

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

RECEIVED

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS KINGSLEY TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T10-22, 25, 26, 27, 28, 29, and 30(a) and (c)-(d))

The United States Postal Service hereby provides the responses of witness Kingsley to the following interrogatories of United Parcel Service: UPS/USPS-T10-22, 25, 26, 27, 28, 29, and 30(a) and (c)-(d), filed on March 21, 2000. Objections to interrogatories UPS/USPS-T10-24, 30(b), 31 (in part) and 32 were filed on March 31, 2000. Interrogatories UPS/USPS-23 and 31 (in part) were redirected to the Postal Service.

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



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
April 3, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-22 Refer to USPS-LR-I-176, page 4, which states: "We also found that customers did not use the proper form. Of the 2486 forms reviewed, 578 were outdated." Provide, separately, the total number of PS Forms 8125 processed by the Postal Service for:

- (i) FY1998, and
- (ii) FY 1999.

Response:

The Postal Service does not consolidate information about PS Forms 8125. They are created at origin and given to the mailer so they can provide the document at the destination, showing the facility that the mail was verified and paid for at origin. PS Forms 8125 or facsimiles list volume-related information so the destination can be assured that what was verified at origin is what is being accepted at destination. The form is filed at destination for one year, then discarded. Even though the PS Form 8125 changed its format in July 1998, the essential information remained unchanged.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
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UPS/USPS-T10-23 Refer to USPS-LR-I-176, page 4, which states: "We found that USPS customers often failed to complete the following items in section one, mailer information, of PS Form 8125" (footnote omitted).

(a) Provide the number of PS Forms 8125 that did not indicate the "class of mail and product name."

(b) Provide the number of PS Forms 8125 that did not provide "processing category and entry discounts."

Response:

Redirected to USPS.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-24 Refer to USPS-LR-I-176, page 6, which provides: "plant-verified dropshipments were accepted at destination entry facilities without a related PS Form 8125 or with inconsistencies between the PS Form 8125 provided and the mail as presented to USPS acceptance personnel." In the case of each form where there was an inconsistency between the PS Form 8125 and the mail as presented, provide the form (with mailer and facility information redacted) and the nature and extent of the inconsistency (including the actual volume presented vs. the volume shown on the form, where the inconsistency relates to volume information).

Response:

Objection filed on March 31, 2000.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPR/USPS-110-23 Refer to USPS-LR-I-176, page 9, which states, "These standards will be contained in Publication 804, Dropship Guidelines for Destination Entry, which will be printed and distributed in January 2000." Provide a copy of these guidelines.

Response:

The Publication 804 is currently being printed and will be provided as a Library Reference once completed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-26 In the case of a plant-verified dropshipment, does the Postal Service weigh the entire mailing, either at the mailer's plant or at the post office where the mail is accepted, prior to accepting the mail? If so, is that done in all cases, or only in some cases? If it is done only in some cases, provide or describe any guidelines concerning how often or when the entire mailing should be weighed.

Response:

It is my understanding that for parcel post plant-verified drop shipments with permit imprints, total piece counts and weight verifications are performed for identical weight mailings (see page 4-8 of Handbook DM-109 contained in LR-I-213). Non-identical weight permit imprint mail must be presented under a manifest mailing system or other agreement authorized by the RCSC. These procedures involve sampling for piece and weight verification at the mailer's plant (see Pub 401 available at www.usps.gov/cpim/buspubs.htm).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-27 In the case of a dropshipment other than a plant-verified dropshipment, does the Postal Service weigh the entire mailing prior to accepting the mail? If so, is that done in all cases, or only in some cases? If it is done only in some cases, provide or describe any guidelines concerning how often or when the entire mailing should be weighed.

Response:

A dropshipment other than a plant-verified dropshipment is handled in a similar fashion as other bulk mailings deposited at a bulk mail entry unit. The procedures for the verification of bulk mailings are described in Chapter 4 of DM-109 contained in LR-I-213.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-28 Refer to the letter dated September 28, 1999, from Mr. Richard F. Chambers to Ms. Anita J. Bizzotto and Mr. John A. Rapp which appears after the cover page of Library Reference USPS-LR-I-176. That letter indicates that the report on the plant-verified dropshipment system "responds to a request from the Chief Operating Officer and Executive Vice President to review the drop shipment system." Indicate what led to the "request from the Chief Operating Officer and Executive Vice President to review the drop shipment system."

