

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

RECEIVED

MAR 27 4 30 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-82 - 89)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-82-89, filed on March 13, 2000. An objection to interrogatory OCA/USPS-90, and a partial objection to OCA/USPS-82, were filed on March 23, 2000. The response to number 82 is not intended to waive the partial objection.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
March 27, 2000

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-82. Please provide the Postal Service's most recent volume estimates by mail category and special service for FYs 2002-05. If no estimate is available, please explain the basis Postal Service management uses when projecting the level of future mail volumes.

RESPONSE:

The Postal Service's most recent volume estimate for FY 2002 is as presented in this case. Currently, the Postal Service maintains a number of future volume and revenue scenarios as a part of our planning process. None of these scenarios is an official estimate. Generally, the Postal Service's estimates of future volumes and revenues are products of econometric equations similar to those presented by Witnesses Tolley and Musgrave, adjusted for management planning assumptions. As a result of the change in the Department of Commerce's National Income and Product Accounts data in October of 1999, time series of the inputs to the forecasting equations have changed, and new equations must be estimated before a new projection can be developed.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OCA**

OCA/USPS-83. Please provide a breakdown of

- (a) First-Class Mail volume by mode of delivery for (1) base year 1998 and (2) FY 1999,
- (b) single-piece First-Class Mail volume by mode of delivery for (1) base year 1998 and (2) FY 1999.

RESPONSE:

(a-b) The Postal Service does not have definitive information regarding the requested items. The best available estimates for FY 1998 are presented in USPS-LR-I-95, in the Delivery Volumes spreadsheet. No comparable estimates have been developed for FY 1999.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-84. Please refer to the Federal Register notice of final rule Published February 7, 2000 (Volume 65, Number 25).

- (a) Does this rule allow any bulk Standard Mail (A) or First-Class mailing to be processed manually? Please explain fully.
- (b) The cost differences cited are \$5.00 per thousand for automated and \$60.00 per thousand for manual. Will this cause attributable costs for these two subclasses to rise? Please explain.
- (c) Has the Postal Service processed any mailings manually at the request of its customers? Please explain fully and provide an estimate of the volume of such mail processed in FYs 1998 and 1999.
- (d) Is manual sortation a factor in the recent cost increases for Standard Mail (A)? Please explain fully and provide any documents addressing this issue.
- (e) Are mailpieces sorted manually by request subject to a surcharge? If not, why not?

RESPONSE:

- a) Yes, this rule allows a mailer to request that a nonautomation presorted First-Class Mail or presorted Standard Mail (A) letter-size mailing be processed manually. It does not include presorted mailings prepared under optional upgradable provisions in Domestic Mail Manual sections M130.2 and M610.2.
- b) To the extent that volumes that would have been barcoded by the Postal Service and successfully processed on automation will instead be diverted to the manual mailstream as a result of this option, it is expected that the attributable costs of these pieces will rise.
- c) Yes, although there are no data on total volumes.
- d) Manual sortation is a factor in Standard Mail (A) costs, although it is difficult to isolate the extent to which manual processing may have contributed to any cost increases. See also USPS LR-H-106 and USPS LR-I-81 and witness Smith's Response to interrogatory DMA/USPS-T21—2.
- e) Currently, there is no surcharge. The Postal Service has not analyzed the pros and cons of imposing a surcharge.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-85. Focusing on the test year:

(a) For each rate category, what volume of First-Class Mail does the Postal Service expect to sort manually during the test year?

(b) For each rate category, what volume of Standard Mail (A) does the Postal Service expect to sort manually during the test year?

(c) For each rate category, what volume of First-Class Mail does the Postal Service expect to sort manually at the request of a customer during the test year?

(d) For each rate category, what volume of Standard Mail (A) does the Postal Service expect to sort manually at the request of a customer during the test year?

RESPONSE:

a-d) The Postal Service has no quantitative data responsive to this request. The Postal Service does not track these data by class or rate category. In any event, the volume of mail by class or category receiving manual sortation would vary by operation.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-86

Suppose a single piece of First-Class Mail has written or typed on it "hand cancel only."

