confirm, does Postal management intend to use net revenues resulting from the proposals to extend the rate cycle, refinance USPS debt, or restructure the organization of the Postal Service?
- b. If you cannot confirm, what amount of net revenue resulting from the proposals will be used to recover Prior Years' Loss amounts? What amount of net revenue will be used to extend the rate cycle? What amount of net revenue will be used to refinance USPS debt, or restructure the organization of the Postal Service?

RESPONSE:

It is not possible either to confirm or not confirm, because your question assumes that recovery of prior years' losses and extending the rate cycle (and/or other events such as those mentioned above) are mutually exclusive. The additional net revenue which results from special services reforms will help meet the goal set forth in the Board of Governors Resolution No. 95-9 to plan for net income that will equal or exceed the cumulative prior years' loss recovery target; this could, in turn, help extend the rate cycle in accordance with that resolution. For example, in a hypothetical year 1 in which the target for recovery of prior years' losses is \$500 million and net income is projected to be \$400 million, additional net revenue of \$100 million will both help meet the equity restoration target for that year and defer the need for a rate increase until year 2. In the absence of that additional net revenue in year 1, it would have been necessary either to reduce costs or increase other revenue by \$100

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-1
Page 2 of 2

million in order to meet the target. To change the hypothetical slightly, if in year 1, additional net revenue of \$200 million were expected, this would permit a restoration of equity at the target level, and the possibility of using the next \$100 million for additional restoration of equity.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-2. Refer to the Postal Service's Request at 3 where it states "any net revenue resulting from these proposals will be helpful in meeting the Postal Service's goals for recovery of Prior Years' Loss amounts." What are the Postal Service's goals for recovery of Prior Years' Loss amounts? Please be specific. Please provide any documents setting forth these goals.

RESPONSE:

The Postal Service's goals for Recovery of Prior Years' Losses are articulated in Board of Governors Resolution No. 95-9, adopted July 10, 1995. Please refer to Library Reference SSR-112 for a copy of this resolution.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-3. Refer to the Notice of Filing of Library References, June 7, 1996.
Please provide the Fiscal Year 1995 version of the Summary Description of USPS
Development of Costs by Segments and Components.

RESPONSE

Please see Library Reference SSR-123, filed July 1, 1996.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-4. Refer to the Notice of Filing of Library References, June 7, 1996. Please confirm that the information contained in the following Library References is for Fiscal Year 1995. If you do not confirm, please provide the Fiscal Year 1995 information.

- SSR-4 Cost and Revenue Analysis/Rollforward, Input Data Files
- SSR-5 Cost and Revenue Analysis/Rollforward, Processing
Documentation Reports
- SSR-6 Cost and Revenue Analysis/Rollforward, Documentation - Tapes
- SSR-7 Cost and Revenue Analysis/Attributable Costs Disks
- SSR-8 Rollforward Test Year Volume Variable Cost Footnotes
- SSR-11 Rollforward Expense Factors
- SSR-12 In-Office Cost System (IOCS), Handbook F-45
- SSR-13 In-Office Cost System (IOCS), Checking and Verification
Procedures
- SSR-14 In-Office Cost System (IOCS), Computer System Documentation
Description
- SSR-15 In-Office Cost System (IOCS), Listing of Input Data
- SSR-16 In-Office Cost System (IOCS), Machine-readable Copy of
Databases
- SSR-17 In-Office Cost System (IOCS), Postal Service ADP
Documentation, In-Office Cost FOSDIC Subsystem
- SSR-18 In-Office Cost System (IOCS), Postal Service ADP
Documentation, Cost Allocation Subsystem
- SSR-19 In-Office Cost System (IOCS), Source Code Listings
- SSR-20 In-Office Cost System (IOCS), Source Programs in Machine-
readable Form

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

- SSR-21 In-Office Cost System (IOCS), Listing of Output Data
- SSR-22 In-Office Cost System (IOCS), Machine-readable Copy of Output Data
- SSR-23 IOCS Tally Analysis Documentation
- SSR-24 Carrier Cost Systems, Handbooks F-56 and F-55 (Test Instructions), and Form 2848
- SSR-25 Carrier Cost Systems, Computer System Documentation Description
- SSR-26 Carrier Cost Systems, Listing of Input Data
- SSR-27 Carrier Cost Systems, Machine-readable Copy of Databases
- SSR-28 Carrier Cost Systems, Postal Service ADP Documentation, Carrier Sample Selection
- SSR-29 Carrier Cost Systems, Postal Service ADP Documentation, City Carrier Cost Subsystem
- SSR-30 Carrier Cost Systems, Postal Service ADP Documentation, Rural Carrier Cost Subsystem
- SSR-31 City Carrier Cost Subsystem SAS Distribution Key Development
- SSR-32 Rural Carrier Cost Subsystem SAS Distribution Key Development
- SSR-33 Carrier Cost Systems, Source Code Listings
- SSR-34 Carrier Cost Systems, Source Programs in Machine-readable Form
- SSR-35 Carrier Cost Systems, Listing of Output Data
- SSR-36 Carrier Cost Systems, Machine-readable Copy of Output Data
- SSR-37 In-Office Cost System, Carrier Cost Systems, Upload/Download Programs

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

- SSR-38 Revenue, Pieces, and Weight System (RPW), Computer System Documentation Description
- SSR-39 ODIS/RPW Frame System, Postal Service ADP Documentation, ODIS/RPW Frame Maintenance
- SSR-40 Revenue, Pieces, and Weight System (RPW), Machine-readable Copy of Databases
- SSR-41 Revenue, Pieces, and Weight System (RPW), Postal Service ADP Documentation, Domestic RPW
- SSR-42 Revenue, Pieces, and Weight System (RPW), Postal Service ADP Documentation, Bound Printed Matter
- SSR-43 Lotus 123 Spreadsheet - RPW Adjustment System
- SSR-44 Revenue, Pieces, and Weight System (RPW), Source Code Listings
- SSR-45 Revenue, Pieces, and Weight System (RPW), Source Programs in Machine-readable Form
- SSR-46 Revenue, Pieces, and Weight System (RPW), Listing of Output Data
- SSR-47 Revenue, Pieces, and Weight System (RPW), Machine-readable Copy of Output Data
- SSR-48 ODIS/RPW Frame System, Postal Service ADP Documentation, RPW Domestic System
- SSR-49 ODIS/RPW Frame System, Computer System Documentation Description
- SSR-50 ODIS/RPW Frame System, Postal Service ADP Documentation, ODIS/RPW Frame Check
- SSR-51 ODIS/RPW Frame System, Postal Service ADP Documentation, RPW CAG Changes

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

SSR-52 ODIS/RPW Frame System, Postal Service ADP Documentation,
ODIS/RPW Frame Entity Operation (ORFEO)

SSR-53 CODES - MEPS, Computer System Documentation Description

SSR-54 CODES - MEPS, DBMS User Guide

SSR-55 CODES - MEPS, Postal Service ADP Documentation, Base Unit
and Source Code Listings

SSR-56 CODES - MEPS, Source Programs in Machine-readable Form

SSR-57 ORFEO Report Extract System

SSR-58 Jointly Scheduled Tests

SSR-59 ODIS/RPW Frame System, Source Code Listings

SSR-62 CODES - IOCS, Computer System Documentation Description

SSR-63 CODES - IOCS, Postal Service ADP Documentation, Laptop and
Base Unit

SSR-64 CODES - IOCS, Postal Service ADP Documentation, Mainframe

SSR-65 CODES - IOCS, Source Code Listings

SSR-66 CODES - IOCS, Source Programs in Machine-readable Form

SSR-67 CODES - RPW, Computer System Documentation Description

SSR-68 CODES - RPW, Postal Service ADP Documentation, Laptop

SSR-69 CODES - RPW, Postal Service ADP Documentation, Base Unit

SSR-70 CODES - RPW, Postal Service ADP Documentation, Mainframe

SSR-71 CODES - RPW, Source Code Listings

SSR-72 CODES - RPW, Source Programs in Machine-readable Form

SSR-73 Permit System, User Guide

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

- SSR-74 Permit System, Computer System Documentation Description
- SSR-76 Permit System, Machine-readable Copy of Source Code
- SSR-77 Permit System, Postal Service ADP Documentation
- SSR-78 Permit System, Source Code Listings
- SSR-79 TRACS Sample Design Programs and Documentation -- Highway and Rail
- SSR-80 TRACS Sample Design Programs and Documentation Air
- SSR-81 TRACS Edit Check Programs and Documentation
- SSR-82 TRACS Estimation Programs and Documentation -- Highway and Rail
- SSR-83 TRACS Estimation Programs and Documentation -- Air
- SSR-84 TRACS Source Programs and Data Files in Machine-readable Form
- SSR-85 Amtrak Distribution Key Development Programs and Documentation
- SSR-86 Eagle Network Distribution Key Development Programs and Documentation
- SSR-87 Transportation Model Tape Documentation
- SSR-88 Estimated Functional Accrued Costs by Subfunctions and Cost Categories
- SSR-89 ODIS/RPW Frame System, Postal Service ADP Documentation, Sampling Frame Subsystem
- SSR-90 Statistical Systems Documentation
- SSR-91 Base Year Equipment and Facility Related Costs
- SSR-92 SAS ODIS Extract

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

SSR-93	Determination of Possible Box Deliveries
SSR-94	RPW Sample Selection System, Computer System Documentation Description
SSR-95	RPW Sample Selection System, Listing of Input Data
SSR-96	RPW Sample Selection System, Machine Readable Input Data
SSR-97	RPW Sample Selection System, ADP Documentation
SSR-98	RPW Sample Selection System, Machine Readable Source Code
SSR-99	Estimation of the Costs for Space Rented
SSR-100	Development of Piggyback and Related Factors
SSR-117	In-Office Cost System (IOCS), Postal Service ADP Documentation, IOCS Sample Selection Subsystem

RESPONSE

Confirmed for all except library references SSR-11, 93, and 99. These library references contain FY 1996 test year analyses. Library reference 11 provides the expense factors used for the FY 1996 rollforward. Library references 93 and 99 underlie witness Lion's FY 1996 cost studies. FY 1995 information for these library references has not been developed, and is not available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-5. The purpose of this interrogatory is to find out what public statements have been made by the Postmaster General concerning future rate increases during the last six months. Information provided in response to interrogatory OCA/USPS-T-8-18 may be incorporated by reference.

a. Within the last six months, has the Postmaster General made any public statements concerning the timing of (1) the filing of the next omnibus rate case or (2) when there will be omnibus rate increases? Please identify each instance.

b. Please provide copies of appropriate documents either quoting or describing statements the Postmaster General made within the last six months concerning (1) the filing of the next omnibus rate case or (2) the timing of the next omnibus rate increases.

RESPONSE:

Please refer to the statements in Library Reference SSR-131 and the Postal Service's answer to OCA/USPS-T8-18, filed July 25, 1996.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-6. Please provide the Postal Service's most recent estimates of profit and loss for FY 1996, FY 1997, and FY 1998. To the extent available, the information provided in response to this interrogatory should show revenues by class, subclass and special service and costs by expense category. Information already filed with the Commission may be incorporated by reference.

RESPONSE:

For FY 1996 please refer to the testimonies and workpapers of witnesses Lyons (e.g., Exhibit A) and Patelunas, and Library Reference SSR-11. This information has not been developed for FY 1997 and FY 1998 in conjunction with this filing because the test year is FY 1996. However, the FY 1997 President's Budget reflects a net loss of \$652 million for FY 1997.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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OCA/USPS-7. Refer to the response to OCA/USPS-1 concerning the recovery of prior years' loss amounts.

- a. Please specify the target amount in dollars for recovery of prior years' losses in FY 1996, 1997 and 1998.
- b. Please estimate the amount in dollars by which the new revenues resulting from special service reforms will cause the recovery of prior years' losses in FY 1997 and 1998 to "equal or exceed the cumulative prior years' loss recovery target" amount for FY 1997 and 1998.

RESPONSE:

a & b. As set forth in Board of Governors Resolution No. 95-9 (see response to OCA/USPS-1) recovery of prior years' loss targets are not annual but cumulative. Assuming hypothetically that no changes in overall rates are implemented during the time period you have specified (FY 1996-1998) the cumulative target for this period would be \$2.808,678 billion or 3 times the amount of prior years loss recovery included in the Docket No. R94-1 test year revenue requirement (\$936.226 million).

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-8. Refer to the response to OCA/USPS-1 concerning the recovery of prior years' loss amounts, and the Wednesday, July 3, 1996 edition of the Washington Post, at page A23, wherein the Postmaster General is quoted as saying "we expect year end net income to approach \$1 billion." For FY 1996, rank in order of importance the following priorities for use of the estimated \$1 billion: recovery of prior years' losses, extend the rate cycle, refinance USPS debt, or restructure the organization of the Postal Service. Please explain your answer.

RESPONSE:

As explained in the response to OCA/USPS-1, Postal Service priorities are not necessarily mutually exclusive. The achievement of a net income approaching \$1 billion for FY 1996 would facilitate the accomplishment of both prior years' loss recovery and extension of the rate cycle and both are high priorities for FY 1996. Refinancing debt and a major restructuring of the organization are not currently high priorities, however this could change at some time in the future. Also please note that some Postal Service initiatives, e.g. a hypothetical organizational change, might be accomplished without incurring a net cost.

OCA/USPS-9. The following interrogatory refers to USPS witness Landwehr's testimony at 7 and witness Needham's testimony at 8 (USPS-T-7). Given that witness Needham's testimony states,

Box customers and post office employees work together to determine the appropriate size box for customers' needs. Customers may request or be requested to move to a larger size box if their current box is too small to handle the volume of mail received.

- a. Please explain why non-resident box holders whose mail volumes may exceed the capacity of boxes and thus place an administrative burden on a given post office are not requested to move to an appropriately sized box.
- b. Given that no costs are available to substantiate the difference in attributable costs associated with providing box service to residents versus non-residents, please explain how the anticipated non-resident fee will adequately compensate the Postal Service for the "administrative burdens" placed upon the Postal Service by those patrons renting undersized post office boxes? (See USPS witness Lion's response to OCA/USPS-T4-1)
- c. Please explain why the Postal Service believes that a non-resident fee is a better solution to Postal Service boxholder capacity problems than is a requirement that a customer rent an adequately sized post office box?
- d. Please provide all available data, studies or other analysis performed on the actual workload difference required to service resident versus non-resident box holders.
- e. Please provide all available data, studies or other analyses performed to identify the frequency with which residents and non-residents rent undersized post office boxes.
- f. For those residents and/or non-residents who rent undersized post office boxes, please provide all available data, studies or other analyses explaining the Postal Service's rationale for (1) not reassigning the boxholder to an adequately sized box, and/or (2) assessing the boxholder the fee for an adequately sized box.
- g. For those residents and/or non-residents who rent undersized post office boxes, please provide all available data, studies or other analyses explaining why box customers and post office employees are unable to "work together to determine the appropriate size box for [the] customers' needs."

RESPONSE:

- a-c. This interrogatory fails to assimilate details of the Postal Service case and the real world in which post office box service is offered. First, the cited page of witness Landwehr's testimony (USPS-T-3 at 7) refers to the San Luis Post Office, which has no available boxes. *Id.* at 5. Hence there is no option of moving customers to larger boxes in this office. Second, the procedures described by witness Needham derive

primarily from box overflow, Domestic Mail Manual (DMM) § D910.3.5, which focuses upon daily mail volume. Box overflow can be distinct from mail accumulating in a box over time, *see* DMM § D910.3.4; only the latter of these is identified as a problem at the San Luis Post Office. While the overflow regulation is written in mandatory terms (“must use ...” caller service, larger box, or more boxes), the accumulation regulation is more permissive stating not that accumulation is impermissible but that special arrangements should be made to deal with it. *See also*, Domestic Mail Manual Transition Book (DMMT) § 951.162, Mail Accumulation (customers should make advance arrangements for expected accumulations, but postmasters should take remedial action only if an operational problem results). In offices that have no available boxes, the only remedial action that a postmaster might take -- aside from encouraging customers to visit boxes more often -- would be termination of box service. DMM § D910.7.2.¹ In circumstances when no boxes are available or the only option is caller service, the requirement that a customer use a larger box is impractical and the Postal Service has accordingly chosen to minimize its administrative burden by exercising its discretion in the direction of employing the operational procedures described by witness Landwehr. The non-resident fee is intended to compensate the Postal Service for the un-quantified but anecdotally described problems associated with non-resident box holders both directly and by providing a financial incentive that works in the direction of increasing the proportion of resident box holders in a given office.

¹ Customers may appeal box closing decisions to the Postal Service Judicial Officer, *id.*; 39 *CFR* § 958. While it is not clear what action the Judicial Officer might take, a closing decision based on overflow or accumulation when no larger boxes are available might not withstand scrutiny. The only real solution, accordingly, is to make more boxes available; Docket No. MC96-3 is intended to encourage this remedy by decreasing the size of the financial disincentive to do so.

d-g. No such studies or analyses exist. *See also*, Response to OCA/USPS-9a-c.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-14. Please refer to your response to OCA/USPS-6. The response indicates that the requested information "has not been developed for FY 1997 and FY 1998 in conjunction with this filing."

- a. If the requested information has been developed for reasons other than in conjunction with this filing, please provide the requested information.
- b. Please submit the FY 1997 President's Budget as a library reference.

RESPONSE:

- a. The Postal Service's FY 1997 estimate of net income(loss) is reflected in the FY 1997 President's Budget. The Postal Service portion of the FY 1997 President's Budget is attached. The FY 1998 President's Budget will not be completed until early calendar year 1997.
- b. Please see my response to a., above.

Public enterprise funds—Continued

POSTAL ACQUISITION AND DEVELOPMENT FUND—Continued

Balance Sheet (in millions of dollars)

Classification code 42-1004-0-3-451	1994 actual	1995 actual	1996 est.	1997 est.
ASSETS:				
1101 Federal assets: Fund balances with Treasury		5	4	
1206 Non-Federal assets: Receivables, net	154	45	46	
1803 Other Federal assets: Property, plant and equipment, net		90	90	
1999 Total assets	154	140	140	
LIABILITIES:				
Federal liabilities:				
2103 Debt		195	203	
2104 Resources payable to Treasury	169	11	11	
2999 Total liabilities		206	214	
NET POSITION:				
3200 Invested capital	30	-12	-12	
3300 Cumulative results of operations	-44	-54	-62	
3999 Total net position	-15	-74	-74	
4999 Total liabilities and net position	155	140	140	

Object Classification (in millions of dollars)

Classification code 42-1004-0-3-451	1995 actual	1996 est.	1997 est.
32.0 Land and structures		1	
99.0 Subtotal, reimbursable obligations		1	

POSTAL SERVICE

Federal Funds

Rural and special funds:

PAYMENT TO THE POSTAL SERVICE FUND

For payment to the Postal Service Fund for revenue forgone on free and reduced rate mail, pursuant to subsections (c) and (d) of section 2401 of title 39, United States Code; [\$85,080,000] \$102,817,000: *Provided*, That mail for overseas voting and mail for the blind shall continue to be free: *Provided further*, That six-day delivery and rural delivery of mail shall continue at not less than the 1983 level: *Provided further*, That none of the funds made available to the Postal Service by this Act shall be used to implement any rule, regulation, or policy of charging any officer or employee of any State or local child support enforcement agency, or any individual participating in a State or local program of child support enforcement, a fee for information requested or provided concerning an address of a postal customer: *Provided further*, That none of the funds provided in this Act shall be used to consolidate or close small rural and other small post offices in the fiscal year ending on September 30, [1995] 1997. (Postal Service Appropriation Act, 1996.)