Response:

I have been told that the Chief Operating Officer and Executive Vice President solicited ideas for audit topics from the Vice Presidents, Area Operations. I understand that this topic was surfaced through that effort.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-29 Provide copies of all annual reports, or any other reports, on the Postal Service's Revenue Assurance Program, or on any other Postal Service revenue assurance or revenue protection program, for FY1998 and FY1999.

Response:

See attached for information concerning the revenue assurance program.

Mr. RICHARD PONSAS
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT

ATTACHMENT
UPS/USPS-T10-29
PAGE 1 OF 20



January 11, 2000

Mr. Joseph E. Schick
Industry Chairman
Mailers Technical Advisory Committee
16555 W. Rogers Drive
New Berlin, Wisconsin 53151-2223

Dear Mr. Schick:

I would like to thank you for your participation in the December 21, 1999, meeting regarding our revenue assurance process. We value our partnership with MTAC and welcome feedback from your organization on issues critical to our mailers.

I would like to stress that we are dedicated to working with our mailing partners to resolve issues as they arise and this will be the primary focus of our revenue assurance reviews in the future. Following is a summary of the initiatives we are undertaking to resolve the issues raised during our last meeting.

Quality Charter – In conjunction with our mailing partners, we will develop a quality charter to ensure, to the greatest extent possible, that quality assurance problems are resolved at the point of entry or soon thereafter without delaying the acceptance of mail. The focus will be on looking forward to proactively address quality issues versus looking at the past. As part of our commitment to this charter, we will employ a variety of quality tools to identify the root cause of problems when they arise. Once the underlying cause is identified, we will work to resolve the problem. Based on past experience, we have found that most problems arise from policy, training, or communication issues, and we will place added emphasis on each of these areas. The Mail Quality Assurance Program is an example of our continuing efforts to instill quality in our processes.

Communications – The ongoing two-way communications with our mailing partners through MTAC will be continued. Through this process we will develop quality initiatives, review policies, and discuss issues as they arise. We will provide feedback on mail-quality trends we discover in the industry. Should we decide to perform system-wide reviews of compliance with particular requirements, the industry will be fully informed prior to the start of such reviews.

Training – Postal management is committed to a standardized mail acceptance criterion. To ensure consistent application of the standards and application of the acceptance tools, we are focusing on enhanced training. These tools will be available to postal personnel as well as the mailing community.

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WASHINGTON DC 20260-5000
2:2-268-5272
FAX: 202-268-4364

- 2 -

Evaluation Criteria – We continue to work on systems that will standardize and streamline the acceptance and verification and mail quality review processes. As part of our work on these issues, we are committed to communicating with mailers at the earliest possible phase of these processes so that problems can be identified and remedied to our mutual benefit. To further this work, our Bulk Mail acceptance and Rates and Classification Service Center (RCSC) personnel will work with our customers when and where mailing problems are identified. We will provide mailers with notice of problems and recommend remedies. Deficiencies will not be assessed as part of this notice process. However, if after notice is given and identified problems continue to occur, deficiencies will be assessed. Of course in those rare circumstances where warranted, the Postal Service will continue to protect itself and the overwhelmingly honest community of mailers from the few that engage in misconduct. Where intentional misconduct is found, the processes we outline here will not be applicable.

Appeals Process – We expect that these policies will significantly decrease the need to assess revenue deficiencies. In those instances where deficiencies are assessed, the appeal process will remain available. Appeals concerning classification concerns or the calculation of the deficiency may be made to the RCSCs. Where a deficiency is upheld on appeal and the mailer believes there are valid reasons to waive it, in whole or part, District and Area Finance managers are authorized to forgive or settle the claim in a manner that is equitable to the Postal Service and the mailer.

In summary, we have heard the collective voice of the industry and we are responding. We are shifting our attention to prevention by proactively resolving problems in conjunction with our mailing partners. In the spirit of this cooperative effort, our staff will review outstanding assessed deficiencies and make a final determination based on the items mentioned above. Again, thank you for your assistance. We look forward to working with you throughout this process.

Sincerely,



M. Richard Porras

cc: MTAC Members



UNITED STATES
POSTAL SERVICE

REVENUE ASSURANCE

Angelo Wider, Manager

ATTACHMENT
USPS 445-710-29
PAGE 3 OF 30



**REVENUE
ASSURANCE**

Mission Statement

Revenue Assurance identifies and secures collection of monies due the U.S. Postal Service. It coordinates the development of the policies, measures, controls and processes used to ensure that the Postal Service is properly compensated for products and/or services rendered. Revenue Assurance develops and implements programs to ensure compliance with revenue protection policies, controls and revenue generation programs.



