

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 THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK
(OCA/USPS-T33-9(b), 10(b-f), 11(b-f))

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T33-9(b), 10(b-f), 11(b-f), which were filed on March 16, 2000.

The interrogatories have been redirected to the Postal Service for response from witness Fronk.

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



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
March 30, 2000

**RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OCA REDIRECTED FROM WITNESS FRONK**

OCA/USPS-T33-9. Please refer to your testimony at page 27, lines 5-8.

- (a) Please identify and describe who you are referring to where it states "our customers mailing at the nonautomation presort rate."
- (b) What percent of mail qualifying for the nonautomation presort rate in FY1998 was
 - (i) prepared and presorted by firms "in-house" for entry directly with the Postal Service?
 - (ii) simply presorted by firms commonly referred to as "presort bureaus?"
 - (iii) prepared and presorted by firms commonly referred to as "service bureaus?"
 - (iv) other firms providing printing or mail services?
- (c) Please describe how "presort bureaus" are typically compensated for presorting First-Class
 - (i) basic presort mail,
 - (ii) basic automation mail,
 - (iii) 3-digit automation mail, and
 - (iv) 5-digit automation mail.
- (d) Please describe in detail your understanding of the relationship between "presort bureaus" and their customers. Is it your understanding that a mailer requiring presort services typically enters into a contract or other arrangement that specifies a minimum volume of mail to be provided to the "presort bureau" on a weekly, monthly, or annual basis? Please explain.

RESPONSE:

- (a) Answered by witness Fronk.
- (b)
 - (i) If "in-house" is defined as what is left after presort bureaus and service bureaus (as defined in OCA/USPS-T33-11) are estimated, then an approximation can be obtained by taking the total 1998 volume of nonautomation presort mail, 4,658,236,000 pieces, and subtracting the amounts provided in response to parts (ii) and (iii) below. Please recognize the caveats and limitations of the underlying data referenced in those subparts.
 - (ii) Please see response to OCA/USPS-T33-10 (b).
 - (iii) Please see response to OCA/USPS-T33-11(b).
 - (iv) Please see response to OCA/USPS-T33-11(b).
- (c) – (d) Answered by witness Fronk.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS TO INTERROGATORIES
OF THE OCA REDIRECTED FROM WITNESS FRONK**

OCA/USPS-T33-10. Please refer to your testimony at pages 33 and 34, lines 21-22, and lines 1-2, respectively.

- (a)** Please confirm that the term "Mailables" includes firms commonly referred to as "presort bureaus." If you do not confirm, please explain.
- (b)** Please provide the FY1998 First-Class letter volume, or an estimate thereof, for Basic Presort, Basic Automation, 3-Digit Automation, 5-Digit Automation, and Carrier Route entered with the Postal Service by "presort bureaus."
- (c)** Please provide the FY1998 First-Class flats volume, or an estimate thereof, for Regular Presort, Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "presort bureaus."
- (d)** Please provide the FY1998 Standard (A) letter size and non-letter size volume, or an estimate thereof, for Basic Presort and 3/5-Digit Presort entered with the Postal Service by "presort bureaus."
- (e)** Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic Automation, 3-digit Automation, and 5-Digit Automation, and the flat size volume, or an estimate thereof, for Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "presort bureaus."
- (f)** Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic ECR, Basic Automation ECR, High Density, and Saturation, and the non-letter size volume, or an estimate thereof, for Basic ECR, High Density, and Saturation entered with the Postal Service by "presort bureaus."
- (g)** Please confirm that "presort bureaus" (as distinct from "service bureaus") rely significantly on the presortation and entry of First-Class Mail for their livelihood. If you do not confirm, please explain and provide any data to support your answer.

RESPONSE: In preparing its response to parts (b) – (f) below, the Postal Service pulled data from its Corporate Business Customer Information System (CBCIS) for 1998. CBCIS contains volume data on a customer-by-customer basis. CBCIS incorporates mailing statement data from the Postal Service's PERMIT database. CBCIS classifies certain customers as Presort Bureaus based on SIC code and based on the knowledge of postal employees.

While the Postal Service has been making an effort to identify its presort bureau customers, it is quite possible that not all presort bureaus in the 1998 data were identified as such. Furthermore, presort bureaus can present mail to the Postal Service either: (1) under their own permit numbers (e.g., permit holder Presort Bureau X for client Bank X), or (2) under their clients' permit numbers (e.g., permit holder Bank X by

**RESPONSE OF U.S. POSTAL SERVICE WITNESS TO INTERROGATORIES
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RESPONSE to OCA/USPS-T33-10 (continued)

Presort Bureau X). The mailing statements capture both types of relationships. While the PERMIT database routinely captures the name of the permit holder, historically the full relationship (the non-permit holder) has not always been captured in the database. The Postal Service has been working to improve this "capture rate" in recent years, but the 1998 data may not reflect all of these relationships. To the extent the database does not capture the full relationship, the estimates of mail presented by presort bureaus will be understated. It should also be noted that the PERMIT database does not include mailing statements associated with small offices, though the volume associated with these small offices is quite small. In addition, the database does not report any 1998 volume for Standard (A) high-density letters, though the total volume in this category is relatively small (approximately 400 million pieces in 1998). Moreover, the distinction between "presort bureaus" and "service bureaus" (see response to OCA/USPS-T33-11) may tend to become more blurred over time as mail service providers merge or as they offer a wider set of services.