Program and Financing (in millions of dollars)

Classification code 18-1001-0-1-372	1995 actual	1996 est.	1997 est.
Obligations by program activity:			
00.01 Current year	63	56	62
00.02 Reconciliation adjustment			12
00.03 Prior years' liabilities	29	29	29
10.00 Total obligations (object class 41.0)	92	85	103
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	92	85	103
23.95 New obligations	-82	-85	-103
New budget authority (gross), detail:			
40.00 Appropriation	92	85	103
Change in unpaid obligations:			
73.20 New obligations	92	85	103
73.20 Total outlays (gross)	-82	-85	-103

Outlays (gross), detail:			
86.90 Outlays from new current authority	92	85	103
87.00 Total outlays (gross)	92	85	103
Net budget authority and outlays:			
89.00 Budget authority	92	85	103
90.00 Outlays	92	85	103

PAYMENT TO THE POSTAL SERVICE FUND FOR NONFUNDED LIABILITIES

[For payment to the Postal Service Fund for meeting the liabilities of the former Post Office Department to the Employees' Compensation Fund pursuant to 39 U.S.C. 2004, \$36,828,000.] (Postal Service Appropriation Act, 1996.)

Program and Financing (in millions of dollars)

Classification code 18-1004-0-1-372	1995 actual	1996 est.	1997 est.
Obligations by program activity:			
10.00 Total obligations (object class 41.0)	38	37	36
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	38	37	36
23.95 New obligations	-38	-37	-36
New budget authority (gross), detail:			
40.00 Appropriation	38	37	36
Change in unpaid obligations:			
73.10 New obligations	38	37	36
73.20 Total outlays (gross)	-38	-37	-36

Outlays (gross), detail:			
86.90 Outlays from new current authority	38	37	36
87.00 Total outlays (gross)	38	37	36
Net budget authority and outlays:			
89.00 Budget authority	38	37	36
90.00 Outlays	38	37	36

Summary of Budget Authority and Outlays

(in millions of dollars)

	1995 actual	1996 est.	1997 est.
Enacted/requested:			
Budget Authority	38	37	36
Outlays	38	37	36
Legislative proposal, subject to PAYGO:			
Budget Authority			-36
Outlays			-36
Total:			
Budget Authority	38	37	
Outlays	38	37	

Herewith transmitted without change, as required by Public Law 93-328, is the appropriation request of the U.S. Postal Service for 1997 as submitted to the Office of Management and Budget.

Program and Financing (in millions of dollars)

	1995 actual	1996 est.	1997 est.
Program by activities:			
Payment to the Postal Service fund for:			
1. Previous nonfunded liabilities of the Post Office Department	38	37	36
2. Free and reduced-rate mail: Current year	63	56	62
3. Free and reduced-rate mail: Reconciliation adjustment, 1992 and 1993			24
4. Free and reduced-rate mail: Reconciliation adjustment, 1994			-12
5. Free and reduced-rate mail—prior liabilities	29	29	29
Total payments to the Postal Service Fund (total obligations)	130	122	139
Financing:			
Budget authority (appropriation)	130	122	139

OTHER INDEPENDENT AGENCIES

Relation of obligations to outlays:			
Total Obligations	130	122	139
Outlays	130	122	139

PAYMENT TO THE POSTAL SERVICE FUND FOR NONFUNDED LIABILITIES

(Legislative proposal, subject to PAYGO)

Program and financing (in millions of dollars)

Modification over 18-1004-4-1-372	1995 actual	1996 est.	1997 est.
Obligations by program activity:			
10.00 Total obligations (object class 41.0)			-36
Budgetary resources available for obligation:			
22.00 New budget authority (gross)			-36
23.95 New obligations			36
New budget authority (gross) detail:			
40.00 Appropriation			-36
Change in unpaid obligations:			
73.10 New obligations			-36
73.20 Total outlays (gross)			36
Outlays (gross) detail:			
66.90 Outlays from new current authority			-36
87.00 Total outlays (gross)			-36
Net budget authority and outlays:			
89.00 Budget authority			-36
90.00 Outlays			-36

This schedule reflects the changes resulting from the proposal to require that liabilities of the former Post Office Department to the Employees' Compensation Fund, which were previously appropriated to the U.S. Postal Service, shall now be liabilities of the Postal Service and payable out of the Postal Service Fund.

Public enterprise funds:

POSTAL SERVICE FUND

Program and financing (in millions of dollars)

Modification over 18-4020-0-3-372	1995 actual	1996 est.	1997 est.
Obligations by program activity:			
Direct program:			
00.01 Postal field operations	38,816	40,139	42,024
00.02 Transportation	3,476	3,720	3,945
00.03 Building occupancy	1,166	1,274	1,366
00.04 Supplies and services	1,629	1,842	1,918
00.05 Research and development	52	67	71
00.06 Administration and area operations	3,824	5,106	5,850
00.07 Interest	2,033	1,880	2,064
00.08 Service-wide expenses	830	304	347
00.09 Capital investment	2,229	4,606	2,885
00.10 Post Office Dept. Workers' Compensation	38	37	36
00.91 Subtotal, direct program	54,093	59,015	60,506
82.01 Reimbursable program	265	273	284
10.00 Total obligations	54,358	59,288	60,790
Budgetary resources available for obligation:			
21.90 Unobligated balance available, start of year: Treasury balance	736	476	476
22.00 New budget authority (gross)	57,356	62,146	62,345
22.30 Unobligated balance expiring	-260		
22.60 Redemption of debt	-3,008	-2,858	-1,555
23.90 Total budgetary resources available for obligation	54,834	59,764	61,266
23.95 New obligations	-54,358	-59,288	-60,790
24.90 Unobligated balance available, end of year: Treasury balance	476	476	476
New budget authority (gross) detail:			
67.15 Authority to borrow (indefinite)	2,554	4,917	3,151

68.00 Spending authority from offsetting collections: Offsetting collections (cash)	54,812	57,279	59,194
70.00 Total new budget authority (gross)	57,356	62,146	62,345

Change in unpaid obligations:

Unpaid obligations, start of year:			
Obligated balance:			
72.47 Authority to borrow	15,739	16,994	19,818
72.90 Treasury balance	-483	-201	-369
72.91 U.S. Securities: Par value	1,271	1,249	1,000
72.99 Total unpaid obligations, start of year	16,527	18,042	20,449
73.10 New obligations	54,358	59,288	60,790
73.20 Total outlays (gross)	-62,843	-66,881	-61,790
Unpaid obligations, end of year:			
Obligated balance:			
74.47 Authority to borrow	16,994	19,818	18,927
Fund balance:			
74.90 Treasury balance	-201	-369	-478
74.91 U.S. Securities: Par value	1,249	1,000	1,000
74.99 Total unpaid obligations, end of year	18,042	20,449	19,449

Outlays (gross) detail:

86.97 Outlays from new permanent authority	52,843	56,881	61,790
87.00 Total outlays (gross)	52,843	56,881	61,790

Offsets:

Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Federal sources	-1,285	-1,317	-1,364
88.20 Interest on U.S. securities	-216	-133	-106
88.40 Non-federal sources	-63,311	-55,779	-57,724
88.90 Total, offsetting collections (cash)	-64,812	-57,229	-59,194

Net budget authority and outlays:			
89.00 Budget authority	2,554	4,917	3,152
90.00 Outlays	-1,969	-348	2,596

Summary of Budget Authority and Outlays

Enacted/requested:	(In millions of dollars)		
	1995 actual	1996 est.	1997 est.
Budget Authority	2,554	4,917	3,151
Outlays	-1,969	-348	2,596
Legislative proposal, not subject to PAYGO:			
Budget Authority		37	36
Outlays		37	36
Total:			
Budget Authority	2,554	4,954	3,187
Outlays	-1,969	-311	2,632

The Postal Reorganization Act of 1970, Public Law 91-375, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing patrons with reliable mail service at reasonable rates and fees.

The U.S. Postal Service is governed by an 11-member Board of Governors, including 9 Governors appointed by the President, a Postmaster General who is selected by the Governors, and a Deputy Postmaster General who is selected by the Governors and the Postmaster General.

Decisions on changes in domestic rates of postage and fees for postal services are recommended to the Governors of the Postal Service by the independent Postal Rate Commission after a hearing on the record under the Administrative Procedure Act. The Commission also recommends decisions on changes in the domestic mail classification schedule to the Governors. Decisions of the Governors on rates of postage, fees for postal services, and mail classification are final, subject to judicial review.

Effective in 1986, the Postal Service Fund (Fund) was included in the congressional and executive budget process and taken into account in making calculations under the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm

Enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Gramm-Hollings). The Omnibus Budget Reconciliation Act of 1989 amended title 39 of the U.S. Code by adding a new section, 2009a, which provides that, beginning in 1990, the receipts and disbursements of the Fund shall not be considered as part of the congressional and executive budget process and shall not be taken into account in making calculations under Gramm-Rudman-Hollings.

Programs.—Included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and financing.

The rapid development of electronic messaging systems promises to increase the effectiveness of the Nation's communications infrastructure and U.S. competitiveness in the future. As the provider of a universally available hard copy delivery system, the United States Postal Service is encouraged to examine these emerging communications technologies and to cooperate with the private sector on issues of integration, directory service, and strategic alliances that will facilitate the development of secure and reliable electronic messaging networks.

The transition from hard copy to electronic messaging already has begun. The Postal Service should assist in developing future messaging systems. The Postal Service's participation should recognize the changing needs of its business, governmental, and individual customers; should focus on determining an appropriate means for public and private sector cooperation; and should be consistent with the agency's vision

evolving into a premier provider of 21st century postal communications. The Postal Service should seek to leverage comprehensive delivery, messaging security, and address-directory management capabilities in a manner that promotes universal access to the benefits of these new technologies for all citizens who desire them.

Financing.—The activities of the U.S. Postal Service are financed from the following sources: (1) mail and services revenue; (2) reimbursements from Federal and non-Federal sources; (3) proceeds from borrowing; (4) interest from U.S. securities and other investments; and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in obligations and securities.

Separate legislation also increased the Postal Service's statutory borrowing authority beginning in 1991. Section 2005 of title 39, United States Code, as amended, increased the Postal Service's borrowing authority by \$2.5 billion in 1991 for a revised ceiling of \$12.5 billion and an additional \$2.5 billion in 1992 for a revised total ceiling of \$15 billion. The total net increase in amounts outstanding in any one fiscal year were also increased and now may not exceed \$2.0 billion in obligations issued for the purpose of capital improvements and \$1.0 billion for the purpose of paying operating expenses. As of September 30, 1997, it is expected that the total debt instruments issued and outstanding pursuant to this authority will amount to \$8.987 billion.

Operating.—Estimated revenue will total \$58.869 billion in 1997. This includes \$58.667 billion from mail and services revenue, \$106 million from investment income, and \$96 million accrued for revenue forgone appropriations in 1997. Total expenses are estimated at \$59.521 billion in 1997.

The Postal Reorganization Act of 1970 established the Postal Service as a fully self-sufficient, independent entity. Postal revenues were to cover the full costs of postal operations. When the Act was passed, the Postal Service received sub-

stantial taxpayer subsidies, both appropriated and unappropriated. Consistent with the intent of the 1970 Act, Congress has taken steps over time to reduce these subsidies. Under the 1974 Civil Service Retirement Fund—Postal Employee Benefits Act, the Postal Service assumed responsibility for paying unfunded retirement costs from wage schedule increases under postal labor contracts. These costs are not covered by normal employee/employer contributions to the retirement fund. The 1985 Reconciliation Act shifted responsibility for paying health benefit costs of Postal annuitants retiring after 1986 from OPM to the Postal Service. The 1987 Reconciliation Act had the Postal Service make one-time payments to defray annuitant health benefit costs in 1988 and 1989 and retirement COLA costs in 1988. (Retirement COLAs, like wage schedule increases, result in retirement liabilities not covered by normal retirement fund contributions.) Under the 1989 Reconciliation Act, the Postal Service assumed responsibility for paying health benefits of survivors of post-86 annuitants and unfunded retirement COLA liabilities for post-86 annuitants.

The Omnibus Budget Reconciliation Act of 1990 superseded certain existing legislation and expanded the Postal Service's responsibility for benefit costs of postal annuitants. Effective October 1, 1990, the Postal Service is required to fund Civil Service Retirement System (CSRS) COLAs and the employer's share of Federal Employee Health Benefit Program (FEHBP) premiums for postal annuitants who retired after June 30, 1971, and their survivors. In addition, the Postal Service is required to fund the retroactive CSRS COLA and FEHBP premium costs for which the Postal Service would have been liable if the provisions of this new legislation had been in effect as of July 1, 1971.

Under the Omnibus Reconciliation Act of 1993, the Postal Service is required to make certain payments for past COLAs and health benefits, over and above any other payments required by law, of \$693 million to the Civil Service Retirement and Disability Fund, and \$348 million to the Employees Health Benefits Fund. These two payments are to be made in three equal annual installments, beginning in fiscal year 1996.

Statement of Operations (in millions of dollars)

Modification code 18-4020-0-3-372	1994 actual	1995 actual	1996 est.	1997 est.
0101 Revenue	49,577	54,509	56,919	58,869
0102 Expense	-50,490	-52,739	-55,996	-59,521
0109 Net income or loss (-)	-913	1,770	923	-652

Balance Sheet (in millions of dollars)

Modification code 18-4020-0-3-372	1994 actual	1995 actual	1996 est.	1997 est.
ASSETS:				
Federal assets:				
1101 Fund balances with Treasury	25	25	25	25
Investments in US securities:				
1102 Treasury securities, par	1,271	1,249	1,000	1,000
1106 Receivables, net	360	405	123	123
1107 Advances and prepayments	19	25	20	20
Non-Federal assets:				
1206 Receivables, net	786	790	839	908
1207 Advances and prepayments	159	155	155	155
Other Federal assets:				
1801 Cash and other monetary assets	123	241	175	175
1802 Inventories and related properties	204	222	225	225
1803 Property, plant and equipment, net	16,220	16,849	18,237	21,045
1901 Other assets	27,247	28,960	32,522	33,965
1999 Total assets	46,416	48,921	53,321	57,641
LIABILITIES:				
Federal liabilities:				
2101 Accounts payable	2,068	1,741	1,311	979
2102 Interest payable	134	147	135	180
2103 Debt	8,973	7,265	6,500	8,987
2104 Resources payable to Treasury	25	25		
Non-Federal liabilities:				
2201 Accounts payable	9,517	9,742	10,768	12,731

OTHER INDEPENDENT AGENCIES

Debt	14	14	14	14
Person and other actuarial liabilities	30,910	33,777	37,518	38,327
Other	735	401	343	343
Total liabilities	52,377	53,112	56,589	61,561
NET POSITION:				
3200 Invested capital	3,034	3,034	3,034	3,034
3300 Cumulative results of operations	-8,995	-7,225	-6,302	-6,954
3999 Total net position	-5,961	-4,191	-3,268	-3,920
4999 Total liabilities and net position	46,415	48,921	53,321	57,641

Object Classification (in millions of dollars)

Classification code 18-4020-0-3-372	1995 actual	1996 est.	1997 est.
Personal compensation:			
11.1 Full-time permanent	23,482	24,318	25,264
11.3 Other than full-time permanent	3,836	4,212	4,412
11.5 Other personal compensation	4,777	4,586	4,967
11.9 Total personal compensation	32,157	33,126	34,643
12.1 Civilian personal benefits	8,532	9,593	10,020
13.0 Benefits for former personnel	1,183	1,266	1,349
21.0 Travel and transportation of persons	178	168	195
22.0 Transportation of things	3,961	4,248	4,513
23.1 Rental payments to GSA	121	34	34
23.2 Rental payments to others	584	635	662
23.3 Communications, utilities, and miscellaneous charges	530	589	590
24.0 Printing and reproduction	115	127	135
25.2 Other services	1,315	1,839	2,485
26.0 Supplies and materials	1,327	1,067	1,119
31.0 Equipment	1,142	3,328	1,943
32.0 Land and structures	1,004	1,282	846
42.0 Insurance claims and indemnities	76	76	93
Interest and dividends:			
43.0 Interest and dividends	670	445	437
43.0 Interest and dividends	1,363	1,435	1,676
99.0 Subtotal, reimbursable obligations	54,358	58,288	60,790
9 Total obligations	54,358	58,288	60,790

Personnel Summary

Classification code 18-4020-0-3-372	1995 actual	1996 est.	1997 est.
Total compensable workyears:			
2005 Full-time equivalent of overtime and holiday hours	63,917	64,903	65,750
2011 Exempt full-time equivalent employment	806,243	822,885	835,084

POSTAL SERVICE FUND

(Legislative proposal, not subject to PAYGO)

Program and Financing (in millions of dollars)

Classification code 18-4020-2-3-372	1996 actual	1996 est.	1997 est.
Obligations by program activity:			
Direct program:			
00.11 Payment to U.S. Treasury Dept.			37
10.00 Total obligations (object class 13.0)			37
Budgetary resources available for obligation:			
22.00 New budget authority (gross)		37	
23.95 New obligations		-37	
New budget authority (gross), detail:			
67.15 Authority to borrow (indefinite)		37	36
68.00 Spending authority from offsetting collections: Offsetting collections (cash)			-36
70.00 Total new budget authority (gross)		37	
Change in unpaid obligations:			
73.10 New obligations		37	
73.20 Total outlays (gross)		-37	
Outlays (gross), detail:			
87 Outlays from new permanent authority		37	
87.00 Total outlays (gross)		37	

Against gross budget authority and outlays:			
68.00 Offsetting collections (cash) from: Federal sources			36
Net budget authority and outlays:			
69.00 Budget authority		37	36
80.00 Outlays		37	36

This schedule reflects the changes resulting from the proposal to require that liabilities of the former Post Office Department to the Employees' Compensation Fund, which were previously appropriated to the U.S. Postal Service, shall now be liabilities of the Postal Service and payable out of the Postal Service Fund.