REVENUE ASSURANCE

CHARTER

Sponsor: Reports to the Chief Financial Officer

Authority: Chartered by the Chief Financial Officer/Senior Vice President, supported by the Chief Financial Officer, and approved by the CEO/PMG

Responsibilities: Responsible for the development and monitoring of effective controls over all revenue-generating processes.

Duties include:

- Identification of revenue deficiencies
- Coordination/Initiation/Participation and follow-up of internal reviews
- Provide management direction and feedback
- Identify corrective processes
- Recommend systems improvements
- Promote revenue generation awareness
- Coordinate training
- Develop and maintain cross-functional relationships
- Ensure consistent application of rules and regulations
- Respond to requests for field assistance regarding revenue issues
- Benchmark procedures and processes

Work Plan: Revenue Assurance focuses on revenue-generating areas, such as OMAS, Standard "A", Periodicals, Postage Due/Business Reply, First-Class, Caller Service, Specialized Programs, Express Mail, Meters, Post Office Boxes, Standard "B", 010/020, and Bulk Mailing Fees.

The purpose of the plan is to evaluate and quantify the risks of revenue loss associated with fraud, employee error and the acceptance and delivery processes. When specified and quantified, measures will be implemented to reduce the risks and ensure collection of any deficiencies. Each measure will be analyzed for added value and cost effectiveness. Revenue Assurance's plan is to ensure that every employee knows where revenue is lost, how to detect a revenue deficiency, how to prevent a revenue deficiency, and actions to take when a revenue deficiency is discovered.

Team Members: Members include the manager and staff of the Headquarters unit, Area Financial Analysts with Revenue Assurance Coordinator duties, and Revenue Assurance Analysts.

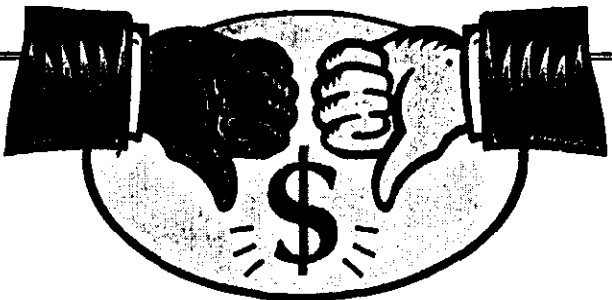
REVENUE ASSURANCE

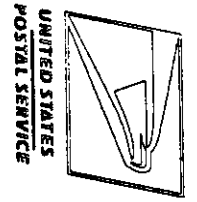
REVENUE PROTECTION ISSUES

- Discuss revenue protection issues with customers and postal employees

- Provide leads to Revenue Assurance

- Recommend improvements to revenue collection regulations





REVENUE ASSURANCE ANALYSTS

Duties and Responsibilities:

- Identify revenue deficiencies
- Make on site corrections, recommendations, and training
- Instruct employees on how to process revenue deficiencies
- Notify management by use of reviews
- Recommend system improvements
- Follow up if necessary
- Respond to any inquiry from the field

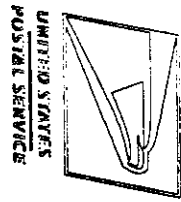
REVENUE ASSURANCE

CONCERNS

- Complexity of mailing rules and regulations
- Protection of customer
- Customer Relations
- Revenue Protection Training
- Short paid/Unpaid Mail
- New Policies and Procedures



ATTACHMENT
LPS/USPS-710-27
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REVENUE ASSURANCE

CUSTOMER BENEFITS

- **Level playing field**
- **Positive USPS financial performance**
- **Stabilization of rates**
- **Information sharing**
- **System and process improvement**
- **Integrity of relationship**

REVENUE ASSURANCE



UNITED STATES
POSTAL SERVICE

What customers should know:

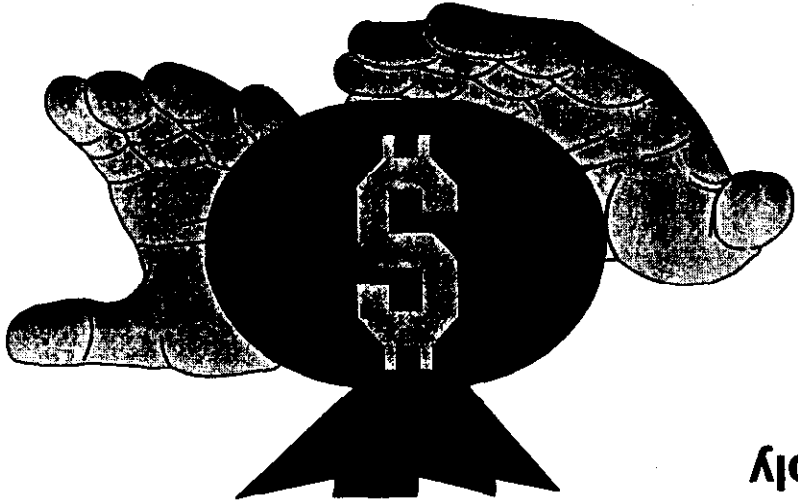
- USPS Revenue Assurance effort
- Policies and procedures for mailing
- USPS appeals process
- Who to contact with mailing problems
- On-line services

AT THE MEETING
USPS/USPS-710-20
APR 27 2020

REVENUE ASSURANCE

REVENUE SOURCES/OPPORTUNITIES

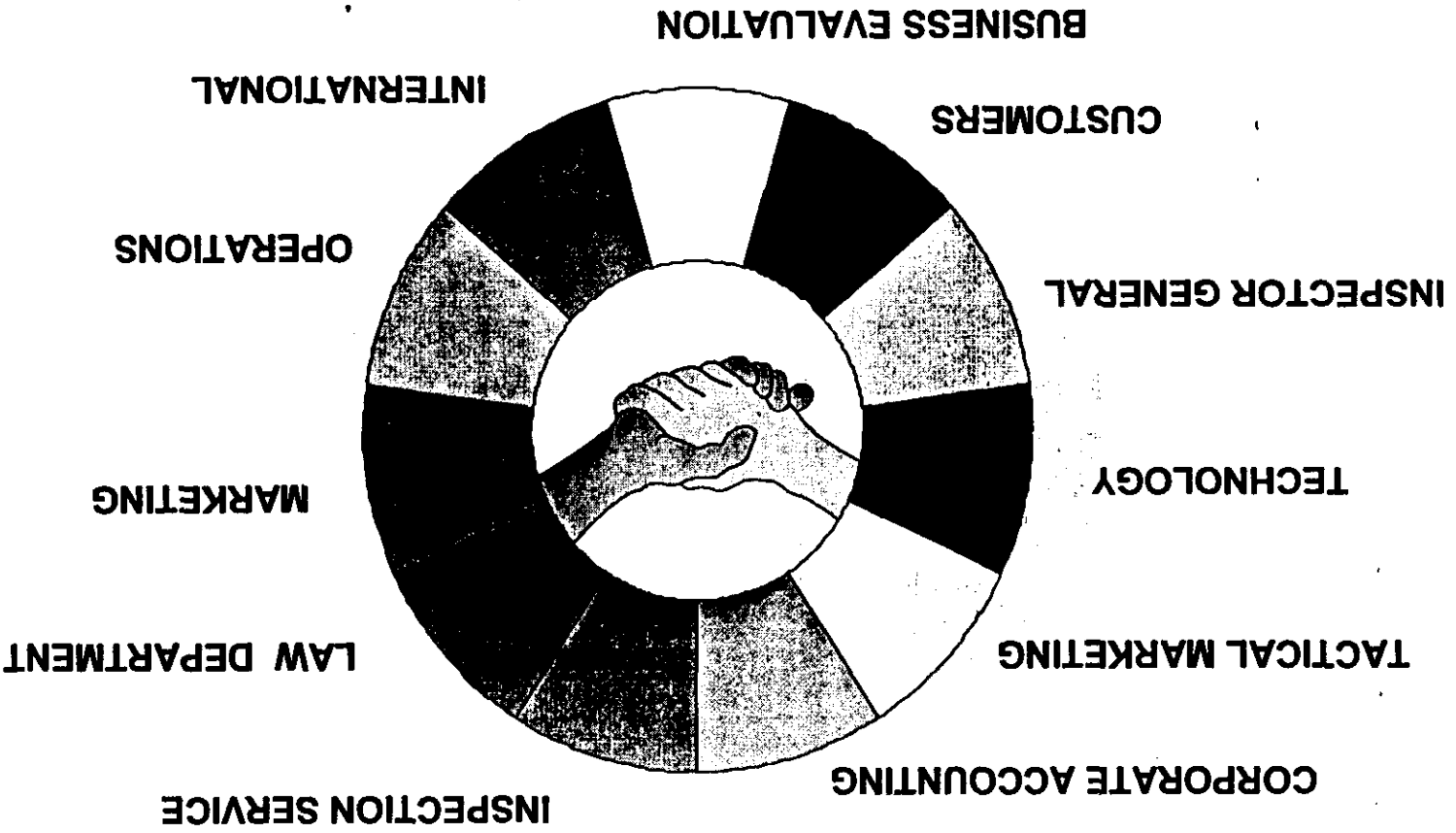
- Official mailings (OMAS)
- Standard "A"
- Periodicals
- Presort Mailings
- Postage Due/Business Reply
- Express Mail
- Standard "B"
- Meters
- Caller Service
- Box Rent
- 010/020