- (a) Please list every processing and cost difference caused by this endorsement.
- (b) How many pieces of mail with this endorsement were processed by the Postal Service in FYs 1998 and 1999?
- (c) How many pieces of mail with this endorsement does the Postal Service expect to process in the test year?

RESPONSE:

It is assumed that the question pertains to letters bearing such an endorsement which would be presented at a window for hand-cancellation. If such letters were dropped in a collection box, for instance, it is possible but unlikely that they would be culled out, based on the endorsement alone. If not culled out, they would likely be canceled on a facer-canceler and processed with other letter mail. After hand-cancellation, either at the window or because an endorsed collection piece is culled out prior to being run through the facer-canceler, the endorsement, by itself, should have no effect on the manner in which the piece is processed, in comparison to other similar pieces. In the course of hand cancellation, however, personnel handling the piece have the opportunity to examine it and determine its machinability characteristics for subsequent operations. (This manual examination process mirrors, to some extent, a similar process performed by machine during the AFCS operation that these pieces have bypassed.) In any event, it is the piece's machinability, rather than the endorsement, that will govern how it is handled subsequently. The Postal

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

Service has not conducted any studies to determine the specific cost characteristics of such mail pieces. Nor does it maintain records which would permit an estimation of the number of such pieces for FY 98 through the test year.

**RESPONSE OF U.S. POSTAL SERVICE TO
INTERROGATORIES OF THE OCA**

OCA/USPS-87. Please refer to the response of the United States Postal Service to OCA/USPS-30. Does the Postal Service have estimates or other information regarding the volume of courtesy reply mail supplied by businesses to households for each of the past three years that relates to classes of mail other than First-Class?

- (a) If so, please provide the estimate and all documents relating to the estimate.
- (b) If not, please explain why no such estimate is available.

RESPONSE: Yes, it has such estimates for Standard (A) mail.

- (a) Please see the attached three tables developed using data from the 1996-1998 Household Diary Studies. As was the case with the First-Class Mail tables provided in response to OCA/USPS-30, the tables present weekly data, with weighted numbers reported in hundreds of thousands. Using the 1998 table as an example, courtesy reply mail appears under the heading "Needed a Stamp." Since the question asks for courtesy reply mail supplied by businesses, the volumes associated with total social/charitable institutions can be deleted (33 pieces). Thus, the total weighted volume of courtesy reply envelopes received by households in Standard (A) mailings from businesses in a week is 172,100,000 ($1754-33 * 100,000$), or 8.9 billion pieces annually.

- (b) N/A

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1998 WITH ADJUSTMENT FACTORS - (SEPT. 15, 1997 - SEPT. 13, 1998)

TABLE 139
BULK RATE/STANDARD OR NONPROFIT MAIL RECEIVED
Q.13 - DID THE RETURN ENVELOPE REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)
(BASED TO BULK RATE/STANDARD MAIL ONLY)