RAILROAD RETIREMENT BOARD

Federal Funds

General and special funds: [DUAL BENEFITS PAYMENTS ACCOUNT] FEDERAL WINDFALL SUBSIDY

For payment to the Dual Benefits Payments Account, authorized under section 15(d) of the Railroad Retirement Act of 1974, \$223,000,000 which shall include amounts becoming available in fiscal year 1996 pursuant to section 234(c)(1)(B) of Public Law 98-76; and in addition, an amount, not to exceed 2 percent of the amount provided herein shall be available proportional to the amounts by which the product of recipients and the average benefit received exceeds \$223,000,000. Provided, That the total amount provided herein shall be credited in 12 approximately equal amounts on the first day of each month of the fiscal year.

Note—A regular 1996 appropriation for this account had not been enacted at the time this budget was prepared. The 1996 amounts included in this budget are based on the levels provided in three continuing resolutions: P.L. 104-61, P.L. 104-62, and P.L. 104-68.

Program and Financing (in millions of dollars)

Classification code 60-0111-0-1-601	1995 actual	1996 est.	1997 est.
Obligations by program activity:			
10.00 Total obligations (object class 41.0)		251	239
Budgetary resources available for obligation:			
22.00 New budget authority (gross)		254	239
22.30 Unobligated balance carrying		-3	
23.90 Total budgetary resources available for obligation		251	239
23.95 New obligations		-251	-239
New budget authority (gross), detail:			
40.00 Appropriation		261	239
40.35 Appropriation rescinded		-7	
43.00 Appropriation (total)		254	239
70.00 Total new budget authority (gross)		254	239
Change in unpaid obligations:			
73.10 New obligations		251	239
73.20 Total outlays (gross)		-239	-223
Outlays (gross), detail:			
86.90 Outlays from new current authority		251	239
87.00 Total outlays (gross)		251	239
Net budget authority and outlays:			
63.00 Budget authority		254	239
80.00 Outlays		251	223

This appropriation is a Federal subsidy to the rail industry pension for costs not financed by the railroad sector. The American taxpayer subsidy is about \$1,000 per rail employee.

FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS
For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest

Answer of United States Postal Service to the Interrogatories of
Office of the Consumer Advocate

OCA/USPS-15. Please refer to the response to OCA/USPS-T5-7e. This response states that attrition affected nine sample routes during FY 95.

- a. Please describe the procedure for selecting replacement routes for routes subject to attrition. If written instructions for this procedure exist, please include them in your response.
- b. Please explain the advantage of not using a randomized procedure for replacement of routes subject to attrition.
- c. Please provide comparisons between characteristics of routes subject to attrition and their replacements. For example, for each attrited route and its replacement, provide route characteristics such as number of stops (by stop type), route volume, CAG, and route type.
- d. Please explain how the 18 affected routes (both the attrited and replacement routes) can be identified on the FY 95 CCS data set.

OCA/USPS-15a Response

Please see revised response to OCA/USPS-T5-7e. Four routes were substituted in FY 95.

- a. City carrier routes both in the last available city carrier sample frame and newly created routes are eligible to replace routes that are subject to attrition. The main characteristics that are preserved when providing a substitute route are CAG, route type, and number of deliveries. The substitution process includes the input of the statistical program coordinator in the area where the substitution is required.

Answer of United States Postal Service to the Interrogatories of
Office of the Consumer Advocate

OCA/USPS-15b - d Response continued:

b. We must be aware of total workload and data collector knowledge of the rules for taking a city carrier cost test when substituting a route. For those reasons, we maintain the substitute route in the area in which the attrited route existed.

c. The numbers of stops by type are the average number of stops for the time the route was in sample. The route volume is the total volume recorded at all stops divided by all the stops in sample.

	STYP1	STYP2	STYP3	ROUTE VOL	CAG	ROUTE TYPE
1)	72	1	10	6.30	A	1560
	82	13	14	7.77	A	1560
2)	141	0	0	2.80	A	1562
	166	0	0	3.74	A	1562
3)	107	15	3	3.52	C	1560
	133	27	4	3.84	C	1560
4)	7	8	0	18.27	D	1571
	3	18	1	23.29	C	1571

d.

	OLD ZIP5 & ROUTE NUMBER	NEW ZIP5 & ROUTE NUMBER
1)	14223 23046	14217 17004
2)	32210 44054	32208 08020
3)	55806 06632	55806 06614
4)	85351 25004	85225 25017

**Answer of United States Postal Service to the Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-16. Please refer to the response to OCA/USPS-T5-(7)d. This response states that there is a small number of routes that have parts. Please provide the total number of universe and sample routes that have multiple parts.

OCA/USPS-16 Response

The universe number of routes that have multiple parts is unknown.

The number of routes that have multiple parts in the sample is 5.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-17. Refer to the transcript of the proceedings of the July 12, 1994, meeting of the Board of Governors, pages 9-27, concerning mail forwarding. Please confirm that the Board of Governors has adopted a postal management proposal to assess a fee for the forwarding of mail and/or change of address orders.

- a. If you do not confirm, please explain the extent of the Board of Governors' consideration of assessing a fee for mail forwarding and/or change of address orders.
- b. Please provide information on the status of any Postal Service work undertaken to date concerning assessing a fee for the forwarding of mail and/or change of address orders.
- c. Please provide the results (or interim results) of any Postal Service work undertaken to date concerning assessing a fee for the forwarding of mail and/or change of address orders.

RESPONSE:

Not confirmed.

a-c) The Board has not had been presented with proposals for mail forwarding fees or fees for change of address orders. The Postal Service has not undertaken work on any such proposals.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-18. Refer to the transcript of the proceedings of the July 12, 1994, meeting of the Board of Governors, page 18, lines 8-12, concerning the cost study for undeliverable as addressed mail. Please provide a copy of the Price Waterhouse study.

RESPONSE:

The study was provided in Docket No. MC95-1. USPS-LR-MCR-76 (Volumes, Characteristics, and Costs of Processing Undeliverable -As-Addressed Mail).

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-19. Refer to the transcript of the proceedings of the July 12, 1994, meeting of the Board of Governors, page 24, lines 8-10, concerning the cost of forwarding mail. Please confirm that the "total cost of forwarding mail is slightly over 23 cents a piece." If you do not confirm, please provide the correct figure and the data and calculations used to derive it.

RESPONSE:

Confirmed. See USPS LR-MCR-76 at p. 5-5.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-20. Refer to the transcript of the proceedings of the July 12, 1994, meeting of the Board of Governors, page 12, lines 8-11, concerning the volume of forwardable [sic] mail. Please confirm that forwardable mail volume is estimated to be over 5 billion pieces per year. If you do not confirm, please provide the correct figure and the data and calculations used to derive it.

RESPONSE:

Volumes of *forwarded* mail are reported in Table 4.2 of USPS LR-MCR-76. The reference to 5 billion *forwardable* pieces in the transcript was probably intended to refer to all UAA mail, which was estimated at 4.84 billion pieces in FY 1993. USPS LR-MCR-76 at p. 4-3, Table 4.2.

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OCA/USPS-21. Please refer to page 50 of library reference SSR-22. This describes the SAS item "F9246" as the "Heavy/Light Sample Weight." In addition, a further notation states, "For SAS analysis purposes, divide field f9246 by 1000 to obtain proper Weighting Factor."

- a. Please confirm that the IOCS weighting factor is "f9246/1000" for each observation. If you do not confirm, please provide the correct weighting factors.
- b. The response to OCA/USPS-T5-13c refers to changes to the IOCS weighting procedure. Please confirm that these weighting modifications are reflected in the f9246 weighting factors included in the IOCS data set. If you do not confirm, please provide a citation to the appropriate variables in the IOCS data set that contain these weighting modifications.
- c. Please provide complete documentation describing the calculation of the IOCS weighting factors. If this information has already been provided, please provide a citation to the appropriate MC96-3 document.

OCA/USPS-21 Response:

- a. Confirmed.
- b. Confirmed.
- c. See Attachment, and SSR-18 page 66, SSR-19 pages 752-764, ALB095C4.

Attachment to OCA/USPS-21.c Response

The f9246 weighting factor is applied to an IOCS tally when assigning a dollar weight to that tally (see response to OCA/USPS-T-29). If w_i is the f9246 weight for the i_{th} tally in the k_{th} cost pool, C_k is the labor cost for the k_{th} cost pool, and n_k is the number of tallies in the k_{th} cost pool, the dollar weight for the i_{th} tally is computed as

$$C_k * w_{ki} / \sum_{i=1}^{n_k} w_{ki} .$$

The f9246 weighting factor is based on the inverse of the probability of selection of the employee within a cost pool. Since cost pools correspond to crafts within CAG strata where employees are generally selected with the same probability, the derived f9246 weighting factor is generally 1. For example, if all office employees within a cost pool are selected at a 3 percent sampling rate, then the inverse of the probability of selection is 1/.03, which cancels out in the numerator and denominator of the above equation leaving $w_{ki} = 1$ and $\sum w_{ki} = n_k$.

There are offices where employees are sampled at rates different from most offices within a cost pool. They are primarily offices with concentrated international activities where greater informational details are needed, and some offices which are realigned in the appropriate cost pools for dollar weighting. The f9246 weighting factors are calculated to give weights of 1 to the majority of offices where employees are sampled at the same rate, and to scale the weights for the special offices relative to those in the majority. For example, suppose employees within a cost pool are selected at a 3 percent sampling rate, but within that same cost pool, employees in some special offices are selected at a 9 percent rate, and others at a 2 percent rate. w_{ki} for each one of those three categories would be respectively $(1/.031) \times .03 = 1$, $(1/.09) \times .03 = .333$ and $(1/.02) \times .03 = 1.5$.

It follows from the F9246 weighting factors that the dollar weight is the same for the majority of tallies within a cost pool, but differs between cost pools, since C_k and the number of tallies differ between cost pools. In IOCS CAG B, however, tallies reflecting differences in representation of mail processing and non-mail processing facilities were pooled together for dollar weighting. As a result, the f9246 weighting factor was further modified to adjust sample proportions to universe proportions. See response of witness Patelunas to UPS/USPS-T5-5.

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OCA/USPS-22. Please refer to the response to OCA/USPS-T5-13c. The last sentence states, "The weighting was based on costs rather than the number of facilities." Please provide the computational formulas used to compute weighting factors from costs. Please explain why the number of universe or sampled facilities was not utilized.

OCA/USPS-22 Response:

See response of witness Patelunas to UPS/USPS-T5-5 for the computational formulas used to compute weighting factors from costs. Since the dollar weight of an IOCS tally is the basis for all cost distributions (see response to OCA/USPS-29), it follows that facility labor costs, rather than the number of facilities, are more appropriate for weighting the IOCS tallies.

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OCA/USPS-23. Please refer to the response to OCA/USPS-T5-13 and page 14 of SSR-90. SSR-90 defines the first stage sampling unit as the office, yet the response to OCA/USPS-T5-13 seems to indicate that it is now the finance number. The response to OCA/USPS-T5-13c indicates that an office could have different CAG designations for each of its two finance numbers.

- a. Please clarify what defines the first stage sampling unit for the FY 95 IOCS sample.
- b. Is it now possible for a CAG A mail processing function in an office to be in the IOCS sample, but the CAG C customer service function to be excluded from the sample? Please explain.
- c. Refer to subpart (b) of this interrogatory. Suppose that an office classified as CAG C in FY 92 was not in the FY 92 IOCS sample.
 - i. Please confirm that due to the restructuring, all such CAG C offices had their processing function assigned a new CAG A finance number. Further, the customer service functions would keep the office's original finance number and remain CAG C. If you do not confirm, please explain.
 - ii. Please confirm that the CAG A mail processing function would be brought into the IOCS CAG A certainty sample and that the CAG C customer service function would remain unsampled by IOCS. If you do not confirm, please explain.

OCA/USPS-23 Response:

- a. The first stage sampling unit has always been the finance number, generally referred to as office. The finance number could include a post-office unit, or several organizational units where employees report their labor time to that finance number.
- b. No. See response to subpart c(ii) below.

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- c.
 - i. Confirmed.
 - ii. Not confirmed. Only those finance numbers that were sampled in FY 92 and the finance numbers that were spinoffs from those finance numbers during the Restructuring are included in the FY 95 sample.

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OCA/USPS-24. Please refer to the response to OCA/USPS-T5-13c. This states that "the weighting was modified to reflect differences in representation of mail processing and non-mail processing facilities in the IOCS CAG A/B sample." Please explain this modification and provide the documentation and computational formulas used to perform this modification.

OCA/USPS-24 Response:

See response of witness Patelunas to UPS/USPS-T5-5.

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OCA/USPS-T-25. Please refer to Attachment 2 to OCA/USPS-T5-13b.

- a. Please provide a similar table containing employee universe counts.
- b. Please confirm that these employee universe counts are used to develop estimation weighting factors. If you do not confirm, please explain and provide the appropriate employee universe counts used for weighting.

OCA/USPS-T-25 response.

- a. Objection filed August 19, 1996.
- b. Not confirmed. Employee universe counts are not used for weighting.

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OCA/USPS-25. Please refer to Attachment 2 to OCA/USPS-T5-13b.

- a. Please provide a similar table containing employee universe counts.
- b. Please confirm that these employee universe counts are used to develop estimation weighting factors. If you do not confirm, please explain and provide the appropriate employee universe counts used for weighting.

OCA/USPS-25 Response:

- a. See Attachment for pay period 23 of calendar year 1994 (FY 1995). The Attachment includes the employee universe count for the crafts and types of facilities sampled by the IOCS.
- b. Response filed August 23, 1996.

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GROUP	TOTAL	CAG A & B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	CAG K	TOTAL EMPLOYEES
CARRIER-REG	94,642	54,533	19,886	20,396	8,214	3,472	715	72	2	201,932	
CARRIER-SUB	18,069	10,422	6,526	5,427	3,159	2,260	758	130	7	44,758	
CLERK-REG	160,548	28,141	10,871	11,415	5,220	2,825	713	64	3	219,800	
CLERK-SUB	39,904	6,853	3,805	6,460	5,399	6,226	6,024	3,720	971	79,362	
MAILHANDLER	60,825	1,585	265	105	7	2				62,789	
SP. DELV. MSGR	1,350	238	8	4						1,600	
SUPERVISOR	22,245	5,084	1,891	2,166	954	88			1	32,429	

AS OF PP23 1994

GROUP	TOTAL	397,583
CAG A & B	TOTAL	106,856
CAG C	TOTAL	41,252
CAG D	TOTAL	45,973
CAG E	TOTAL	22,953
CAG F	TOTAL	14,873
CAG G	TOTAL	8,210
CAG H	TOTAL	3,987
CAG J	TOTAL	983
CAG K	TOTAL	642,670
EMPLOYEES	TOTAL	

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OCA/USPS-26. Please refer to the response to OCA/USPS-T5-15. If the IOCS first stage sampling unit is now defined as the finance number and a given office can be composed of more than one finance number (of different CAGs), then:

- a. Please confirm that each line in the listing on the attachment to the response to OCA/USPS-T5-15 corresponds to a unique finance number. If you do not confirm, then please provide a table similar to that of the attachment to the OCA/USPS-T5-15 response showing historic finance number advancements and relegation in CAG status for IOCS sample finance offices up to FY 1995.
- b. Please confirm that the reason that the Postal Service does not maintain a similar listing for years prior to FY 93 is that that the FY 92 restructuring redefined finance numbers. If you do not confirm, please explain why it is not possible to produce historic records prior to FY 93.

OCA/USPS-26 Response:

- a. Confirmed.
- b. Confirmed.

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OCA/USPS-27. Please refer to the description of SAS Item F9227 on page 49 of SSR-22. This appears to be related to the response recorded to the IOCS mixed mail question 24. See page 133 of SSR-12.

- a. Please relate the possible values (00-24) listed in SSR-22 to the possible responses indicated in SSR-12.
- b. The entry for "Sub-Item Name" for F9227 of SSR-12 is "(See Remarks File 24A-24X)." Please explain the reference to this "remarks file."

OCA/USPS-27 Response:

- a. For supervisor readings SAS Item F9227 is blank. For all other readings SAS item F9227 contains 00 unless the employee is handling an item containing mail that has been counted. If the mail is counted , from 01 to 24 possible categories of mail may be present for IOCS mixed mail question 24 as listed in SSR-12. Item F9227 is merely a count of the categories of mail indicated as being present in the item.
- b. A data record referenced as a remark type 24A-24X is written to a separate codes file for each category of mail for which the data collector indicates the presence of mail by providing a count for an individual shape. These "remarks file" records are used to split a counted mixed mail (handling item) record into 1 or more records with direct mail activity codes.

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OCA/USPS-28. Please refer to SAS Item F262 on page 50 of SSR-22. Please confirm that the activity codes referred to as F262 correspond to those of SSR-1 Tables B-1 and B-2. If you do not confirm, please provide a corrected listing of the FY95 activity codes used in F262.

OCA/USPS-28 Response:

a. Not confirmed. SSR-1 Table B-3 contains the complete list of special service activity codes. Activity code 0300 (Form 35/47/3579) is combined with activity code 0210 (Address Correction on Piece) in the In-Office Cost System, LIOCATT Subsystem and does not appear in SSR-1 Table B-1. Please note that several of the activity codes appearing in SSR-1 Table B-2 do not appear in F262. All international direct activity codes are consolidated into four shape related direct activity codes (1780, 2780, 3780 and 4780) and all international mixed mail codes are consolidated into one mixed mail code (5460). Activity codes 5740 (Mixed Mail - Handling Single Item) and 5745 (Mixed Mail - Handling Container or Multiple Items) are assigned to shape related mixed mail codes where possible or reassigned to 5750 (Mixed All Shapes). Activity codes 6524 - 6529 are no longer used. These codes were used to separate break/personal needs tallies for clerks and mailhandlers into functional areas. The operation code now is used to assign break/personal needs tallies to functional areas. The following two Lunch and Leave Codes should be added to Table B-2, page B-14:

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9201 Non IOCS Occupation Code

9206 Supervisor Lunch and Leave Codes for Automatically Coded
Supervisor Sample Records

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OCA/USPS-29. Please refer to SAS Item F9250 on page 50 of SSR-22. The title of this item is "Tally Dollar Value" and an additional notation says to "divide field by 100 to obtain value in dollars." Please explain how the value for F9250 is computed and provide guidance on how it should be used.