ATTN: KANSAS
USPS 110-29
M.E. 10 8 20

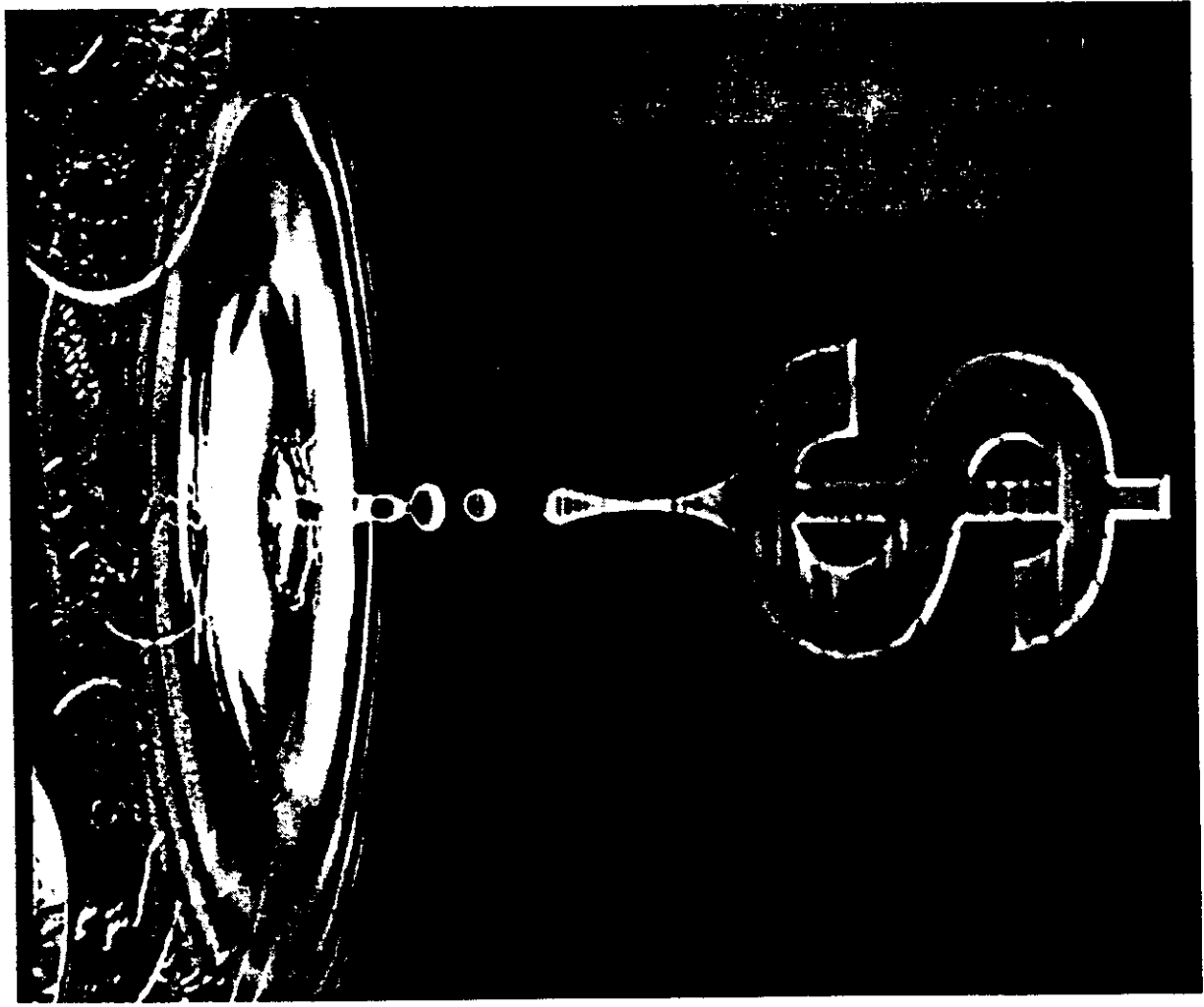
REVENUE ASSURANCE

PARTNERSHIPS



ATTACHMENT
US/USPS-710-29
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Only You Can Prevent Revenue Loss



BMEU

ONLY YOU CAN PREVENT REVENUE LOSS

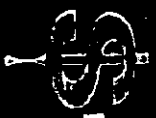


ENSURE

Completeness and accuracy of postage statement



Total weight and eligibility of customer mailing



DETERMINE

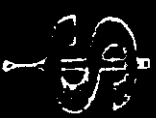
Piece weight from sample, correct postage and mail make-up