BULK RATE OR NON PROFIT MAIL RECEIVED - INDUSTRY																		
TOTAL	TOTAL OR SOCL. CHAR.	UNION PROF. ORG.	CHUR-CH	VETERANS	EDUCA-TION-AL	CHARI-TIES	POLIT-ICAL CAM-PAIGN	AARP	MU-SEUM	NON-PRFT. PUB-LICA-TION	NON-PRFT. TV/RADIO	THEA-TER/CON-CERT/SYM-phony	NON-PRFT. CLUB	NON-PRFT. MAIL ORDER	NON-PRFT. INTER-EST GRPS.	NON-PRFT. LIBRA-RIES	OTHER SOCL. CHAR.	
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	16110	325	37	32	19	90	45	38	18	2	10	-	2	-	2	28	-	2
WEIGHTED HOUSEHOLDS	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018	1018
WEIGHTED PIECES (BASE)	3559	68	12	5	3	17	10	9	4	0	2	-	0	-	0	5	-	0
WAS PRESTAMPED OR POSTAGE PAID	1773	33	7	2	1	10	3	4	3	-	1	-	0	-	-	2	-	0
	100.0	1.9	0.4	0.1	0.1	0.5	0.2	0.2	0.2		0.1		*		0.1		*	
	49.8	49.1	62.5	36.9	38.0	56.3	31.6	37.1	78.5		67.6		39.7		44.5		63.4	
	49.8	0.9	0.2	*	*	0.3	0.1	0.1	0.1		*		*		0.1		*	
NEEDED A STAMP	1754	33	4	3	2	7	7	6	1	0	1	-	0	-	0	3	-	0
	100.0	1.9	0.3	0.1	0.1	0.4	0.4	0.3	*	*	*		*		0.2		*	
	49.3	49.2	37.5	54.4	62.0	40.1	68.4	61.7	21.5	100.0	32.4		60.3		100.0	55.5		36.6
	49.3	0.9	0.1	0.1	0.1	0.2	0.2	0.2	*	*	*		*		0.1		*	
DON'T KNOW/NO ANSWER	31	1	-	0	-	1	-	0	-	-	-	-	-	-	-	-	-	-
	100.0	3.6		1.3		2.0		0.3										
	0.9	1.7		8.7		3.7		1.1										
	0.9	*		*		*		*										
MEAN	3.49	0.07	0.01	0.00	0.00	0.02	0.01	0.01	0.00	0.00	0.00	0	0.00	0	0.00	0.01	0	0.00
STD DEV	4.63	0.29	0.12	0.07	0.06	0.14	0.11	0.12	0.07	0.02	0.04	0	0.02	0	0.01	0.08	0	0.01
STD ERR	0.09	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0.00	0	0.00	0.00	0	0.00

Note: Percentage less than 0.05 printed as *.
CHILTON RESEARCH SERVICES NO.6638

APRIL 1999

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

Attachment to
Response to OCA/USYS-87
page 1 of 3

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1997 WITH ADJUSTMENT FACTORS - (SEPT. 16, 1996 - SEPT. 14, 1997)

TABLE 139
BULK RATE/STANDARD OR NONPROFIT MAIL RECEIVED
Q.13 - DID THE RETURN ENVELOPE REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)
(BASED TO BULK RATE/STANDARD MAIL ONLY)

BULK RATE OR NON PROFIT MAIL RECEIVED - INDUSTRY

	TOTAL	UNION SOC'L CHAR.	OR PROF. ORG.	CHUR- CH	VETER ANS	EDUCA TION- AL	CHARI TIES	POLIT ICAL CAM- PAIGN	AARP	MU- SEUM	NON- PRFT. PUB- LICA- TION	NON- PRFT. TV/ RADIO	THEA- TER/ CON- SYM- PHONY	NON- PRFT. CLUB	NON- PRFT. MAIL ORDER	NON- PRFT. INTER EST GRPS.	NON- PRFT. LIBRA RIES	OTHER SOC'L CHAR.
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	14644	303	22	23	13	99	38	20	28	4	3	3	1	1	3	40	-	5
WEIGHTED HOUSEHOLDS	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010	1010
WEIGHTED PIECES (BASE)	3115	56	3	4	3	21	7	2	4	1	0	1	0	0	0	8	-	1
WAS PRESTAMPED OR POSTAGE PAID	1432	30	2	1	1	14	3	1	3	0	0	1	0	0	0	3	-	1
	100.0	2.1	0.2	0.1	0.1	1.0	0.2	0.1	0.2	*	*	*	*	*	*	0.2	-	0.1
	46.0	54.1	62.5	29.5	32.7	66.9	39.7	39.5	74.4	37.1	62.4	51.4	100.0	100.0	14.0	39.4	-	88.3
	46.0	1.0	0.1	*	*	0.4	0.1	*	0.1	*	*	*	*	*	*	0.1	-	*
NEEDED A STAMP	1646	24	1	2	2	6	4	1	1	0	0	1	-	-	0	4	-	0
	100.0	1.5	0.1	0.1	0.1	0.4	0.3	0.1	0.1	*	*	*	*	*	*	0.3	-	*
	52.8	42.8	37.5	58.6	67.3	31.5	60.3	57.4	25.6	43.6	37.6	48.6	-	-	86.0	51.1	-	11.7
	52.8	0.8	*	0.1	0.1	0.2	0.1	*	*	*	*	*	*	*	*	0.1	-	*
DON'T KNOW/NO ANSWER	37	2	-	0	-	0	-	0	-	0	-	-	-	-	-	1	-	-
	100.0	4.8	-	1.3	-	0.9	-	0.2	-	0.3	-	-	-	-	-	2.2	-	-
	1.2	3.1	-	11.9	-	1.6	-	3.2	-	19.4	-	-	-	-	-	9.5	-	-
	1.2	0.1	-	*	-	*	-	*	-	*	-	-	-	-	*	*	-	*
MEAN	3.08	0.06	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0	0.00
STD DEV	4.21	0.28	0.06	0.08	0.05	0.17	0.09	0.06	0.07	0.02	0.02	0.03	0.02	0.01	0.02	0.11	0	0.04
STD ERR	0.08	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0.00