OCA/USPS-29 Response:

Please refer to SSR-18, page 66 -67 for the descriptions of programs ALB095C4 and ALB105C4 which are used to develop the dollar weights appearing in SAS Item F9250. The source code for the programs appears in SSR-19, pages 752-776. Attachment A gives an example of the development of SAS Item F9250. On a quarterly basis, the same process is used for each craft within each CAG/Finance Number grouping. For additional computations affecting SAS Item F9250 see my response to OCA/USPS-T-30.

SAS Item F9250 represents the dollar weight of a tally and is used by all subsequent IOCS processing. It is the basis for all of the cost distributions appearing in the LIOCATT reports and IOCS SAS analysis reports containing dollar weighted tallies.

ATTACHMENT A					
CALCULATION OF OF FIELD F9250					
QUARTER 2, CAG A, FINANCE NUMBER 555555, REGULER CLERKS					
TALLIES	Heavy/Light Sample Weight (Item F9246)	Total Sample Weight	Dollar Weight (Item F9250)	Total Dollar Weight	
(a)	(b)	(c)	(d)	(e)	
		(a) * (b)	(b) * (g)	(a) * (d)	
2055	0.060	123.300	3,858.08	7,928,354.40	
3	0.500	1.500	32,150.64	96,451.92	
9451	1.000	9451.000	64,301.28	607,711,397.28	
612	1.500	918.000	96,451.92	59,028,575.04	
	TOTAL	10493.800		674,764,778.64	
	(f)	Total Dollar Pool	\$674,764,793		
	(g)	Average Dollar Weight	\$64,301.28	(Total Dollar Pool / Total Sample Weight)	
Note :	SAS items F9246 and F9250 have been formatted for clarity. Commas and decimal points do not appear in the SAS items.				

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OCA/USPS-30. Please refer to SAS Item F9253 on page 50 of SSR-22. The entry in the "Title of Item" column asks, "Is the tally a Mixed Mail Counted Item which has been divided into one or more records with a direct mail activity codes assigned. [sic]"

- a. Please explain how to interpret the values that can be assigned to F9253.
- b. Please explain how a typical mixed mail observation would be represented in this file.

OCA/USPS-30 Response:

- a. Please refer to SSR-12, page 133 for the meaning of values A thru X in field F9253. If the tally is not the result of a counted item, SAS Item F9253 is blank.
- b. Please refer to SSR-18, pages 73-74 for narratives of the programs (ALB897C2 and ALB898C3) involved in developing direct mail costs for counted mixed items. The source code for the programs may be found in SSR-19, pages 895-916. Following is an expansion of the hypothetical example given in SSR-18, page 74:

An employee is handling an item containing mixed mail and the data collector responds that the mail can be counted. Please refer to SSR-12, page 133-135. After counting the pieces in the item, the data collector selects category of mail "A. 1st Class Nonpresorted", enters 50 in the letter shape field and 25 in the flat shape field. A "remark " record 24A is generated containing the counts entered and one is added to F9227 (Number of Records Counted = 01). The data

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collector next enters 25 as the piece count for category of mail "C. Postal Card" in the card shape field. A "remark" record 24C is generated containing the count entered and one is added to F9227 (Number of Records Counted = 02). When the counts are completed the data collector is prompted on special service information.

Program ALB897C2 builds one record from the two remark records. Program ALB898C2 matches the merged remark record with the IOCS tally file. When the matching IOCS tally record is found three tally replacement records are developed based on the counts as follows:

Original tally record	F262 = 5740	original dollar value(F9250) = 6430128	F9253 = blank
Divided item record 1	F262 = 1061	new dollar value(F9250) = 3215064	F9253 = A
Divided item record 2	F262 = 2061	new dollar value(F9250) = 1607532	F9253 = A
Divided item record 3	F262 = 1000	new dollar value(F9250) = 1607532	F9253 = C

Note: All other fields in the three new records are the same as the original tally record. If a special service activity code is assigned to the record, the record retains the original special service activity code and is not divided into multiple records.

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OCA/USPS-31. Please refer to the response to OCA/USPS-T5-13c and to the OCA's interrogatory at Tr. 1/55-58, June 1, 1994, in Docket No. R94-1.

- a. Interrogatory OCA/USPS-T5-13c asked for descriptions of changes to estimation formulas. The response mentioned changes to weighting factors, but not to the variance estimation formulas provided in R94-1 at Tr. 1/57-58. Please confirm that the R94-1 variance estimation formulas were used to produce Tables 4-6 of SSR-90. If you do not confirm, please detail all changes and provide updated variance formulas.
- b. In R94-1, C_k is defined as the cost associated with the k^{th} craft. Tr. 1/57. Please confirm that C_k was derived from payroll records for all employees of craft k in FY 1993. If you do not confirm, please explain.
- c. Please confirm that in R94-1, $C_{ik, \text{stratum, quarter}}$ was computed by the formula $C_{ik, \text{stratum, quarter}} = C_{k, \text{stratum, quarter}} * P_{ik, \text{stratum, quarter}}$. Tr. 1/58. If you do not confirm, please provide the correct formula.
- d. Please confirm that the formula provided in response to part (c) of this interrogatory is the formula used to compute $C_{ik, \text{stratum, quarter}}$ for the FY 1995 IOCS estimates provided in Tables 4-6 of SSR-90. If you do not confirm, please explain and provide the correct formulas for FY 1995.

OCA/USPS-31 Response:

- a. Not confirmed.

The variance estimation formulas used to produce Tables 4-6 of SSR-90 are basically the same as the R94-1 formulas. Although most tallies have a weight of 1, the variables n_{kj} , n_k , a_{ikj} , a_{ik} , a_{ikj} , in Tr. 1/57-58 are weighted counts from which it follows that p_{ikj} , p_{ik} are weighted percentages.

An additional stratum for mail processing offices that were split from CAG C customer service offices was established for variance computation, using the formula in

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5), Tr. 1/58.

b. Confirmed.

c. Confirmed with p_{ik} as defined in a) above.

d. Confirmed.

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OCA/USPS-T-32. Please refer to pages 20-21 of SSR-22. This document lists possible values of entries for item F35 of the FY 1995 IOCS data set. In a review of the data set, it appears that item F35 can take the value "Z" in addition to the values listed on pages 20-21 of SSR-22. Please explain the significance of this value and any other item values not documented in SSR-22.

OCA/USPS-32 Response:

Pages 20-21 of SSR-22 list all possible values assignments for item F35 received via CODES data collection. At the end of each quarter, any PDC sample record for which no matching IOCS-CODES reading has been received is written to the output file with a "Z" in field F35. These records are subsequently assigned to basic function "4" (SAS item F261), activity code "9200 - Scheduled Sample Not Received" (SAS item F262), and a dollar value of zero (SAS Item F9250). In addition to item F35, only those items listed in SSR-22 pages 19 and 50 contain data. Value "Z" is assigned by program ALB019C1. Refer to SSR-17 page 61 for the program narrative and SSR-19 page 506 lines 6052-6072 for the source code.

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OCA/USPS-33. Please refer to item F263 (tally finance number) of the SSR-22 IOCS data set and the accompanying documentation.

- a. Please confirm that the tally finance number (item F263) has been suppressed or recoded. If you do not confirm, please explain why only a small number of unique finance numbers appear in this field. If you do confirm, please explain why these finance numbers had to be suppressed, considering that all sample finance number locations were listed in response to OCA/USPS-T5-15.
- b. Please confirm that F263 takes only values "xxxxxx" (for example "666666" or "777777") on the data file provided with SSR-22. If you confirm, please explain the rationale for the various choices for "x".

OCA/USPS-33 Response:

- a. Confirmed. The listing of locations that was provided in response to OCA/USPS-T5-15 cannot be used to link data from the IOCS file to specific locations.
- b. Confirmed. Item F263 is used to separate CAG A / B tallies into three strata: '666666' for the BMC's, '555555' for the group of large offices, and '777777' for the remaining offices in CAG A and B.

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OCA/USPS-34. Please refer to the attachment to the response to OCA/USPS-T5-15. The note on the last page indicates that six of the listed "offices either closed or the finance numbers associated with them were not used."

- a. For each of these six offices, please indicate whether the office closed or whether the associated finance number was not used for other reasons.
- b. For each finance number that was not used (and the office did not close) please explain why the office was excluded from the sample.

OCA/USPS-34 Response:

- a. All six finance numbers were discontinued finance numbers with no employees assigned to them.
- b. Not applicable.

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OCA/USPS-35. Please refer to the responses to OCA/USPS-T5-15 and OCA/USPS-T5-13. The attachment to OCA/USPS-T5-15 shows 1019 sampled offices (1025 less 6 that closed or were not used), and the response to OCA/USPS-T5-13 shows 1018 sample offices. Please explain this minor discrepancy.

OCA/USPS-35 Response:

The 7th office (see line #132) is not in the FY95 sample.

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OCA/USPS-36. Please refer to the response to OCA/USPS-T5-22. This response stated that a programming error caused incorrect c.v. estimates to be produced for the Rural Carrier System in USPS-LR-G-127.

- a. Please provide a table of FY 1993 Rural Carrier System c.v.'s correcting the ones filed in G-127.
- b. If the corrected FY 1993 Rural Carrier System c.v.'s are still small relative to those of SSR-90, please explain any additional reasons that could account for the reliability decreases.
- c. Other than the discovered programming error, were there other changes to the estimation methodology (or to the sampling error estimation methodology) that could account for the difference in magnitude of sampling error reported?

OCA/USPS-36 Response:

- a. Objection filed August 26, 1996.
- b. Objection filed August 26, 1996.
- c. There were no changes.

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OCA/USPS-T-37. Please refer to Tables 4-6 of USPS-LR-SSR-90.

- a. Please provide the programs used to produce the cost and c.v. estimates presented in these tables. If they have already been provided, please provide a citation to the appropriate MC96-3 library reference.
- b. Please confirm that the IOCS FY 1995 data file provided as USPS-LR-SSR-22 is the only input file required by the programs used to produce Tables 4-6 of SSR-90. If you do not confirm, please provide the additional files.

OCA/USPS-37 Response:

- a. See USPS LR-SSR-150.
- b. The Postal Service is working on this request and will provide the information as soon as possible.

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OCA/USPS-T-37. Please refer to Tables 4-6 of USPS-LR-SSR-90.

- a. Please provide the programs used to produce the cost and c.v. estimates presented in these tables. If they have already been provided, please provide a citation to the appropriate MC96-3 library reference.
- b. Please confirm that the IOCS FY 1995 data file provided as USPS-LR-SSR-22 is the only input file required by the programs used to produce Tables 4-6 of SSR-90. If you do not confirm, please provide the additional files.

OCA/USPS-37 Response:

- a. Response filed September 23, 1996.
- b. See USPS LR-SSR-151.

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OCA/USPS-38. Please refer to Tables 7-10 of USPS-LR-SSR-90.

- a. Please provide the programs used to produce the proportions of total and corresponding c.v. estimates presented in these tables. If they have already been provided, please provide a citation to the appropriate MC96-3 library reference.
- b. Please confirm that the City Carrier Cost FY 1995 data file provided as library reference SSR-36 is the only input file required by the programs used to produce Tables 7-10 of SSR-90. If you do not confirm, please provide the additional files.

OCA/USPS-38 Response:

- a. The programs are provided in electronic form as Library Reference SSR-144, filed on August 28, 1996.
- b. The input data files used to compute the c.v.s were not the same as the data file provided in Library Reference SSR-36A, but are derived from the same files. However, the edited City Carrier data in SAS format provided in Library Reference SSR-36A is the only input file needed to run these programs.

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OCA/USPS-T-39. Please refer to Tables 11-12 of USPS-LR-SSR-90.

- a. Please provide the programs used to produce the cost and c.v. estimates presented in these tables. If they have already been provided, please provide a citation to the appropriate MC96-3 library reference.
- b. Please confirm that the Rural Carrier System FY 1995 data file provided as library reference SSR-36 is the only input file required by the programs used to produce Tables 4-6 of SSR-90. If you do not confirm, please provide the additional files.

OCA/USPS-39 Response:

- a. The programs are provided in electronic form as Library Reference SSR-144, filed on August 28, 1996.
- b. The input data files used to compute the c.v.s were not the same as the data file provided in Library Reference SSR-36A, but are derived from the same files. The Rural Carrier data provided in Library Reference SSR-36A, in conjunction with the RURALMSC.GRP file provided in Library Reference SSR-144 are the only input files needed to run these programs.

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OCA/USPS-39(2)

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OCA/USPS-39(2). Please provide a description of all sample design, estimation, and data collection changes in the TRACS system since the FY 1993 sample.

OCA/USPS-39(2) Response

Since PQ4, FY93 the following changes have taken place in TRACS:

Sample Design

The cost stratification in the sample design for highway, freight rail, and passenger air was removed beginning in PQ1, FY95. It was replaced with random sampling within each Postal Service district. (The district administers the TRACS tests for a given number of facilities in an area.) Each district is assigned a number of tests based on the percentage of movements that each district has in the frame population. For example, if District A had 500 movements in the PQ, and there were 5,000 movements across all districts, District A's sample percentage would be 10%. If the total sample size across all districts for that quarter was 200, District A would have 20 tests scheduled that quarter. Districts which would receive less than two tests per quarter are grouped into two "dummy" districts, one for districts with one test per quarter, and the other for districts which would receive less than one test per quarter. These districts are then randomly sampled according to the sum of their percentages across the groups. The sample size and the facility stratification sampling percentages have remained unchanged.

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Estimation

The estimation programs have been changed to reflect the removal of the cost stratification as described above.

Data Collection

The following new mail classes, subclasses, and test categories were added to TRACS since FY93:

KK - Fourth-class DBMC (Destination BMC) Parcels

LL - Fourth-class BSPS (Bulk Small Parcels)

MM - Third-class Bulk Rate Regular Car-Rt Presort - Walk Sequence

NN - Third-class Bulk Rate Regular Car-Rt Presort - Walk Sequence

OO - International Priority Mail

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**OCA/USPS-40
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OCA/USPS-40. Please provide an update to USPS-LR-G-106 documenting the FY 1995 TRACS sample design and variances.

OCA/USPS-40 Response. Please refer to USPS LR-SSR-143.

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OCA/USPS-41. Please provide a set of annual variance estimate tables for FY 1995 TRACS estimates that is comparable to the annual variance estimate tables provided in Docket No. R94-1 on pages A-H of USPS-LR-G-106.

OCA/USPS-41 Response. Please refer to USPS LR-SSR-143.

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OCA/USPS-42. Please refer to the TRACS estimation programs contained in SSR-82. Confidence intervals and c.v.'s for the highway distribution key estimates are provided as output from program TRACS.EXPAND.HWY.PQ495.CNTL(HWY11) on pages 337-340.

- a. Please confirm that the last print procedure of this program (lines 593-595 of page 327) prints SSR-82, page number 336.
- b. Please refer to the time stamps at the top of pages 336 and 337. Please confirm that SSR-82, page 337, was printed after page 336. If you do not confirm, please explain how the SAS time stamps should be interpreted.
- c. Please confirm that the sampling error estimates and confidence intervals at pages 337-340 are not produced by the program they are attached to. If you do not confirm, please provide a line reference to the appropriate section of TRACS.EXPAND.HWY.PQ495.CNTL(HWY11).
- d. If part c. of this interrogatory is confirmed, please provide the program used to produce pages 337-340 along with documentation of the variance methodology used and formulas for its implementation. Please provide the program in electronic form and include with it all required input data files.
- e. Please confirm that the c.v.'s and confidence intervals provided on pages 337-40 are for distribution key estimates based on one quarter of data and cannot be compared to the annual highway cost c.v. estimates provided in USPS-LR-G-106. If you do not confirm, please explain.
- f. Please provide confidence intervals for the FY 1993 highway distribution key estimates in a form that can be compared to those included with the output of TRACS.EXPAND.HWY.PQ495.CNTL(HWY11).

OCA/USPS-42 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Please refer to USPS LR-SSR-143, pages 4, 5, 7, and enclosed diskette.
- e. Confirmed.
- f. Objection filed August 26, 1996.

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OCA/USPS-43. Please refer to the TRACS estimation programs contained in SSR-82. Confidence intervals and c.v.'s for the rail distribution key estimates are provided as output from program TRACS.EXPAND.RAIL.PQ495.CNTL(RAIL8) on page 549.

- a. Please confirm that the last print procedure of this program (lines 102-104 of page 543) prints SSR-82, page number 548.
- b. Please refer to the time stamps at the top of pages 548 and 549. Please confirm that SSR-82, page 549, was printed one day after page 548. If you do not confirm, please explain how the SAS time stamps should be interpreted.
- c. Please confirm that the sampling error estimates and confidence intervals at page 549 are not produced by the program they are attached to. If you do not confirm, please provide a line reference to the appropriate section of TRACS.EXPAND.RAIL.PQ495.CNTL(RAIL8).
- d. If part c. of this interrogatory is confirmed, please provide the program used to produce page 549 along with documentation of the variance methodology used and formulas for its implementation. Please provide the program in electronic form and include with it all required input data files.
- e. Please confirm that the c.v.'s and confidence intervals provided on page 549 are for distribution key estimates based on one quarter of data and cannot be compared to the annual rail cost c.v. estimates provided in USPS-LR-G-106. If you do not confirm, please explain.
- f. Please provide confidence intervals for the FY 1993 rail distribution key estimates in a form that can be compared to those included with the output of TRACS.EXPAND.RAIL.PQ495.CNTL(RAIL8).
- g. The documentation for the rail estimation programs begins on page 342 and explains that they apply to Postal Quarter 4 of FY 1995. However, the title of the table on page 549, "RAIL CONFIDENCE INTERVALS - PQ395," refers to Postal Quarter 3. Please explain this apparent discrepancy and provide confidence intervals appropriate for Postal Quarter 4.

OCA/USPS-43 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Please refer to USPS LR-SSR-143, pages 4, 5, 8, and enclosed diskette.

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- e. Confirmed.
- f. Objection filed August 26, 1996.
- g. The title on page 549 should be corrected to read, "RAIL CONFIDENCE
INTERVALS - PQ495."

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OCA/USPS-44. Please provide a copy of the FY 1995 TRACS training manual analogous to USPS-LR-G-112 filed in Docket No. R94-1.

OCA/USPS-44 Response. This was not updated.

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OCA/USPS-45. Please refer to the TRACS estimation programs contained in SSR-85. Confidence intervals and c.v.'s for the Amtrak distribution key estimates are provided as output from program TRACS.EXPAND.AMTRAK.PQ495.CNTL(AMT10) on page 587.