VERIFY

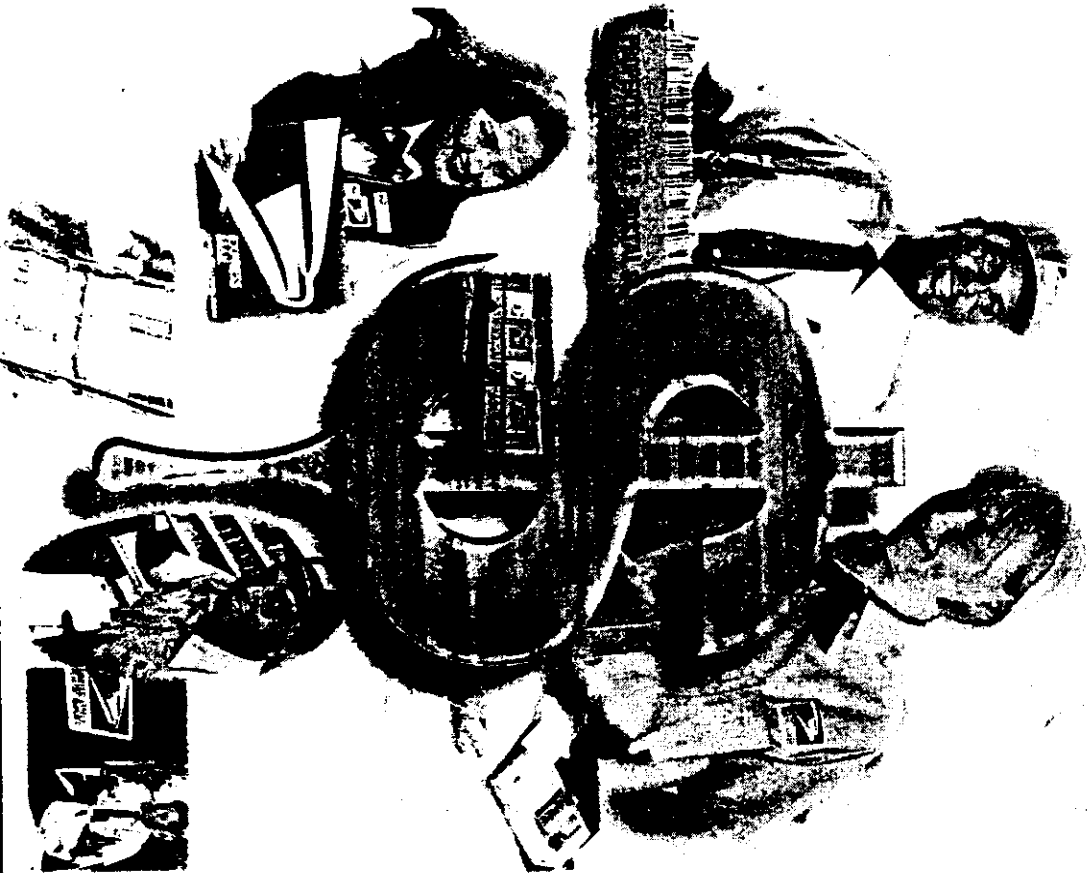


Postage statement data to ensure all revenue is collected

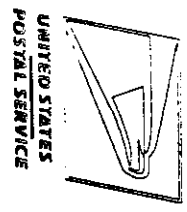


ENTER





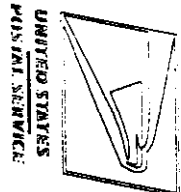
PREVENT
REVENUE LOSS



REVENUE ASSURANCE

FY 2000 Areas of Focus

- Roll out Mail Quality Analysis (MQA)
- Continue Communications Efforts
Customers -Employees
- Perform 5 National Reviews
- Enhance Website Capabilities
- Emphasize Revenue Awareness
- Provide Quarterly Report to Industry
First Class - Periodicals - Standard "A"



