

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON
(DFC/USPS-19(a,b), 20(a), 21, 22(a,b,c,d,f,h,i))

The United States Postal Service hereby provides its responses to the following interrogatories of Douglas Carlson: DFC/USPS-19(a,b), 20(a), 21, and 22(a,b,c,d,f,h,i), filed on February 15, 2000.

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

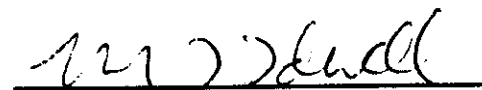
Objections to DFC/USPS-18, 19(c), 20(b-e) and 22(e,g) were filed on February 25, 2000.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making



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February 29, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON

DFC/USPS-19.

- a. Please confirm that the Postal Service opposed a discounted Courtesy Envelope Mail (CEM) rate in Docket No. R97-1 because, among other reasons, "revenue protection activity" would require manual involvement of postal clerks.
- b. Assume a CEM rate exists. Setting aside issues of ease or difficulty, please confirm that properly trained postal clerks should be able to verify whether most letters bearing postage corresponding to the CEM rate qualify for the CEM rate and, therefore, are not underpaid. If you do not confirm, please explain.
- c. Please confirm that postal clerks, no matter how properly trained, would be unable to determine whether the postage on a one-ounce single-piece First-Class letter mailed on February 15, 2000, using a Breast Cancer Research stamp was underpaid. If you do not confirm, please explain.

RESPONSE:

- (a) The Postal Service did not oppose CEM because "revenue protection activity' would require manual involvement of postal clerks." Revenue protection activity often requires manual involvement of postal clerks or letter carriers. The Postal Service's objection to CEM was based, in part, on the relationship between the perceived benefits of CEM and the cost that such activities as CEM revenue protection (involving clerks) would generate.
- (b) When one sets aside such considerations as "ease or difficulty" (and cost feasibility, and practicality), it is virtually impossible to conclude that "properly trained" postal clerks would not be able to perform a particular assigned task most of the time.
- (c) Objection filed.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON

DFC/USPS-20.

- a. Please confirm that the existence of a postage stamp that sells for more than the value of the postage contained therein potentially could create customer confusion. If you do not confirm, please explain.
- b. Please provide the results of all analyses that the Postal Service has conducted on the extent of customer confusion about the Breast Cancer Research stamp.
- c. Does postal management support the notion of issuing another semipostal stamp in the future? Please explain.
- d. If postal management generally supports issuing another semipostal stamp, please confirm that this decision indicates that the benefits associated with the semipostal stamp outweigh the problems associated with it. If you do not confirm, please explain.
- e. For this question, please choose either "simplify" or "complicate" and, if desired, explain your answer. Did the Breast Cancer Research stamp generally (i) simplify or (ii) complicate the nation's mail system?

RESPONSE:

- a. With a national population exceeding 260 million people, the Postal Service is unable to disagree with the notion that everything potentially confuses at least one person to some degree.
- b.-e. Objections filed.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS F. CARLSON**

DFC/USPS-21.

a. Please describe generally the effect that the Internet and electronic bill-paying are expected to have on Postal Service First-Class Mail revenues in upcoming years.

b. Please confirm that the projected losses of First-Class Mail revenue are now predicted to be larger and occur sooner than originally forecast when the Postal Service Board of Governors rejected CEM in 1998.

c. Please confirm that a rate for CEM that were lower than the basic rate for single-piece, one ounce First-Class Mail might slow the decline in First-Class Mail volume associated with the Internet and on-line bill paying. If you do not confirm, please explain.

RESPONSE:

a. Please see the testimony of Prof. Tolley (USPS-T-6) at, for example, pages 43 to 56. See also the response of the Postal Service to OCA/USPS-11.

b. Not confirmed. No forecast of First-Class Mail revenue projected to be lost in the future because of the Internet or electronic bill payments was made in connection with the Governors' rejection of CEM in Docket No. R97-1.

c. Not confirmed. The Postal Service has not studied the effect on potential electronic diversion that any hypothetical CEM discount would have. Consequently, it is unable to confirm the effect, if any, that such a hypothetical discount would have. For additional discussion of this general topic on a theoretical level, please see the rebuttal testimony of Prof. Spulber in Docket No. R94-1 (AMMA, et al.-RT-2) at Tr. 19/9184-9228, and Postal Service rebuttal witness Alexandrovich (USPS-RT-7) in Docket No. MC95-1, at pages 11-14.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS CARLSON

DFC/USPS-22.

- a. Please explain the meaning and use of a "hot case."
- b. Please discuss the extent to which hot cases are associated with EXFC.
- c. To the extent that hot cases are used primarily in areas measured by EXFC, please confirm that the mail that is processed in hot cases may be delivered sooner than this mail would be delivered if a hot case did not exist. If you do not confirm, please explain.
- d. Please confirm that a portion of the compensation that postal managers receive is dependent upon meeting certain EXFC performance goals. If you do not confirm, please explain.
- e. Please describe the EXFC performance goals that affect postal managers' compensation and the extent to which each goal affects their compensation.
- f. Please confirm that the Postal Service has experienced problems with postal managers taking steps to increase EXFC scores that are inconsistent with national service standards prescribed in postal manuals or described in policy directives. If you do not confirm, please explain.
- g. Please explain the appropriate response if the Postal Service learns, by customer input, audit, or other means, that a postal manager is not upholding national service standards prescribed in postal manuals or described in policy directives.
- h. Please confirm that EXFC performance scores provide some evidence of the value of First-Class Mail service. If you do not confirm, please explain.
- i. Please confirm that the extent to which postal managers provide services consistent with the national service standards prescribed in postal manuals or described in policy directives may affect the value to customers of First-Class Mail. If you do not confirm, please explain.

RESPONSE:

- a. A "hot case" is a manual sortation case typically used at delivery stations and mail processing plants to re-route mis-sorted mail, in order to minimize or avoid delay in delivery of such mail to its intended destination.

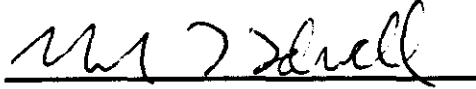
RESPONSE OF UNITED STATES POSTAL SERVICE
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RESPONSE to DFC/USPS-22 (continued)

- b. "Hot cases" have been employed by the Postal Service for many decades, certainly long before EXFC was a twinkle in anyone's eye. Hot cases are not "associated" with EXFC, except to the extent that an EXFC mail piece, like any other First-Class Mail piece, may experience "hot case" sortation.
- c. Hot cases are used throughout the postal system, irrespective of EXFC coverage. They are employed to get a mis-sorted mail pieces to their destinations sooner than if no effort were made to compensate for mis-sortation.
- d. Confirmed.
- e. Objection filed.
- f. Confirmed.
- g. Objection filed.
- h. Confirmed.
- i. Confirmed, for some customers.

CERTIFICATE OF SERVICE

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

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", is written over a horizontal line.

Michael T. Tidwell

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