- a. Please confirm that the last print procedure of this program (line 537 of page 575) prints SSR-85, page number 586.
- b. At page 539, the program execution date is listed as "01/31/96." Please refer to the date and time stamp at the top of page 587. Please confirm that SSR-85, page 587, was printed two and a half months after the program it is attached to was executed. If you do not confirm, please explain how the SAS date and time stamps should be interpreted.
- c. Please confirm that the sampling error estimates and confidence intervals at page 587 are not produced by the program they are attached to. If you do not confirm, please provide a line reference to the appropriate section of TRACS.EXPAND.AMTRAK.PQ495.CNTL(AMT10).
- d. If part c. of this interrogatory is confirmed, please provide the program used to produce page 587 along with documentation of the variance methodology used and formulas for its implementation. Please provide the program in electronic form and include with it all required input data files.
- e. Please confirm that the c.v.'s and confidence intervals provided on page 587 are for distribution key estimates based on one quarter of data and cannot be compared to the annual passenger or freight rail cost c.v. estimates provided in USPS-LR-G-106. If you do not confirm, please explain. If you do confirm, please provide FY 1995 passenger and freight c.v. estimates in a form comparable to those in USPS-LR-G-106.

OCA/USPS-45 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Please refer to USPS LR-SSR-143, pages 4, 5, 9, and enclosed diskette.
- e. Confirmed. Please refer to USPS LR-SSR-143, page 18.

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OCA/USPS-46. Please refer to the TRACS Eagle Network distribution key development for FY 1995.

- a. Please confirm that confidence intervals and c.v. tables have not been provided for these estimates. If you do not confirm, please provide a citation to the library reference containing this material.
- b. If you confirm part (a) of this interrogatory, please provide confidence intervals and c.v. tables for the distribution keys developed for the TRACS Eagle Network system. Please provide documentation for the variance methodology used and formulas for its implementation. Please provide the variance programs in electronic form and include all required input data files.
- c. Please provide confidence intervals and c.v. tables for the TRACS Eagle Network system in a form that is comparable to the annual variance estimates provided in USPS-LR-G-106.

OCA/USPS-46 Response.

- a. Confirmed.
- b. The PQ4, FY95 Eagle Network variances were inadvertently omitted from LR-SSR-86. The page containing the variances is being added to LR-SSR-86 by notice filed today. Please refer to USPS-SSR-143, pages 4, 5, and 10 for the documentation of the variance methodology used and formulas, and the diskette for the electronic form of the variance programs.
- c. Please refer to USPS LR-SSR-143, page 17.

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OCA/USPS-47. For each component of the TRACS system, please provide the sample size (number of primary sampling units and number of secondary sampling units), corresponding universe sizes, and sampling rate by sampling strata. Please provide this sample design documentation separately for FY 1993 and FY 1995.

OCA/USPS-47 Response. Partial objection filed August 26, 1996. Page 19 of USPS ;

LR-SSR-143 provides the sampling statistics described above for FY1995.

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OCA/USPS-49. Please refer to Attachment 2 to the response to OCA/USPS-T5-13. The total number of unweighted tallies listed in that table is 842,761. According to page 11 of SSR-22, the FY 1995 IOCS data set has 842,785 observations. Please explain why these two totals differ.

OCA/USPS-49 Response:

These two totals differ by 24 because Attachment 2 to the response to OCA/USPS-T5-13 excludes records generated by the In-Office Cost System, Cost Allocation Subsystem. Each quarter tallies are checked to ensure that at least one tally (excluding basic function 4) is received for each craft within each CAG/finance number group. If a tally has not been received, one tally is generated. Refer to SSR-19, program ALB095C4, pages 652-653, lines 34700-35562 for the program code performing this function.

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OCA/USPS-50. Please confirm that the sampling rates provided in response to OCA/USPS-T5-13b are the weekly sampling rates for IOCS sample offices. If you do not confirm, please explain.

OCA/USPS-50 Response:

Confirmed.

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OCA/USPS-51. This interrogatory refers to the cost based weighting used for the FY 1995 IOCS estimates.

- a. Please confirm that the major advantage of using the cost based weighting methodology is that it simplifies the direct estimation of costs of activities measured by the IOCS. If you do not confirm, please explain.
- b. Witness Ellard's library reference SSR-111 (page 51) provides typical steps in survey weighting. The first stage is the "computation of design or base weights." Was such a step necessary for the IOCS weighting? If so, where is it documented? If this step was not necessary, please explain why not.
- c. Suppose one wanted to estimate the amount of employee time (person-weeks, person-hours, ...) spent performing a particular activity.
 - i. Please confirm that this is a different estimate than the cost of performing that activity. If you do not confirm, please explain.
 - ii. Please confirm that IOCS data can be used to develop such estimates. If you do not confirm, please explain.
 - iii. Please confirm that the weighting factors used to estimate costs may not be appropriate for estimating time proportions. If you confirm, please explain how appropriate weighting factors would be constructed. If you do not confirm, please explain why cost and time are equivalent.
- d. Suppose one wanted to expand the IOCS tallies to estimate the proportion of employees potentially accessible only by telephone for IOCS readings. For example, these estimates would be compatible with estimates of telephone readings in dockets prior to the change to cost based IOCS weighting.
 - i. Can such an estimate be formed from IOCS data? If so, please explain how to use the FY 1995 IOCS weighting factors to form these estimates.
 - ii. Is it more appropriate to use the design based weights or the cost based weighting factors for this type of estimate? Please explain.
 - iii. If design based weights are more appropriate, please explain how they would be constructed.

OCA/USPS-51 Response:

- a. Confirmed.
- b. Such a step has been taken into consideration in the IOCS weighting. Costs were applied to the IOCS data by taking into consideration the employee sampling rate within a CAG (see answer to OCA/USPS-21c and OCA/USPS-29 for the

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documentation). To that extent, the design weights were incorporated in the broader context of the cost based weighting methodology and referred to in the documentation. Exception offices with sampling rates different from their CAG sampling rate were not listed in the documentation because we do not provide facility-specific information.

c. and d. We have not used the IOCS for these types of estimation procedures. Therefore, we are not in a position to evaluate them.

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OCA/USPS-52. Please refer to the FY 1995 c.v. estimates for IOCS (SSR-90, pages 18-20) and to the documentation of the variance estimation formulas for the FY 1993 IOCS estimates at Tr. 1/56-58 of Docket No. R94-1, June 1, 1994. Interrogatory OCA/USPS-31a asks for confirmation that these variance formulas were applied to the FY 1995 estimates. If OCA/USPS-31a is confirmed, then:

- a. Since CAG A/B do not constitute certainty strata for FY 1995 (Attachment 1 to the response to OCA/USPS-T5-13), is the variance formula for certainty strata (Tr. 1/57) still correct? If it no longer applies, please provide the corrected formula and SSR-90 tables. If it no longer applies, please confirm that the effect of using the R94-1 variance formula would be to understate variance.
- b. Please refer to the formula for $\text{var}(p_{ik})$ for the noncertainty strata at Tr. 1/57.
 - i. Please confirm that this formula represents the variance of a proportion estimate from a cluster sample design. If you do not confirm, please explain.
 - ii. Please confirm that variance formulas for cluster sample designs (with subsampling within selected clusters) generally have two terms—one capturing variance between the clusters (offices) and one capturing variance within clusters (tallies within offices). For example,¹ for subsampling with units of equal size, the formula would be

$$v(\bar{p}) = \frac{1-f_1}{n(n-1)} \sum_i (p_i - \bar{p})^2 + \frac{f_1(1-f_2)}{n^2(m-1)} \sum_i p_i q_i.$$
 If you do not confirm, please explain.
 - iii. Please confirm that IOCS sampling for the non-certainty strata is a cluster sample (office selection) with subsampling within office (employee selection).
 - iv. Please confirm that the formula for $v(p_{ik})$ at Tr. 1/57 only captures the variance between clusters with the $1/[m_k(m_k-1)] \sum_j n_{kj}^2/[n_k/m_k]^2 * (p_{ijk}-p_{ik})^2$ term. If you do not confirm, please explain how sampling error introduced by subsampling within selected offices is accounted for. If you confirm, please confirm that the effect of omitting the within cluster variance term is to understate variance. If you do not confirm, please explain fully.
 - v. Please provide a textbook reference for the formula used for $\text{var}(p_{ik})$ at Tr. 1/57.

¹ See Cochran, W. (1977), *Sampling Techniques*, 3rd Ed., page 279.

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OCA/USPS-52(a) and (b) Response:

Not applicable since OCA/USPS-31a was not confirmed.

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OCA/USPS-53. At Tr. 1/57 of Docket No. R94-1, June 1, 1994, C_k is defined as the actual (not estimated) cost associated with the k^{th} craft for a particular stratum (CAG) and postal quarter.

- a. Please provide the values of these costs for FY 1995.
- b. Please provide the values of these costs for each sample office for FY 1995.
- c. Please provide costs analogous to those provided in part (b) of this interrogatory, but estimated using cost weighted IOCS data.

OCA/USPS-53 Response:

- a. The attachment to this interrogatory provides a printout of the FY 1995 quarterly costs by IOCS CAG and craft. A copy of the record layout for the printout is also included with the attachment.
- b. and c. Objection filed September 3, 1996.

DATE: 96/08/30
TIME: 08:14
PAGE: 1

START
COL

-----1-----2-----3-----4-----5-----6-----7-----8-

1	295A555555	888001773531130674764793105670426195748015046086241906084222307748185
1	295A666666	8880002320643200640625280134279440989646100000000000000000000000000000
1	295B777777	888002801948811077110059219428804317412291059041974207515892009337558
1	295C777777	888000995427980308303137059596125016173923060412908608639127406150838
1	295D000000	888000380106500121370105034674084002647719021948949803825516301352627
1	295E000000	888000436386160124669517061751512000930437022567896604605488101033581
1	295F000000	888000198071060055345247051820209000025453008917403102627521400283745
1	295G000000	888000038353440028421430054155352000018275003751991201817074300068730
1	295H000000	888000079845580006583921040940754000000000000758269000550296900000000
1	295J000000	888000000000000000600980017542098000000000000077406200084254400000000
1	295K000000	88800000000000000000000002450810000000000000000000000000000000000000

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OCA/USPS-54. Please refer to the response to OCA/USPS-T5-14. This interrogatory states, "One hundred eighteen (118) offices advanced from CAG C or lower to CAG B or A since the [FY 1993] sample was drawn. Fifty (50) of these offices were in the sample in FY 1993."

- a. Please confirm that the 50 offices that were in sample in FY 1993 are in the FY 1995 sample. If you do not confirm, please provide a list of these offices indicating which are in the FY 1995 sample. For each of the offices excluded from the FY 1995 sample, please include the reason for its exclusion.
- b. How many finance numbers correspond to these 50 offices?
- c. Please confirm that the 68 (118-50) CAG C or lower offices that were not in the FY 1993 sample but advanced to "certainty strata" (CAGs A and B) by FY 1995 had no chance of selection for the FY 1995 IOCS sample. If you do not confirm, please list each of the 68 offices along with its sample selection probability for the FY 1995 office sample.
- d. Other than these 68 FY 1993 CAG C or lower offices, are there any other offices in the "certainty strata" that are not included in the FY 1995 IOCS sample? Please provide a count of such offices and list the reason that each of them was not included in sample.
- e. In addition to any "certainty strata" offices that had no chance for selection in the FY 1995 IOCS office sample, were there any offices in the noncertainty strata that had no chance for selection in the FY 1995 IOCS office sample? If so, please list these offices, their CAG designations, and the reason for their absence from the sampling frame.
- f. Please define the office sampling frame for the FY 1995 IOCS sample and describe any known frame inadequacy or coverage problems associated with it.
- g. Does the FY 1995 sampled office population (the population of offices from which the office sample was selected) coincide with the target office population (the population of offices about which information was sought)? Please explain.

OCA/USPS-54 Response:

- a. Confirmed.
- b. 50.
- c. Not confirmed. Please note from the response to OCA/USPS-T5-13 that employees who used to be under a single finance number were split into two finance

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numbers under the Restructuring: all mail processing functions were given new finance numbers and assigned to CAG A, while their customer service counterparts continued under the existing finance numbers and remained in the existing CAG C or lower. This 'advancement' of mail processing finance numbers to CAG A had the effect that, at the same time that the sampled IOCS mail processing finance numbers were assigned ('advanced') to CAG A, so was the universe of all mail processing finance numbers. Thus it is reasonable to think of those 50 mail processing offices in IOCS as a sample of the universe of all such mail processing functions (50+56) that were split and assigned to CAG A under the Restructuring, and of the 56 offices as having the same chance of selection as before the Restructuring when all of those offices were grouped under unsplit finance numbers. The remaining 12 offices (68-56) had no chance of selection for the FY 1995 IOCS sample. Partial objection filed September 3, 1996 for a listing of the 68 offices.

Note that although these 12 offices are not included in the sample, their labor costs are incorporated in the cost based weighting methodology where costs reflect labor costs for all offices within a CAG stratum.

d. There are 28 other offices in the 'certainty strata' which are not included in the FY 1995 IOCS sample. These offices were in CAG A or B. These offices were not added to the sample because due to limited resources, no new finance numbers were added to the sample. 10 of the 28 offices were under the Customer Service functions

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and the remaining 18 were under the Processing and Distribution Functions.

Note that although these 28 offices are not included in the sample, their labor costs are incorporated in the cost based weighting methodology where costs reflect labor costs for all offices within a CAG stratum.

e. Other than for the certainty strata which were designed until 1992 to include all CAG A or B offices which are associated with the large majority of the IOCS costs, no offices from other CAG strata were designed to be added to the sample. The IOCS sample of offices in the other CAG strata is considered to be representative of the offices for those strata and the CAG costs include costs for all offices in a CAG. Partial objection filed September 3, 1996 for a listing of offices.

f. The sampling frame for the FY 1995 sample is consistent with the sampling frame for the FY 1993 sample. It has been updated to include split finance numbers that resulted from the Restructuring so as to be consistent with the unsplit finance numbers from before the Restructuring. It includes Processing Distribution Centers or Facilities, Air Mail Centers or Facilities, Bulk Mail Centers, Customer Service Offices. The Postal Service monitors emerging facilities or functions for mail class and service coverage adequacy.

g. Yes. The population of offices from which the office sample was selected to coincide with the population of offices about which information was sought. The information being sought is information used for costing, such as the identification of

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mail classes or services to which costs for all offices can be attributed and distributed
The IOCS panel of offices is considered to provide a representative sample of those
mail classes or services.

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OCA/USPS-54. Please refer to the response to OCA/USPS-T5-14. This interrogatory states, "One hundred eighteen (118) offices advanced from CAG C or lower to CAG B or A since the [FY 1993] sample was drawn. Fifty (50) of these offices were in the sample in FY 1993.

- c. Please confirm that the 68 (118-50) CAG C or lower offices that were not in the FY 1993 sample but advanced to "certainty strata" (CAGs A and B) by FY 1995 had no chance of selection for the FY 1995 IOCS sample. If you do not confirm, please list each of the 68 offices along with its sample selection probability for the FY 1995 office sample.
- e. In addition to any "certainty strata" offices that had no chance for selection in the FY 1995 IOCS sample, were there any offices in the noncertainty strata that had no chance for selection in the FY 1995 IOCS office sample? If so, please list these offices, their CAG designations, and the reason for their absence from the sampling frame.

OCA/USPS-54 Response:

- c. Partial response filed September 6, 1996. The attachment lists the 12 offices that had no chance of selection in CAG A or B.
- e. Partial response filed September 6, 1996. The Postal Service cannot locate the original office frame from which the current IOCS panel of offices was selected over 25 years ago. Thus, it is not possible to identify which offices are in the FY 1995 frame, but were not in that original office frame. Those offices *presumably* would have had no chance for selection in the FY 1995 IOCS office sample. Even if the original frame was available, it would be impossible to determine with any accuracy whether a new finance number indicated a new office. The new office might, in reality, be two previous offices that were

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consolidated, or an operational part of an office, where the previous offices had a chance of selection for the IOCS sample.

Because it is not possible to compute the current probabilities of selection, the method of estimation assumes that, at the first stage of selection, within CAGs C through K, the sample of offices in each CAG constitutes an equal probability sample. At the end of FY 1995, when CAG accrued costs became available, all sampled offices were moved into their actual FY 1995 CAGs for dollar weighting. For office where employees were sampled at rates different than the employees in their actual CAG (as shown in the attachment to the response to OCA/USPS-58), the tallies were reweighted to adjust for the difference in employee sampling rates and then combined with other tallies from that CAG. Thus, the tallies for a CAG office are included where their accrued costs are.

Attachment to the response to OCA/USPS-54(c)

Woodland Hills	Ca
Old Saybrook	Ct
Franklin Park	Il
South Bend	In
Wells	Me
Frederick	Md
Little Falls	Mn
Osseo	Mn
Hazelwood	Mo
Jefferson City	Mo
Hebron	Oh
Dyersburg	Tn

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OCA/USPS-54. Please refer to the response to OCA/USPS-T5-14. This interrogatory states, "One hundred eighteen (118) offices advanced from CAG C or lower to CAG B or A since the [FY 1993] sample was drawn. Fifty (50) of these offices were in the sample in FY 1993."

e. In addition to any "certainty strata" offices that had no chance of selection in the FY 1995 IOCS sample, were there any offices in the noncertainty strata that had no chance for selection in the FY 1995 IOCS office sample? If so, please list these offices, their CAG designations, and the reason for their absence from the sampling frame.

OCA/USPS-54(e) Response:

The Postal Service, as its previous response to OCA/USPS-54(e) states, cannot identify for CAG C and below how many offices had no chance of selection in the FY 1995 IOCS sample. As explained below, a *full* answer can only be obtained by a direct comparison between the original IOCS sample frame used over 25 years ago and the FY 1995 sample frame, as well as all the intervening history regarding additions of new offices, migrations of all offices, closing of offices, consolidation or subdivision of offices. This comparison is not possible because the original IOCS sample frame, as well as much of the intervening history of the evolution of offices, cannot be located.

Notwithstanding our inability to provide a full response, we will respond as completely as possible. We will comprehensively review issues that we may not have adequately clarified.

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First: Why can a full answer to OCA/USPS-54(e) only be obtained by a direct comparison between the original IOCS sample frame used over 25 years ago and the FY 1995 sample frame as well as complete knowledge of all the intervening history of offices?

To identify which offices *did not have* a chance for selection in FY 1995, it is necessary first to identify which offices *had* a chance for selection in FY 1995. It is necessary to go back to the initial sample selection over 25 years ago because the sample is not redrawn each year.