Page 2 of 3

Note: Percentage less than 0.05 printed as *.

CHILTON RESEARCH SERVICES NO.6156 MARCH 1998

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS



U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 18, 1995 - SEPT. 15, 1996)

TABLE 139

BULK RATE OR NONPROFIT MAIL RECEIVED

Q. 13 - DID THE RETURN ENVELOPE REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)

(BASED TO BULK RATE MAIL ONLY)

BULK RATE OR NON PROFIT MAIL RECEIVED - INDUSTRY

	TOTAL	SOCL.	UNION	CHU-	VET	EDUC.	CHAR	POLI	AARP	MUS	NON	NON	THEA	NON	NON	NON	PUB
	TOTAL	CHAR.	PROF.	RCH	ERANS	ITIES	TICAL			EUM	PROFT	PROFT	CERT/	PROFT	PRFT/	PROFT	LIC
	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	15302	350	34	27	21	93	28	58	23	2	5	1	1	-	-	50	1
WEIGHTED HOUSEHOLDS	996	996	996	996	996	996	996	996	996	996	996	996	996	996	996	996	996
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
WEIGHTED PIECES (BASE)	3260	68	8	4	6	18	5	11	3	0.	1	0.	0.	-	-	10	0.
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-	100.0	100.0
WAS PRESTAMPED OR POSTAGE PAID	1507	31	5	0.	4	11	1	4	2	0.	1	-	-	-	-	3	0.
	46.2	45.9	57.9	10.4	65.8	60.1	24.1	35.4	48.9	36.3	100.0	-	-	-	-	31.4	100.0
	100.0	2.1	0.3	-	0.2	0.7	0.1	0.3	0.1	-	0.1	-	-	-	-	0.2	-
	46.2	1.0	0.2	-	0.1	0.3	-	0.1	-	-	-	-	-	-	-	0.1	-
NEEDED A STAMP	1717	36	4	3	2	7	3	7	2	0.	-	0.	0.	-	-	7	-
	52.7	52.2	42.1	87.4	34.2	36.0	74.4	60.9	51.1	63.7	-	100.0	100.0	-	-	68.6	-
	100.0	2.1	0.2	0.2	0.1	0.4	0.2	0.4	0.1	-	-	-	-	-	-	0.4	-
	52.7	1.1	0.1	0.1	0.1	0.2	0.1	0.2	0.1	-	-	-	-	-	-	0.2	-
DON'T KNOW/NO ANSWER	36	1	-	0.	-	1	0.	1	-	-	-	-	-	-	-	-	-
	1.1	1.9	-	2.3	-	3.9	1.5	3.8	-	-	-	-	-	-	-	-	-
	100.0	3.5	-	0.2	-	2.0	0.2	1.1	-	-	-	-	-	-	-	-	-
	1.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MEAN	3.27	0.07	0.01	-	0.01	0.02	0.01	0.01	-	-	-	-	-	-	-	0.01	-
STD DEV	4.20	0.31	0.10	0.07	0.08	0.15	0.08	0.11	0.07	0.02	0.03	0.01	0.01	-	-	0.11	0.01
STD ERROR	0.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SIGMA	3260	68	8	4	6	18	5	11	3	0.	1	0.	0.	-	-	10	0.
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-	100.0	100.0

EACH CELL CONTAINS:
COUNT
VERTICAL PERCENT
HORIZONTAL PERCENT
CELL PERCENT

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-88.