Given these caveats and the limitations of the data, the estimates below need to be viewed as approximations. The Postal Service notes that it may be more fruitful to direct interrogatories of this type to any presort industry witnesses who may submit testimony later in this proceeding.

- (a) Answered by witness Fronk.
- (b) FY 1998 estimates are as follows: 1,302 million pieces of nonautomation presort (letters, flats, and parcels), 1,033 million basic automation letters, 6,605 million 3-digit letters, 2,762 million 5-digit letters, and 41 million carrier route letters.
- (c) FY 1998 estimates are as follows: 9 million basic automation flats and 43 million 3/5-Digit flats. Nonautomation presort data are not available by shape, and the flats volume is included in the figure provided in part (b) above.
- (d) FY 1998 estimates are as follows: 84 million basic presort letters, 85 million 3/5-digit presort letters, 32 million basic presort nonletters, and 37 million 3/5-digit presort nonletters.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS TO INTERROGATORIES
OF THE OCA REDIRECTED FROM WITNESS FRONK**

RESPONSE to OCA/USPS-T33-10 (continued)

- (e) FY 1998 estimates are as follows: 222 million basic automation letters, 767 million 3-digit letters, 234 million 5-digit letters, 21 million basic automation flats, 200 million 3/5-digit flats.**
- (f) FY 1998 estimates are as follows: 209 million basic ECR letters, 77 million basic automation ECR letters, 253 million saturation ECR letters, 48 million basic ECR nonletters, 8 million high-density ECR nonletters, and 324 million saturation ECR nonletters. As noted above, no data are available for high-density ECR letters.**
- (g) Answered by witness Fronk.**

**RESPONSE OF U.S. POSTAL SERVICE WITNESS TO INTERROGATORIES
OF THE OCA REDIRECTED FROM WITNESS FRONK**

OCA/USPS-T33-11. Please refer to your testimony at pages 33 and 34, lines 21-22, and lines 1-2, respectively.

- (a) Please confirm that the term "Mailers" includes firms commonly referred to as "service bureaus." If you do not confirm, please explain.
- (b) Please provide the FY1998 First-Class letter volume, or an estimate thereof, for Basic Presort, Basic Automation, 3-Digit Automation, 5-Digit Automation, and Carrier Route entered with the Postal Service by "service bureaus."
- (c) Please provide the FY1998 First-Class flats volume, or an estimate thereof, for Regular Presort, Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "service bureaus."
- (d) Please provide the FY1998 Standard (A) letter size and non-letter size volume, or an estimate thereof, for Basic Presort and 3/5-Digit Presort entered with the Postal Service by "service bureaus."
- (e) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic Automation, 3-digit Automation, and 5-Digit Automation, and the flat size volume, or an estimate thereof, for Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "service bureaus."
- (f) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic ECR, Basic Automation ECR, High Density, and Saturation, and the non-letter size volume, or an estimate thereof, for Basic ECR, High Density, and Saturation entered with the Postal Service by "service bureaus."
- (g) Please confirm that "service bureaus" (as distinct from "presort bureaus") rely significantly on services other than presortation services and entry of First-Class Mail for their livelihood. If you do not confirm, please explain and provide any data to support your answer.

RESPONSE: The Postal Service is unsure what is meant by the term "service bureau" in this question. A limited interpretation might focus on processing services, such as businesses performing statement generation and remittance processing. For the purposes of responding to this interrogatory, the Postal Service will define "service bureau" as encompassing the following the following types of businesses: statement/billing processor, letter shop, printer/binder, consolidator, list processor, and ad mail service.

The source of the data presented below is CBCIS. Please see the Postal Service's response to OCA/USPS-T33-10 for a description of the limitations of the data presented below and the fact these estimates can only be viewed as approximations. Also, while the Postal Service has been making an effort to classify customers into the types of businesses listed above based on SIC code and the knowledge of Postal

**RESPONSE OF U.S. POSTAL SERVICE WITNESS TO INTERROGATORIES
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RESPONSE to OCA/USPS-T33-11 (continued)

employees, it has not been possible to comprehensively review every Postal customer to determine if it would fall into one of these business types. The focus has been on identifying and classifying larger revenue customers. As such, there are customers who would likely fall into these categories that have not been identified as such, which would likely underestimate the volume of mail presented by "service bureaus."

(a) Answered by witness Fronk.

(b) FY 1998 estimates are as follows: 538 million pieces of nonautomation presort (letters, flats, and parcels), 686 million basic automation letters, 1,949 million 3-digit letters, 1,514 million 5-digit letters, and 352 million carrier route letters.

(c) FY 1998 estimates are as follows: 9 million basic automation flats and 61 million 3/5-Digit flats. Nonautomation presort data are not available by shape, and the flats volume is included in the figure provided in part (b) above.

(d) FY 1998 estimates are as follows: 407 million basic presort letters, 426 million 3/5-digit presort letters, 181 million basic presort nonletters, and 235 million 3/5-digit presort nonletters.

(e) FY 1998 estimates are as follows: 1,110 million basic automation letters, 2,779 million 3-digit letters, 1,156 million 5-digit letters, 56 million basic automation flats, 1,010 million 3/5-digit flats.

(f) FY 1998 estimates are as follows: 1,654 million basic ECR letters, 575 million basic automation ECR letters, 1,337 million saturation ECR letters, 702 million basic ECR nonletters, 330 million high-density ECR nonletters, and 4,106 million saturation ECR nonletters. As noted above, no data are available for high-density ECR letters.

(g) Answered by witness Fronk.

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", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
March 30, 2000