With each passing year, some offices migrated between CAGs, some old offices closed in each CAG, new ones opened, others were consolidated, and still others were subdivided. For CAG A and B, new and migrating offices were added to the sample each year, so offices new to CAG A and B not only had a chance to be selected, but until FY 1992, they were actually included in the IOCS sample. For CAG C and below, it is *not* sufficient to compare the offices which existed in the FY 1995 sample frame with those which were sampled to determine which ones had no chance for selection. It is necessary to identify offices which existed in the FY 1995 sample frame but were not in the initial sample frame. As was stated in the September 30, 1996 Postal Service objection to OCA/USPS-84(d), this identification is not possible without the initial sample

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from the knowledge of the intervening history of these offices. The attachment provides an illustration of why the initial sample selection is not sufficient to determine which offices did not exist in the FY 1995 sample. Information was provided for CAG A and B, why can it not be lower? Information was provided for CAG A and B in the September 6, 1996 letter-54(c) was in terms of offices which were not included in the sample for FY 1995. Offices which advanced to CAG A or B between FY 1993 and FY 1995 are 28 offices which were not included in the FY 1995 CAG A and B sample. They are listed as if they had no chance for selection. Although it is true that these offices may have had a non-zero probability of selection, whether they did or not depends on whether these offices existed, or were subdivided from offices which existed when the initial sample was selected more than 25 years ago. Hence, although they were not included in the FY 1995 sample, this should not be construed to mean that they had no chance of selection - they may have had a chance and not been selected in the FY 1995 sample was selected.

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Facilities or functions affiliated with post offices in CAG C or lower prior to the restructuring which were given new finance numbers and assigned to CAG A during the restructuring did not advance to CAG A on the basis of their revenues. This group, which was placed in CAG A/B for costing purposes, was considered to be a subset of offices in CAG C and lower. Some of these 56 finance numbers which were not in the CAG A or B sample in FY 1995 may have had a chance for selection, if their affiliated offices in CAG C and lower existed at the time the initial sample was selected. To determine which ones had a chance of selection requires knowledge of the initial sample frame and all the intervening history of these offices.

The lists of offices in CAG A and B which were not in the sample are small compared to that required to list all offices for CAG C and lower which were not in the sample in FY 1995. We could compile such a lengthy list, if that is desired. However, without the initial sample frame and complete knowledge of the intervening history of each one of these offices, it would not be possible to identify which offices on that list had no chance for selection in the sample in FY 1995. Moreover, it is expected that a very large number of those offices existed when the initial sample was selected, and hence had a non-zero probability of

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selection at that time, so such a list would be meaningless for assessing the validity of the IOCS sample.

Alternatively, we could compile a list of offices in CAG C or lower which existed at the beginning of FY 1995 but did not exist at the beginning of FY 1994, and which are not in the IOCS sample. Presuming these are new offices, and not a consolidation or subdivision of office(s) which existed at the beginning of FY 1994, these offices did not have a chance of selection in the FY 1995 IOCS sample. The validity of this compilation would rest on the validity of the "new office" assumption. In actuality, many of these "new offices" could be old offices redefined in some manner -- renamed, subdivided, consolidated, or otherwise changed. This is why complete information regarding the evolutionary history of all offices, which the Postal Service does not have, is necessary in order to compile an accurate list of offices which had no chance of selection for the FY 1995 IOCS sample.

Third: "The Postal Service apparently has records that allow it to track which offices advance to, or retreat from, a given CAG in a given year, because it adjusts its cost weighting factors accordingly. Id. It is reasonable to expect that there also are records that would allow identification of some (if not all) offices in existence in FY 1995 that were not in existence when the original IOCS sample

ATTACHMENT TO OCA/USPS-54(e)

YEAR	SAMPLE FRAME	SAMPLE
Initial	1,2,3	1,2
FY1995	1,2,3,4	1,2

In the above example, "Initial" represents the year in which the original sample frame for CAG C and lower offices in the IOCS was determined. In that initial year, hypothetical offices 1, 2 and 3 constituted the sample frame, with all three offices having a chance for selection into the IOCS sample. From that sample frame, offices 1 and 2 were actually selected for the IOCS sample.

In the above example, in FY1995, hypothetical offices 1, 2, and 3 are still in the sample frame, but office 4, representing a new office, has been added. Because the sample remains unchanged, offices 1 and 2 still constitute the sample. Offices 1, 2, and 3 all had a chance for selection in the FY1995 sample because they had a chance for selection initially. Office 4 did not have a chance for selection in FY1995 because it was not in the initial sample frame.

As can be seen from this example, it is impossible to say which offices did and did not have a chance for selection in FY1995 without a comparison with the initial year. Of course, this example does not address complications arising from the lack of complete knowledge concerning office evolutions over the intervening years.

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OCA/USPS-55. For CAG C and lower offices, are the probabilities of office selection for the FY 1995 IOCS the same for all offices in the same CAG? Please explain.

OCA/USPS-55 Response:

The FY 1995 IOCS sample for CAG C and lower is a panel of offices which consists of the same offices that were in the FY 1993 sample as in previous years' samples. These offices were initially selected with equal probabilities of selection. As offices migrate between CAGs, the offices in the sample are regarded as a representative sample of offices in their respective CAGs.

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OCA/USPS-56. Please refer to Attachment 1 to the response to OCA/USPS-T5-13. This attachment shows that of the 600 CAG A/B finance numbers, 504 were in the FY 1995 IOCS sample and 96 were not.

- a. Please confirm that the 96 finance numbers absent from the sampling frame for FY 1995 had no chance of selection in the FY 1995 IOCS sample. If you do not confirm, please list the sample selection probability for each of these finance numbers for the FY 1995 finance number sample.
- b. Please confirm that 25235 (25331-96) CAG C-K finance numbers were not in the FY 1995 IOCS sample. If you do not confirm, please provide the correct figure.
- c. Of the finance numbers that were not in the FY 1995 IOCS sample, how many had no chance for selection for FY 1996? For each such finance number, please list the finance number, its CAG, and the reason for its absence from the sample frame.
- d. Please define the finance number sampling frame for the FY 1995 IOCS sample and describe any known frame inadequacy or coverage problems associated with it.
- e. Does the FY 1995 sampled finance number population (the population of finance numbers from which the finance number sample was selected) coincide with the target finance number population (the population of finance numbers about which information was sought)? Please explain.

OCA/USPS-56 Response:

- a. Not confirmed. See response to OCA/USPS-54.c-d.
- b. Not confirmed. Attachment 1 to the response to OCA/USPS-T5-13 shows 25311 instead of 25331.
- c. Objection filed September 3, 1996.
- d. and e. See response to OCA/USPS-54 c and d.

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OCA/USPS-56. Please refer to Attachment 1 to the response to OCA/USPS-T5-13. This attachment shows that of the 600 CAG A/B finance numbers, 504 were in the FY 1995 IOCS sample and 96 were not.

- c. Of the finance numbers that were not in the FY 1995 IOCS sample, how many had no chance for selection for FY 1996? For each such finance number, please list the finance number, its CAG, and the reason for its absence from the sample frame.

OCA/USPS-56 Response:

- c. See Attachment. Please note that the 56 offices referenced in the initial response to OCA/USPS-54(c), filed on September 6, 1996, are not included. Please also note that the offices included in the attachment to the response to OCA/USPS-54(c), with the exception of Woodland Hills, CA should be included with the offices in the attachment to this response.

Attachment to the Response to OCA/USPS 56-c

Jonesboro	AR	
Pembroke Pines	FL	
West Nassau GMF	NY	
Sun Valley	CA	
Pueblo	CO	
Daytona Beach	FL	
Schaumburg	IL	
Piscataway	NJ	
Saratoga Springs	NY	
Bethlehem	PA	
Bloomsburg	PA	
Valley Forge	PA	
Grand Prairie	TX	
Logan	UT	
San Antonio AMF	TX	
Norfolk AMF	VA	
Halmar AMF	NY	
Mission DDC	CA	
Southern Marin DDC	CA	
Anne Arundel DDU	MD	
Magothy Bridge DDU	MD	
Seattle DDC-East	WA	
Seattle DDC-South	WA	
Margaret L Sellers PDC	CA	CA
Manasota PDC	FL	
Mid Florida PDC	FL	
South Florida PDC	FL	
North Metro PDC	GA	
Fox Valley PDC	IL	
Irving Park Road PDC	IL	
South Bend	IN	
Monmouth PDC	NJ	
Mid-Hudson PDC	NY	
North Texas PDC	TX	
North Houston PDC	TX	
Busse Surface Hub	IL	
Baltimore Inc Mail PDC	MD	
Northern Hasp	MA	
Milwaukee Priority Annex	WI	
Pacific Area Labor Relations		CA
San Francisco HRSC	CA	
National Postal Museum	DC	
Mid-Florida CSU	FL	

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OCA/USPS-58. Please refer to the attachment to the response to OCA/USPS-21c. This response discusses the effects on weighting of differential employee sampling rates within cost pool. There was no mention of differential sampling rates within a cost pool in the table of employee sampling rates provided in response to OCA/USPS-T5-13b.

- a. Please provide complete sample design documentation for the IOCS that defines and describes all sampling rates used within each cost pool.
- b. Please define the substrata or other subparts of each stratum or cost pool sampled at each of the possible employee sampling rates within that stratum or cost pool.

OCA/USPS-58 Response:

- a. The table in the attachment lists in columns (a) and (b) the CAG by CRAFT cost pools used for dollar weighting, and in columns (c) through (e) the employee sampling rates used within each cost pool. The CAG by CRAFT cost pools in columns (a) and (b) are those exhibited in the attachment to the response to OCA/USPS-53. Columns (c) through (d) provide the employee sampling rates discussed in the attachment to the response to OCA/USPS-21c. Column (c) shows the basic employee sampling rates. Columns (d) and (e) show other sampling rates used within each cost pool.
- b. The CAG by CRAFT strata to which the basic employee sampling rates in column (c) apply are the same as those provided in response to OCA/USPS-T5.13b and at TR. 1/54 of Docket No. R94-1, June 1, 1994. For dollar weighting, CAG A/B is further subdivided into three cost pools: BMCs, "Large" offices, and "Other" A/B offices; clerks and carriers are further subdivided each into two cost pools: full-time regular, and

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other.

Column (d) sampling rates apply to clerks and mailhandlers in 21 finance numbers in CAG A/B cost pools. Each finance number is stratified into two groups: the first includes pay locations shown historically by IOCS to have concentrated international activities, and the second includes the remaining pay locations. The higher sampling rates in the first group (.50 or .12, or .09) is compensated by a lower rate in the second group (.02) to balance out data collection burden within a site.

There were 18 other finance numbers to which the sampling rates in column (e) were applied instead of the basic sampling rates in column (c). Column (e) includes sampling rates of CAG cost pools where those finance numbers were included at sample selection time, which were different from the CAG cost pools they were realigned with for dollar weighting.

Attachment to OCA/USPS-58 Response
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CAG /Craft Cost Pools		Employee Sampling Rates		
(a)	(b)	(c)	(d)	(e)
CAG Cost Pool	Craft Cost Pool	All offices, except those in Columns (d) & (e)	Offices with International Activities	CAG-Realigned Offices
CAG A/B				
BMCs	Clerks, Full-Time Regular	.03	.12, .02	
	Clerks, Other	.03	.12, .02	
	Mailhandlers	.03	.12, .02	
	City Carriers, Full-Time Regular	.03		
	City Carriers, Other	.03		
	Special Delivery Messengers	.03		
	Supervisors, Technical Staff	.04		
IOCS CAG A ("Large" offices)				
Clerks, Full-Time Regular	Clerks, Full-Time Regular	.03	.50, .02	.06
	Clerks, Other	.03	.50, .02	.06
	Mailhandlers	.03	.50, .02	.06
	City Carriers, Full-Time Regular	.03		.06
	City Carriers, Other	.03		.06
	Special Delivery Messengers	.03		.06
	Supervisors, Technical Staff	.04		.09
IOCS CAG B ("Other" A/B)				
Clerks, Full-Time Regular	Clerks, Full-Time Regular	.03	.50, .12, .09, .02	.06
	Clerks, Other	.03	.50, .12, .09, .02	.06
	Mailhandlers	.03	.50, .12, .09, .02	.06
	City Carriers, Full-Time Regular	.03		.06
	City Carriers, Other	.03		.06
	Special Delivery Messengers	.03		.06
	Supervisors, Technical Staff	.04		.09

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CAG /Craft Cost Pools		Employee Sampling Rates		
(a) CAG Cost Pool	(b) Craft Cost Pool	(c) All offices, except those in Columns (d) & (e)	(d) Offices with International Activities	(e) CAG- Realigned Offices
CAG C	Clerks, Full-Time Regular	.06		
	Clerks , Other	.06		
	Mailhandlers	.06		
	City Carriers, Full-Time Regular	.06		
	City Carriers, Other	.06		
	Special Delivery Messengers	.06		
	Supervisors, Technical Staff	.09		
CAG D	Clerks, Full-Time Regular	.13		.06 , .24
	Clerks , Other	.13		.06 , .24
	Mailhandlers	.13		.06 , .24
	City Carriers, Full-Time Regular	.13		.06 , .24
	City Carriers, Other	.13		.06 , .24
	Special Delivery Messengers	.13		.06 , .24
	Supervisors, Technical Staff	.10		.09 , .16
CAG E	Clerks, Full-Time Regular	.24		.13
	Clerks , Other	.24		.13
	Mailhandlers	.24		.13
	City Carriers, Full-Time Regular	.24		.13
	City Carriers, Other	.24		.13
	Special Delivery Messengers	.24		.13
	Supervisors, Technical Staff	.16		.10
CAG F	Clerks, Full-Time Regular	.49		.24
	Clerks , Other	.49		.24
	Mailhandlers	.49		.24
	City Carriers, Full-Time Regular	.49		.24
	City Carriers, Other	.49		.24
	Special Delivery Messengers	.49		.24
	Supervisors, Technical Staff	.36		.16

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10/2/96Attachment to OCA/USPS-58 Response
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CAG /Craft Cost Pools		Employee Sampling Rates		
(a) CAG Cost Pool	(b) Craft Cost Pool	(c) All offices, except those in Columns (d) & (e)	(d) Offices with International Activities	(e) CAG- Realigned Offices
CAG G	Clerks, Full-Time Regular Clerks , Other Mailhandlers City Carriers, Full-Time Regular City Carriers, Other Special Delivery Messengers Supervisors, Technical Staff	.50 .50 .50 .50 .50 .50 .50		
CAG H	Clerks, Full-Time Regular Clerks , Other Mailhandlers City Carriers, Full-Time Regular City Carriers, Other Special Delivery Messengers Supervisors, Technical Staff	.50 .50 .50 .50 .50 .50 .50		
CAG J	Clerks, Full-Time Regular Clerks , Other Mailhandlers City Carriers, Full-Time Regular City Carriers, Other Special Delivery Messengers Supervisors, Technical Staff	.50 .50 .50 .50 .50 .50 .50		
CAG K	Clerks, Full-Time Regular Clerks , Other	.50 .50		

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OCA/USPS-59. Please refer to SSR-90, page 17. This states the assumptions relied on for producing IOCS estimates. The first assumption states, "At the first stage of selection, the method of estimation assumes that within CAGs C through J, the sample of offices in each CAG constitutes an equal probability sample." Are there any different assumptions regarding the selection of finance numbers for the certainty strata? Please explain.

OCA/USPS-59 Response:

CAG A/B is subdivided into three cost pools: BMCs, IOCS CAG A ("large" offices), and IOCS CAG B ("other" A/B offices) (see response to OCA/USPS-58). The first two cost pools can be considered certainty strata (and consequently equal probability samples) in that all BMCs and a panel of designated "large" offices are included, as they have always been, in the IOCS sample.

Different assumptions must be made for the third cost pool which no longer includes all remaining CAG A/B offices. Since the sample mail processing offices in this pool represent all mail processing offices at a rate different from the sample customer service offices (see response to OCA/USPS-T5-13c), a cost-weighting adjustment was therefore applied (see response to OCA/USPS-T5-5).

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OCA/USPS-60. Please refer to the response to OCA/USPS-T5-13. In attachments 1 and 2, sample design information was provided for CAGs A/B combined.

- a. Please break out the "A/B" row of attachment 1 to show the figures for CAG A and CAG B separately.
- b. Please break out the "A/B" column of attachment 2 to show the figures for CAG A and CAG B separately.

OCA/USPS-60 Response:

- a. The break out of the CAG A/B is as follows:

IOCS CAG A BMCs	21
IOCS CAG A "Large" Offices	84
IOCS CAG B "Other" Offices	399

- b. See Attachment.

CRAFTX CAG

TABLE OF CRAFTX BY CAG

NOTE: BFA INCLUDES NON-SCHEDULED, LEAVE, SAMPLES NOT RECEIVED, AT LUNCH, ETC.

FISCAL YEAR 1995 - UNWEIGHTED TALLIES AFTER ITEM DISTRIBUTION

Frequency	A	A BMC	B	C	D	E	F	G	H	J	K	Total
SUPERVISOR	11510	2034	16943	5860	808	720	378	93	5	0	0	38351
SUPERVISOR BFA	7672	1193	9679	3477	402	397	182	16	1	0	1	23020
CLERK-REG	52444	5272	79878	17229	4361	3805	1625	401	91	19	0	165125
CLERK-REG BFA	53076	4680	67070	12550	3077	2716	1331	355	119	78	39	145091
CLERK-SUB	8756	1258	17484	3047	1476	1997	1641	981	650	242	81	37613
CLERK-SUB BFA	13538	1752	20374	2773	1091	1689	1586	1052	754	598	191	45398
MAILHANDLER	15166	8425	23792	1005	168	9	0	0	0	0	0	48565
MAILHANDLER BFA	17023	8746	21410	754	127	3	0	0	0	0	0	48063
CARRIER-REG	39598	0	52623	39451	9196	8957	3014	834	41	0	0	153714
CARRIER-REG BFA	26059	0	29264	21654	4917	5103	1907	481	11	0	0	89396
CARRIER-SUB	6776	0	8931	6853	2058	2234	502	5	0	0	0	28350
CARRIER-SUB BFA	4897	1	5106	3803	1089	1254	757	363	3	0	0	17273
SP.DELV.MSGR.	596	0	774	346	29	12	2	0	0	0	0	1759
SP.DELV.MSGR. BFA	472	0	430	141	0	0	0	0	0	0	0	1043
Total	257583	33361	353761	118943	28799	28896	13411	5078	1680	937	312	842761

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OCA/USPS-61. A review of SSR-82 indicates that program and data files for TRACS Highway and Rail appear to be limited to the fourth quarter of FY 95.

- a. Are the PQ495 files actually cumulative through the fourth quarter? Please explain.
- b. Are the PQ495 programs simply illustrative of the programs for the other quarters in FY 1995? Please explain.
- c. Are the data files for the first three quarters of TRACS Highway and Rail systems provided in an MC96-3 library reference? If so, please specify which one.
- d. Are data files for the first three quarters of the TRACS Highway and Rail systems used for FY 1995 transportation cost distribution? If not, please explain.

OCA/USPS-61 Response.