In general, does the USPS maintain volume and/or cost data for those mailpiece items having a "significant" impact on Postal Service operations? If not, please identify those mailpieces that have a "significant" impact on operations for which the Postal Service does not maintain volume or cost data. For purposes of responding to this interrogatory, please assign a dollar value to the word "significant" as determined by USPS management.

RESPONSE:

Although it might be safe to respond to the first question with a general affirmation which acknowledges some exceptions, it is hard to respond to this interrogatory at all because it is not sufficiently clear what this interrogatory seeks. There are costs associated with data collection, and therefore data are usually not collected unless there is an identified use to which the data could be beneficially applied. The intended use, in turn, may lead to different conclusions in different contexts for the exact same mailpiece items.

**RESPONSE OF US POSTAL SERVICE INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-89. Please refer to the response of the USPS to ANM/USPS-T9-8.

- (a) When the USPS prepares a Capital Investment Plan, does the Postal Service include monies for unforeseen events?
- (b) If your response to part "a" of this interrogatory is negative, please explain why none is incorporated.
- (c) If your response to part (b) of this interrogatory is affirmative, please explain, in general, what the USPS uses as a basis or guideline for incorporating funds for unforeseen events. Please provide a copy of all documents related to capital asset budgeting and capital asset project management insofar as it concerns funds for unforeseen events.
- (d) If the USPS does not include an amount for unforeseen events in its Capital Investment Plan, when does the Postal Service incorporate monies for unforeseen events?
- (e) If no funds are included for unforeseen events when capital investments are considered or contracted out, please provide an analysis of USPS capital project cost over- and under-runs for the past 10 years.
- (f) For Docket No. R2000-1, please provide by year, the percent of total project costs as well as the total dollar amount incorporated into the approved capital investment plan for unforeseen events for each of the following categories: (1) facilities, (2) equipment, (3) infrastructure, (4) special, (5) vehicles, and (6) retail.
- (g) On page 1 of the Capital Investment Plan FY 1998-2002, the USPS indicates that in FY99, a total of \$3.817 billion was committed to. Of the \$3.817 billion, please indicate the amount that was included for unforeseen events.
- (h) Please confirm that in FY99, capital cash outlays overran the plan by \$61 million. If you are unable to confirm, please explain. If confirmed, please explain what caused the \$61 million overrun.
- (i) Please confirm that in FY 1999, the Board of Governors approved a total of \$1.257 billion for 16 new major capital investment projects. If you are unable to confirm, please explain. Of the \$1.257 billion that was approved, please identify the total amount included for unforeseen events. If the \$1.257 billion is a commitment for expenditures over time, please indicate the amounts committed to by year; and separately identify by year the amount included for unforeseen events.

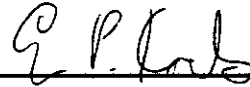
**RESPONSE OF US POSTAL SERVICE INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE**

RESPONSE:

- (a) No.
- (b) Monies for unforeseen events are provided through funds made available by projects that are canceled or delayed, or when favorable contracts are awarded.
- (c) Assuming this question refers to an affirmative response to part (a), not applicable.
- (d) At no time does the Postal Service incorporate monies for unforeseen events.
- (e) Please see attachment to response to ANM/USPS-T9-47-49.
- (f) There are no amounts for unforeseen events.
- (g) There are no amounts for unforeseen events.
- (h) Confirmed. The overrun was due to the capitalization of the Postal Service's computer efforts to become Y2K compliant.
- (i) Confirmed. There are no amounts for unforeseen events.

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.



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
March 27, 2000