- a. No. Each quarterly execution of the TRACS system produces independent (not cumulative) quarterly results using separate quarterly (not cumulative) data.
- b. Yes. The PQ495 programs illustrate the exact processes and methodologies also employed in PQ195, PQ295, and PQ395. Of course, hard-coded edit corrections of keypunching errors will vary quarterly.
- c. No.
- d. Yes.

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OCA/USPS-63. Please list all changes in the TRACS sample design and estimation methodology between FYs 1993 and 1995 for each component of the TRACS system. Please explain the reason for each change implemented. This should include:

- a. Changes in stratum sample size for each stage of sampling.
- b. Changes in stratum universe size for each stage of sampling.
- c. Changes in data collected by the system.
- d. Changes in data collection instructions or manuals.
- e. Changes in the editing or coding of data.
- f. Changes in the weighting methodology (provide old and new weighting formulas, if applicable).
- g. Changes in estimation methodology, and use of estimates for costing.
- h. Changes in variance estimation methodology (provide old and new variance formulas, if applicable).

OCA/USPS-63 Response.

- a. Sample sizes have not been changed in the primary sampling units or secondary sampling units. However, cost stratification in the highway, freight rail, and air sample has been removed beginning in PQ1, FY95. The reason for the removal of cost stratification and replacing it with district stratification was due to the desire to achieve more constant

sampling from quarter to quarter for a given district. The reorganization resulted in fewer data collection technicians. Cost stratification caused fluctuating schedules across quarters, causing difficulty in planning for data collection.

- b. The universe size for TRACS changes as the various transportation networks are changed and this varies from year to year and quarter to quarter. However, no changes adding a sub-component (i.e, intra-SCF) or excluding primary sampling units or secondary sampling units have been made.
- c. See OCA/USPS-39(2) Response for the mail classes, subclasses, and test classes added to TRACS.
- d. Due to the addition of the mailcode for walk-sequenced mail, instructions were added on how to sample a walk-sequenced tray of mail.
- e. No changes have been made.
- f. Since cost stratification was removed, costs are no longer weighted by the total cost of each cost stratum.
- g. No changes have been made.
- h. Other than the removal of cost stratification, no changes have been made. Please refer to USPS LR-SSR-143 for the variance formulas.

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OCA/USPS-64. Please refer to the January 1995 Handbook F-45 (SSR-12), pages v-vii. This section of the F-45 lists a summary of changes made to the CODES/IOCS software.

- a. This edition of Handbook F-45 is dated January 1995. Does this handbook cover the entire FY 1995 data collection year? If not, please provide all other editions of this handbook that are needed to cover the FY 1995 data collection year.
- b. How often is Handbook F-45 updated? What was the date of the most recent edition of Handbook F-45 prior to January 1995?
- c. Do the changes listed on pages v-vii cover all changes implemented since the FY 1993 F-45 instructions? If not, please provide additional lists of changes necessary to document all changes implemented since the FY 1993 F-45 instructions.

OCA/USPS-64 Response:

- a. No, the handbook does not cover the entire FY 1995 data collection year. There were no other editions of this handbook to cover the entire FY 1995 data collection year. Changes implemented during FY 1995 are covered in c. below.
- b. The Handbook is updated to cover substantial system changes. The most recent edition of Handbook F-45 prior to January 1995 is September 1991.
- c. No.

The FY 1994 changes listed in the manual, but not on pages v-vii include:

- Questions related to foreign mail (endorsements, markings etc...) . see chapter 15
- If 23C MARKINGS was marked Printed Matter, there was a new pop-up

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requesting the type (Catalogs, Telephone Directories or Other Printed Matter) as described on page 113.

-- DBMC Parcel Post / 4C DBMC was added as an option under Question 23C MARKINGS as described on page 112-113.

The additional FY 1995 changes not listed in the manual are:

- Walk Sequence was added as an option under 23C MARKINGS.
- Not Handling Mail on Automated Equipment was added to Question 20 Directional Statement.
- Mail classes are identified in Bundles, Letter and Flat Trays by applying the Top Piece Rule.

OCA/USPS-65. This interrogatory refers to the data files and programs contained in SSR-84 for TRACS Highway and to the program documentation in SSR-82. The first program of SSR-82 is named TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) and it reads a flat file named TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT.

- a. Please confirm that the flat file TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT is named ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT on the tapes accompanying SSR-84. If you do not confirm, please state which SSR-84 file is a copy of TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT or provide a copy of TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT.
- b. Please refer to page 108 of SSR-84. Please confirm that ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT was created by copying file TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT, which is a different file name than TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT. If you do not confirm, please explain what file was copied to produce the file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT.
- c. Please confirm that the file TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT is an exact copy of file TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT with the only change being the insertion of ".SAFE" into the file name. If you do not confirm, please list all modifications made to produce the "SAFE" file TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT.
- d. Please provide a program listing showing that TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) executes properly with ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT as the input file instead of TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT. If this is not possible, please provide a program and data file that work together.
- e. Please provide a printout showing the first 60 records (corresponding to the first 20 observations) of the flat file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT.
- f. Please provide a printout showing the first 60 records (corresponding to the first 20 observations) of the flat file TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT.
- g. Please refer to page 18 of SSR-82 and to page 108 of SSR-84. Please confirm that the record length (LRECL) for TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT is 250 but the record length (LRECL) for ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT is only 180. Please explain the reason for this difference and the effects on the program TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY).

- h. If any TRACS files are provided in response to this interrogatory, please provide the files on a diskette (or other medium such as CD-ROM) in a format easily accessible by PCs.

OCA/USPS-65 Response:

- a. Confirmed. TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT is named ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT on the submitted data tape. The difference other than file name is the deleting of commercially sensitive information. Partial objection filed September 9, 1996.
- b. Confirmed. ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT was created by copying the file TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT, which is a different file name than TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT.
- c. Not confirmed. In addition to the insertion of ".SAFE" in to the file name, TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT is different from TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT in that commercially sensitive information has been deleted.
- d. Objection filed September 9, 1996.
- e. Objection filed September 9, 1996.
- f. Objection filed September 9, 1996.
- g. Confirmed. The LRECL (logical record length) was changed from 250 to 180 during the rewriting of the file. This change in record length has

nothing to do with the deleting of commercially sensitive information, but rather is the intended result of a deliberate effort to conserve tape space by eliminating excess record space. A review of the first program of SSR-82, TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY), which reads in the file TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT, will reveal that the LRECL only needs to be 171 to accommodate the rightmost variable, P2PIECE4, which begins at column 167 and occupies 5 character-spaces. The additional space on the record up to column 250 is excess space and serves no practical purpose. A LRECL of 180 was chosen because it was the smallest possible LRECL that would accommodate all of the variables and also divide evenly into the block size.

- h. Objection filed September 9, 1996.

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OCA/USPS-66. Please refer to page 3 of SSR-82. This lists 4 data sets (in addition to TRACSSMN.HIGHWAY.PQ495.SURVEY.TEXT) that are supplied with the programs for TRACS Highway.

- a. Please provide these files on a diskette (or other medium such as CD ROM) in a format easily accessible by PCs.
- b. For each of these files, please confirm that the file provided in SSR-84 is an exact copy of the file listed on page 3 of SSR-82.
- c. For each SSR-84 file that is not a duplicate of the corresponding SSR-82 file,
 - i. Please provide a file that is a copy of the corresponding file listed on page 3.
 - ii. Please confirm that the unmodified SSR-82 programs operate correctly on the SSR-84 data file. If you do not confirm, please provide programs modified so that they operate correctly on the data files provided in SSR-84.
 - iii. If the file provided in SSR-84 was copied from a "SAFE" file that differs from the actual file used in SSR-82, please explain all modifications made to construct the "SAFE" file.

OCA/USPS-66 Response:

- a. Objection filed September 9, 1996.
- b. Not confirmed. In the files provided in SSR-84, commercially sensitive information has been deleted. Additionally, page 3 of SSR-82 contains an error. The filename listed as TRACSSMN.HIGHWAY.MILES.PQ495.TEXT should read TRACSSMN.HIGHWAY.MILES.PQ395.TEXT. The PQ495 miles file is created by updating the prior quarter's (PQ395) miles file with the current quarter's (PQ495) update file,

TRACSSMN.MILES.UPDATE.PQ495.TEXT.
- c.i. Objection filed September 9, 1996.

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- c.ii. Objection filed September 9, 1996.
- c.iii. The "SAFE" files were created by deleting commercially sensitive information while copying the original files.

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OCA/USPS-67. Please refer to page 342 of SSR-82. This lists 4 data sets that are supplied with the programs for TRACS Rail.

- a. Please provide these files on a diskette (or other medium such as CD ROM) in a format easily accessible by PCs.
- b. For each of these files, please confirm that the file provided in SSR-84 is an exact copy of the file listed on page 342 of SSR-82.
- c. For each SSR-84 file that is not a duplicate of the corresponding SSR-82 file,
 - i. Please provide a file that is a copy of the corresponding file listed on page 342.
 - ii. Please confirm that the unmodified SSR-82 programs operate correctly on the SSR-84 data file. If you do not confirm, please provide programs modified so that they operate correctly on the data files provided in SSR-84.
 - iii. If the file provided in SSR-84 was copied from a "SAFE" file that differs from the actual file used in SSR-82, please explain all modifications made to construct the "SAFE" file.

OCA/USPS-67 Response:

- a. Objection filed September 9, 1996.
- b. Not confirmed. In the files provided in SSR-84, commercially sensitive information has been deleted.
- c.i. Objection filed September 9, 1996.
- c.ii. Objection filed September 9, 1996.
- c.iii. The "SAFE" files were created by deleting commercially sensitive information while copying the original files

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OCA/USPS-69. This question concerns the IOCS strata definitions. At page 14 of the statistical systems documentation (SSR-90), the strata are defined as follows:

Post offices are stratified by size into ten CAGs, where the measure of size for each office is its total revenue receipts for the previous fiscal year.

More insight into stratification is provided in response to OCA/USPS-31a:

An additional stratum for mail processing offices that were split from CAG C customer service offices was established for variance computation

An explanation of CAG A/B tally stratification is presented in response to OCA/USPS-33:

Item F263 is used to separate CAG A/B tallies into three strata: '666666' for the BMC's, '555555' for the group of large offices, and '777777' for the remaining offices in CAG A and B.

In the attachments to the response to OCA/USPS-T5-13, sample information by stratum is reported for CAG A/B as one stratum producing a total of 9 strata instead of the 10 referred to in SSR-90.

- a. Please provide the equivalent of the attachment to the response to OCA/USPS-T5-15 for only CAG A and B offices using the F263 strata definitions. (Instead of "A" or "B", use '555555,' '666666,' or '777777'.)
- b. Please confirm that according to OCA/USPS-33, an F263 code of '777777' corresponds to one stratum containing CAGs A and B offices, but that SSR-90 indicates that CAG A and CAG B are two different strata. Please clarify the stratum '777777' definition.
- c. According to OCA/USPS-33, an F263 code of '555555' defines a stratum that corresponds to a group of large offices. Please clarify whether this group consists of some CAG A sampling stratum offices, all CAG A offices, or both CAGs A and B offices.
- d. Please confirm that each CAG A or CAG B office/finance number belongs to one of the three "F263" strata. If you do not confirm, please explain what other strata CAG A or B offices could be assigned to.
- e. Which sampling stratum contains offices (or finance numbers) that were not in the sample in FY 1992, but were advanced to CAG B status by FY 1995?

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- f. Which sampling stratum contains offices (or finance numbers) that were not in the sample in FY 1992, but were advanced to CAG A status by FY 1995?
- g. Please provide internally consistent definitions of the IOCS strata.

OCA/USPS-69 Response:

- a. In the attachment to the response to OCA/USPS-T5-15, "A" corresponds to '555555' - '666666', and "B" corresponds to '777777'. "A" offices whose names include 'BMC' or 'BMF' are classified as '666666', i.e. obs. #: 45, 167, 173, 217, 236, 241, 246, 360, 430, 447, 521, 574, 614, 630, 709, 716, 814, 844, 889, 894, 968. The remaining "A" are classified as '555555'.
- b. The '777777' stratum consists of all CAG A offices not included in the '555555' - '666666' strata, and all CAG B offices.
- c. The '555555' group consists of some CAG A sampling stratum offices. The offices in this group consist of the same 30 that were included in the FY 1992 sample. The original finance number for nearly each of these 30 offices was split after the Restructuring into 3 finance numbers: the original finance number was retained for the customer service office, and two new ones were created, one for the mail processing facility and one for the air mail facility.
- d. Confirmed.
- e. and f. Offices that were not in the sample in FY 1992 but were advanced to CAG

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A or CAG B status by FY 1995 are included in the universe of offices of the '777777' sampling stratum.

g. See responses a-f above. Also note that the revenue-based CAG classification referred to in SSR-90 is applicable to customer service offices. Processing and Distribution Centers and Facilities, Bulk Mail Centers and Facilities, and Air Mail Centers and Facilities are automatically included in CAG A, which IOCS further stratifies as stated above.

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**OCA/USPS-70
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OCA/USPS-70. Please refer to Attachment 1 to the response to OCA/USPS-T5-13. This attachment shows that of the 600 CAG A/B finance numbers, 504 were in the FY 1995 IOCS sample and 96 were not. Of the finance numbers that were not in the FY 1995 IOCS sample, how many had no chance for selection for FY 1995? For each such finance number, please list the finance number, its CAG and the reason for its absence from the sample frame.

OCA/USPS-70 Response:

See the response to OCA/USPS-54 (c) and (d). Partial objection filed September 16, 1996 .

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OCA/USPS-71
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OCA/USPS-71. Please refer to the response to OCA/USPS-44.

- a. Is the TRACS training manual provided in USPS-LR-G-112 the most recent TRACS training manual?
- b. If a more recent TRACS training manual is available, please provide a copy of that manual?
- c. Please provide all other materials used to instruct data collectors for FYs 1995-1997.

OCA/USPS-71 Response:

- a. Yes.
- b. Not applicable. Partial objection filed September 16, 1996.
- c. There are not new TRACS materials used to instruct data collectors for FYs 1995-1997. Partial objection filed September 16, 1996.

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OCA/USPS-72
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OCA/USPS-72. Please refer to the response to OCA/USPS-39(2). Was the Commission notified of these changes 90 days prior to their implementation as required by §3001.102(d)(4) of the Commission's rules of practice? If so, please provide the date of this notice. If not, please explain why not.

OCA/USPS-72 Response:

The Postal Service has been unable to locate any such documents in its files. The changes discussed in the response to OCA/USPS-39(2) do not affect the quality or types of data furnished to the Commission.

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OCA/USPS-74. Please refer to your response to NM/USPS-7 and Attachment 1.

- a. Please confirm that the Postal Service estimates the FY 1996 profit to be between \$1.2 to \$1.5 billion. If you are unable to confirm, please explain.
- b. Please confirm that the Washington Post reported on September 11, 1996 at A21, that the Postal Service estimates FY 1996 profits to be \$1.2 billion. If you are unable to confirm, please explain.
- c. If the attachment to NM/USPS-7 no longer represents the Postal Service's best estimates, please provide the most current Postal Service estimates.
- d. Please confirm that the Postal Service's newly approved budget estimates FY 1997 net income to be \$55 million. If you are unable to confirm, please explain.

RESPONSE:

- a. As presented at the September Board of Governors' meeting, the Postal Service estimates FY 1996 net income of between \$1.2 and \$1.5 billion.
- b. Confirmed.
- c. Please refer to the attachment to this interrogatory response.
- d. The Postal Service's FY 97 Operating Budget reflects a net income of \$55 million.

Attachment to
OCA/USPS-74

Net Income (Loss)
GAP From Equity Restoration Target
(\$millions)

1	2	3	4	5
Fiscal Year	Actual or Estimate	Needed to Meet BOG Target	Over/(Under) Actual/Estimate	Cumulative Amt. Over/(Under)
1994	(914)	(1,344)	430	430
1995	1,770	936	834	1,264
1996	1200-1500	936	264-564	1528-1828
1997	55	936	(881)	647-947

Column 2 - FY 94 & 95 reflect actual results. FY 96 reflects year end estimate presented at September Board of Governors' meeting. FY 97 represents FY 97 Operating Budget.

Column 3 - FY 94 is Docket No. R94-1 estimated net loss for FY 94.

FY 95-97 amounts reflect average annual Prior Years' Loss amount from Docket No. R94-1 Opinion.

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OCA/USPS-75. Please provide a copy of the Postal Service's recently approved FY 1997 operating budget presented to the Governors. Please include in your response a copy of all underlying workpapers.

RESPONSE:

Please refer to library reference SSR-152, which shows the September 10, 1996 presentation of the Postal Service's FY 1997 Operating Budget, including its major assumptions. Workpapers showing the development of the FY 97 Operating Budget similar to those typically provided to the Commission in support of a rate filing are not available. The formulation of the Operating Budget is not based simply on mechanical calculations that can be reduced to a comprehensive set of workpapers. Instead, budgets are established through a complex management process that has incorporated the Postal Service's CustomerPerfect program. In connection with this, operating budget targets involve negotiation, judgement, linkage to and support of operating goals, and the tactical allocation and re-allocation of resources to organizational units and programs.

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OCA/USPS-76

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OCA/USPS-76. Please refer to the response to OCA/USPS-58. On page 2 of the attachment to OCA/USPS-58, column (e) has two entries per line for CAG D. Please describe the circumstances for using each of the two figures.

OCA/USPS-76 Response.

The employees in two CAG D offices were sampled at rates different than the employees in all other CAG D offices. In one of those CAG D offices, they were sampled at the rate of employees in CAG C offices (.06 for all crafts except supervisors). In the other one, they were sampled at the rates for employees in CAG E offices. The tallies from these two offices were reweighted to adjust for the difference in sampling rates (see response to OCA/USPS-21.c), and then combined with other tallies from CAG D offices. The costs for these two offices were included in the CAG D cost pool.

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OCA/USPS-77

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OCA/USPS-77. Please refer to the table of sampling rates attached to the response to OCA/USPS-58.

- a. When were the sampling rates provided in this attachment known?
- b. Are these sampling rates relatively stable from one year to the next?
- c. Were these sampling rates the same as those used in FY 1993?
- d. Were the FY 1996 IOCS employee sampling rates the same as those in this table? If not, please provide a copy of this table for FY 1996.
- e. Will the FY 1997 IOCS employee sampling rates be the same as those in this table? If not, please provide a copy of this table for FY 1997.

OCA/USPS-77 Response.

- a. They were known before the beginning of FY95.
- b. Yes, because the majority of the tallies are relatively stable from one year to the next.
- c. Yes, except for those offices which were reclassified.
- d. and e. Objection filed September 30, 1996.

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OCA/USPS-78

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OCA/USPS-78. Please refer to the response to OCA/USPS-58. SSR-90 describes the first stage office sample as stratified by size into the ten CAGs A-H and J. It also indicates that employees are stratified into 5 crafts. The response to OCA/USPS-58 shows seven "craft cost pools" further subdivided into categories of offices having varying levels of international activity and "CAG-Realigned Offices" as the level of stratification for employee sample selection. The response to OCA/USPS-58 also shows that CAG K offices are sampled, while SSR-90 only samples from CAGs A-J. Other minor inconsistencies between the interrogatory responses and SSR-90 also occur.

- a. Please confirm that the sampling documentation presented in various interrogatory responses, such as OCA/USPS-58, makes any conflicting or inconsistent documentation presented in SSR-90 obsolete.
- b. Please provide replacement SSR-90 pages incorporating documentation of all sampling data, sampling rates, and definitions consistent with interrogatory responses.

OCA/USPS-78 Response.

- a. Neither confirmed nor denied. The documentation presented in SSR-90 relates to the statistical sample design of the IOCS. OCA/USPS-58 focuses on the cost pools used for dollar weighting.
- b. SSR-90 has been amended. Revised pages are being filed today.

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OCA/USPS-79

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OCA/USPS-79. Please refer to the response to OCA/USPS-58b and to the row for "IOCS CAG B" in the attachment. The cost pool for "Clerks, Full-Time Regular" has been subdivided into four sampling strata, with sampling rates of .50, .12, .09, and .02.

- a. Please define each of these strata or subcategories of the "Clerks, Full-Time Regular" craft cost pool. For example, what specific characteristic(s) and/or level(s) of that characteristic determine that a specific finance number/pay location should be sampled at each of the four sample rates?
- b. Are the definitions of the substrata for CAG B for "Clerks, Full-Time Regular" the same as for the other CAG cost pools? If not, please provide the specific characteristic(s) and/or level(s) of that characteristic used to determine the column (d) sampling rate used for a specific finance number.

OCA/USPS-79 Response.

- a. For a specific office, the higher sample rate for employees in pay locations with concentrated international activities was determined in combination with the lower 2 percent rate for the other pay locations in such a way as to maintain an acceptable overall level of data collection burden within a site.
- b. Yes.

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OCA/USPS-80

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OCA/USPS-80. Please refer to the response to OCA/USPS-58b. This states, "Each finance number is stratified into two groups: the first includes pay locations shown historically by IOCS to have concentrated international activities, and the second includes the remaining pay locations." Please provide a table showing how many pay locations are subject to each of the sampling rates for each of the 19 finance numbers.

Number of Pay Locations by Sampling Rate

Finance Number	sampling rate = .50	sampling rate = .12	sampling rate = .09	sampling rate = .02
1				
2				
3				
...				
19				

OCA/USPS-80 Response.

See Attachment. Note that there are 21 finance numbers rather than 19. See Revised Response of United States Postal Service to Interrogatory of the Office of the Consumer Advocate (OCA/USPS-58), filed today.

Attachment to OCA/USPS-80 Response.

Finance Number	sampling rate = .50	sampling rate = .12	sampling rate = .09	sampling rate = .02
1.	2			122
2.	9			113
3.	4			30
4.	2			7
5.	5			109
6.	4			58
7.	3			158
8.	2			12
9.	4			48
10.		7		63
11.	1			15
12.	3			191
13.	2			20
14.	2			1
15.	1			6
16.		18		115
17.			36	51
18.	5			24
19.	5			30
20.		10		52
21.	6			32

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OCA/USPS-81
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OCA/USPS-81. Please refer to the response to OCA/USPS-58b and to column (e) of the attachment to that response. The CAG D row of that table contains two entries per line in column (e).

- a. Please explain why two entries are necessary for CAG D offices, yet only one entry is necessary for the other CAGs having "CAG-Realigned Offices."
- b. Please describe how to determine which entry for column (e) is used for a particular office.

OCA/USPS-81 Response.

- a. and b. Column (c) exhibits the sampling rates for offices in a given CAG. Column (e) lists all sampling rates that were different from those in column (c) for some offices that were reclassified in that given CAG.

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OCA/USPS-82
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OCA/USPS-82. Please refer to page 5 of the attachment to the response to OCA/USPS-53a. The first line of this printout shows PQ 4 cost data for finance number "565480." However, on pages 2-4 of this attachment, the first lines have finance number "555555." Is "565480" one of the finance numbers that was recoded to "555555" for the other PQ printouts? Please explain.

OCA/USPS-82 Response.

Yes. The costs in the print out, however, correspond to the costs for "555555".

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OCA/USPS-83
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OCA/USPS-83. Please refer to the FY 1995 c.v. estimates for IOCS (SSR-90, pages 18-20) and to the documentation of the variance estimation formulas for the FY 1993 IOCS estimates at Tr. 1/56-58 of Docket No. R94-1, June 1, 1994. The response to interrogatory OCA/USPS-31a stated that the MC96-3 variance estimation formulas are "basically the same as the R94-1 formulas" for IOCS cost estimates. References to application of the R94-1 formulas to the MC96-3 IOCS cost estimates assume that the minor changes to the R94-1 formulas stated in response to OCA/USPS-31a have been implemented.

- a. Since "IOCS CAG B" does not constitute a certainty stratum for FY 1995 (refer to the response to OCA/USPS-59), is the variance formula for certainty strata (Tr. 1/56-57) correct for CAG B?
 - i. Was the CAG B R94-1 variance formula used for FY 1995 variance estimation for "IOCS CAG B?"
 - ii. If the CAG B R94-1 variance formula no longer applies for FY 1995, please provide the corrected formula and SSR-90 tables.
 - iii. If the CAG B R94-1 variance formula no longer applies for FY 1995 (but it was used anyway), please confirm that the effect of using the R94-1 variance formula for FY 1996 would be to understate variance. If you do not confirm, please explain.
- b. Please refer to the formula for $\text{var}(p_{ik})$ for the noncertainty strata at Tr. 1/57.
 - i. Please confirm that this formula represents the variance of a proportion estimate from a cluster sample design. If you do not confirm, please explain.
 - ii. Please confirm that variance formulas for cluster sample designs (with subsampling within selected clusters) generally have two terms—one capturing variance between the clusters (offices) and one capturing variance within clusters (tallies within offices). For example,¹ for subsampling with units of equal size, the formula would be

¹ See Cochran, W. (1977), *Sampling Techniques*, 3rd Ed., page 279.

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$$v(\bar{p}) = \frac{1-f_1}{n(n-1)} \sum_i^n (p_i - \bar{p})^2 + \frac{f_1(1-f_2)}{n^2(m-1)} \sum_i^n p_i q_i.$$
 If you do not confirm, please explain.

- iii. Please confirm that IOCS sampling for the non-certainty strata is a cluster sample (office selection) with subsampling within office (employee selection). If you do not confirm, please provide the correct terminology.
- iv. Please confirm that the formula for $v(p_{ik})$ at Tr. 1/57 only captures the variance between clusters with the $1/[m_k(m_k-1)] \sum_j n_{kj}^2/[n_k/m_k]^2 * (p_{ijk}-p_{ik})^2$ term. If you do not confirm, please explain how sampling error introduced by subsampling within selected offices is accounted for. If you confirm, please confirm that the effect of omitting the within-cluster variance term is to understate variance. If you do not confirm, please explain fully.
- v. Please provide a textbook reference for the formula used for $\text{var}(p_{ik})$ at Tr. 1/57.

OCA/USPS-83 Response.

a.

- i. No.
- ii. The response to OCA/USPS-31.a indicated that an additional stratum was established for variance computations, and the formula for the noncertainty strata was used there. That additional stratum was in CAG B. SSR-90 tables were computed on that basis.
- iii. Not applicable. See (a)(i) and (ii), above.

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- b.
- i. Not confirmed. This formula represents the variance of a ratio estimate from a cluster sample design. The denominator is a random variable.
 - ii. Not necessarily. Ultimate cluster variance estimators could have one term.
 - iii. Confirmed.
 - iv. See (b)(ii), above.
 - v. See Cochran, W. (1977), Sampling Techniques, 3rd Ed., page 66.

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OCA/USPS-84. Please refer to the response to OCA/USPS-55.

- a. This response states, "The FY 1995 IOCS sample for CAG C and lower is a panel of offices which consists of the same offices that were in the FY 1993 sample" Please clarify whether CAG advancements or relocations occurring for FY 1994 were taken into consideration.
- b. This response states, "These offices were initially selected with equal probabilities of selection." Please confirm that this means that the initial probabilities of selection for offices in a particular CAG for FY 1995 are not equal. If you do not confirm, please explain.
- c. This response states, "[T]he offices in the sample are regarded as a representative sample of offices in their respective CAGs." Is this sample of offices a probability sample of the offices in their respective CAGs? Please explain.
- d. Are there any offices that were never given a chance for selection (for any year prior to FY 1995) to the IOCS office sample? If so, please provide the number of such offices by CAG.

OCA/USPS-84 Response.

- a. Yes.
- b. Possibly. However, the method of estimation assumes that "the sample of offices in each CAG constitutes an equal probability sample" (see SSR-90, Section D. Assumptions).
- c. Possibly not. However, the method of estimation assumes these offices to be a probability sample of the offices in their respective CAGs.
- d. Objection filed September 30, 1996.

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OCA/USPS-85

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OCA/USPS-85. Please refer to the response to OCA/USPS-65.

- a. The response to OCA/USPS-65c states that commercially sensitive information has been deleted. Please provide a list of the deleted variable names.
- b. The attachment to this interrogatory lists the first few records of SSR-84 file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT. The first record begins:
BMC05275KO . . . 808 FF 0 0 0 025
The program TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) attempts to read a 3-digit numeric variable "ID1" at position 1, a 5 character variable "FCODE1" at position 4, a 3 character variable "FTYPE1" at position 9, and a 7 character variable "TESTID" at position 12. See SSR-82, page 16.
 - i. Please confirm that the program TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) would assign the value of "BMC" to FTYPE1 and ". . ." to TESTID. If you do not confirm, please explain how the SAS program would read the first record of the file as provided in SSR-84.
 - ii. Please confirm that these values are correct. If you do not confirm, please correct the values.
 - iii. Please confirm that the program TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) will not execute properly on the data file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT included with SSR-84.

Response to OCA/USPS-85.

- a. The commercially sensitive variables FCODE1, ROUTENO, P1FCODE2, P2FCODE2, and FCODE3 have been masked in the file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT.
- b.
 - i. Not confirmed. It appears that in printing the first record of the file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT for examination, the eight

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leftmost characters of the record, which are all blank spaces, have been inadvertently deleted. (Such a deletion can occur during "cut" and "paste" operations involving blank spaces preceding text.) Consequently, the remaining data of the first record, which shifted eight columns leftward, has been misinterpreted. Of the eight blank spaces which must be considered in order to correctly interpret the record, the first three are the actual value of the variable ID1 at column 1. Variable ID1 is not used and always contains three blank spaces. (TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) drops variable ID1 shortly, reading it in, with no computations or processing done with the variable in the interim.) The next five blank spaces, at columns 4-8, are where the value of variable FCODE1 would reside had it not been masked (replaced with blank spaces) due to its commercial sensitivity. In the first record, the value "BMC", which was believed to be the value of variable ID1 at column 1, actually occurs at column 9, and is the value of the variable FTYPE1. To correctly interpret the record, the column positions of the data must be correctly related to the variable names.

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- ii. Not confirmed. The correct interpretation of the first record of ALAHQN.HIGHWAY.SURVEY.PQ495.TEXT assigns the following values to the following variables:

ID1:	" "	(not used)
FCODE1:	" "	(masked due to commercial sensitivity)
FTYPE1:	"BMC"	
TESTID:	"05275KO"	
MONTH1:	"."	(SAS representation for missing value)
DAY1:	"."	
YEAR1:	"."	
ROUTENO:	" "	(masked due to commercial sensitivity)
TRIPNO:	"808 "	
RESCHED:	"F"	
REPLACE:	"F"	
RCONTYPE	" "	
RCONNO:	" "	
RTRIPNO:	" "	
RMONTH:	" 0"	
RDAY:	" 0"	
RYEAR:	" 0"	
HOURS:	" 0"	
MIN:	"25"	

- iii. Not confirmed. The program TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) will execute with no errors using the data file ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT. A program log showing that TRACS.EXPAND.HWY.PQ495.CNTL(SURVEY) will run successfully using the file TRACSSMN.SAFE.HIGHWAY.PQ495.SURVEY.TEXT, the file from which ALAHQN.HIGHWAY.PQ495.SURVEY.TEXT was directly copied to tape, is being filed today as USPS LR-SSR-153. The values of any commercially sensitive variables will carry through the program and result in output containing blank spaces as the value of said variables.

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OCA/USPS-86. Please refer to the response to OCA/USPS-66. The response to OCA/USPS-66b states that commercially sensitive information has been deleted. Please provide a list of the deleted variable names.

Response to OCA/USPS-86:

The variables ROUTE, OCODE, and DCODE have been masked in both file OTHERHWY.EXPAND45.TEXT and file INTRASCF.EXPAND45.TEXT. The variable DCODE has been masked in file DIVMTO.LOOKUP.FLAT.TEXT. The variables BEGIN and END have been masked in file TRACSSMN.HIGHWAY.MILES.PQ495.TEXT.

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OCA/USPS-87. Please refer to the response to OCA/USPS-67. The response to OCA/USPS-67b states that commercially sensitive information has been deleted. Please provide a list of the deleted variable names.

Response to OCA/USPS-87:

The variables FCODE1, VANNO, RCODE, P1FCODE2, and P2FCODE2 have been masked in file TRACSSMN.RAIL.PQ495.SURVEY.TEXT. The variables OCODE and DCODE have been masked in file

TRACSSMN.RAIL495.EXPAND.TEXT. The variables DIS_NAME, DIS_CODE, DNAME, and DCODE have been masked in file

TRACSSMN.RAILFLAT.QTR495.SAMPLE.TEXT. The variable OCODE has been masked in file LATLON.LOOKUP.TEXT.

Response of United States Postal Service to Interrogatory OCA/USPS-88

OCA/USPS-88. Please refer to the attached exhibits, OCA Exhibits 1 and 2, and to the September 25 comments of NAPUS. In order to assist the OCA (and the Commission) in evaluating the NAPUS comments on proposed fees at non-city delivery (Group II) offices, please answer the following questions.

OCA Exhibits 1 and 2 are tabulations of post office box data from LR-SSR-113 at the CAG/delivery group level. OCA Exhibit 1 summarizes the installed box data and Exhibit 2 summarizes the rented box data.

Exhibits 1 and 2 demonstrate that each delivery group, other than Group IA, contains many different CAG level post offices. A comparison across delivery groups also reveals that the same CAG level post offices can occur in several delivery groups. This raises questions about the costs associated with post offices by CAG as opposed to costs by delivery group.

- a. Please confirm that the number of post office boxes installed, for each box size, by CAG in each delivery group is the number shown in OCA Exhibit 1. If you do not confirm, please provide corrections.
- b. Please confirm that the number of boxes in use, for each box size, by CAG in each delivery group is the number shown in OCA Exhibit 2. If you do not confirm, please provide corrections.
- c. Please confirm that the rental cost in dollars per square foot for each delivery group represents an average of the rental cost per square foot of the CAGs in the delivery group. If you do not confirm, please explain.
- d. Please confirm that each delivery group (except Group III) has CAG A facilities. If you do not confirm, please provide corrections.
- e. Please confirm that over 140,000 Group II boxes are installed at CAG A-D facilities. If you do not confirm, please provide corrections.
- f. Please confirm that over 200,000 Group 1C boxes are installed at CAG H-J facilities. If you do not confirm, please provide corrections.
- g. Have any studies been conducted that demonstrate that CAG A offices in Group 1C have higher rental costs per square foot than CAG A offices in Group II? If yes, please provide all such studies, reports, data, and other information.
- h. Have any studies been conducted to determine which of these two, CAG size or delivery group, drive rental costs per square foot? If yes, please provide all such studies, reports, data and other information.
- i. Please provide the average rental cost per square foot by CAG by delivery

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group. If you are unable to provide this information, provide the SAS data set FMSRTE of LR-SSR-99, page 30, line 57.

- j. Please provide the average rental cost per square foot by CAG by box size. If you are unable to provide this information, please provide the SAS data set FMSRTE of LR-SSR-99, page 30, line 57.
- k. Please provide post office box attributable costs by CAG.
- l. Please provide post office box attributable costs by CAG by box size.
- m. Please confirm that there is an inverse relationship between unit attributable post office box costs and CAG. If you do not confirm, please explain.
- n. Please confirm that a station or branch of a CAG A office is unlikely to be found in a rural area. If you do not confirm, please explain.
- o. Please confirm that a CAG J office is unlikely to be found in an urban area. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Partially confirmed. Rental cost per square foot was calculated from the FMS file by determining the delivery group for each record and then calculating the average for each delivery group. (Each record represents a leased facility, either a main post office or a station or branch.) Outliers in the data were eliminated using a "1% tails test" for each CAG. See the description in USPS LR-SSR-99, Item 1.
- d. Confirmed.
- e. Confirmed.

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- f. Confirmed.
- g. No.
- h. We have conducted no such studies, but the following information is relevant. USPS LR-SSR -99 shows that average rental cost per square foot varies by delivery group. Data on rental cost by CAG are summarized in the table below.

CAG	Number of Facilities	Average Rental Cost (\$ / square foot)
A	1,185	9.13
B	691	9.07
C	1,111	9.29
D	495	8.54
E	815	7.65
F	1,008	7.13
G	2,284	6.35
H	3,400	6.04
J	4,650	5.75
K	9,055	5.76
L	1,572	5.57

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Note that Group III facilities are included in these totals. The SAS code and database from which this table was derived are included in library reference LR-SSR-156, filed contemporaneously with this response.

There was also a study done in May 1988 and submitted in a previous proceeding (LR-F-183 in R90-1).

- i. The rental cost per square foot by CAG and delivery group has not been developed. The data file FMSRTE.DAT is being provided as part of this response (USPS LR-SSR-156). It identifies the CAG, delivery group, and rental cost per square foot for each facility in the database. (Group III is not included in this database).
- j. Rental cost per square foot does not vary by box size. Rental cost by CAG is given in subpart h above.
- k-l. The data in OCA/ USPS-88, Exhibit 2 can be combined with the data in FMSRTE.DAT (provided in response to subpart h above) to allocate total attributable costs by CAG and box size. The procedure is the same as that explained in USPS-T-4, pages 41-43.
- m. Unable to confirm. We have not calculated or allocated attributable costs by CAG.
- n-o. Unable to confirm. Postal data systems do not identify postal facilities as either rural or urban.