REVENUE ASSURANCE

FY 2000 Areas of Focus

- Tactical Marketing

FY 1999 Carrier over 131

FY 2000 New 300

- OMAS 121

- Enhanced Carrier Route Rollout

- Unpaid Mail ?

- Continue Cross-Functional Quarterly

Meetings

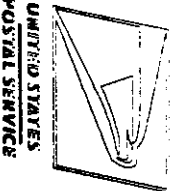
REVENUE ASSURANCE

FY 1999 AREAS OF CONCENTRATION

- Develop cross-functional teams
- Standardize reviews
- Automate reporting (RA.USPS.GOV/)
- Continue oversight committee structure
- Resources
- Technology
- Standardized Reviews
- Communications
- Keep senior management informed
- Emphasize revenue awareness



ATTN: [unclear]
210/USPS-70-29
March 17 of 20

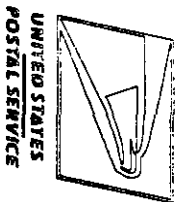


REVENUE ASSURANCE

FY 1999 Areas of Concentration - continued

Continue partnerships with other functions:

- International Business Unit
 - Marketing
 - Corporate Accounting
 - Tactical Marketing
 - Inspection Service
 - Law Department
 - Business Evaluation
 - Technology
 - Operations
 - Office of Inspector General
 - Customers
-



REVENUE ASSURANCE

FY 99 Accomplishments (continued)

Communications & Awareness

- Produced Revenue Assurance Training Video
- Developed National BMEU Poster
- Briefed MTAC, NPF, AMMA, GCA
- Presented at Postal Forum
- Co-Chaired USPS/Industry Team
- Established Cross-functional Teams
- Supported National Revenue Protection
Audit Committee - Board of Governors

REVENUE ASSURANCE

FY 99 Accomplishments (continued)



- Validated Tactical Marketing Sales Projections Threshold changed - \$1 Million to 500,000
- Performed 9 HQ Program Reviews - San Mateo
- Challenged & Rescheduled Unpaid Mail Reviews
- Developed a Website (RA.USPS.GOV)
- Facilitated the M.I. On Assessing and Collecting Deficiencies in Postage or Fees

28 RAAs Generated \$1 Million or more

Attachment
USPS-USPS-710-27
Mar 20 11:20

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-30 Refer to page 2 of USPS-LR-I-176. which indicates that "three processing and distribution centers that were located in cities that also contained a bulk mail center" were judgmentally selected for the study (footnotes omitted).

(a) At the time the study was done, how many "processing and distribution centers ... were located in cities that also contained a bulk mail center"?

(b) Why was the selection limited to processing and distribution centers "that were located in cities that also contained a bulk mail center"?

(c) At the time the study was conducted, how many processing and distribution centers were there, regardless of whether those centers "were located in cities that also contained a bulk mail center"?

(d) Describe the difference between "bulk mail entry personnel" and "USPS verification and acceptance personnel" referred to on that same page, and describe the duties of each.

Response:

- a. All 21 BMCs are located in metropolitan areas with one or more P&DCs.
Refer to DMM L601 for a list of the BMC locations.
- b. Objection filed on March 31, 2000.
- c. Refer to the response to DFC/USPS-47b that provides a list containing all of the P&DCs developed shortly after the completion of the audit.
- d. I assume that the audit was referring to similar personnel with these two references. Refer to LR-I-213 for the duties of business mail acceptance personnel.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-31 How many facilities in total were visited in performing the audit that is the subject of USPS-LR-I-176, and what percentage of all eligible facilities does that number represented?

Response:

Redirected to USPS. Partial objection filed on March 31, 2000.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T10-32 Refer to page 6 of USPS-LR-I-176, which indicates that "USPS personnel accepted mail without a PS Form 8125 or with a PS Form 8125 containing incorrect information." Provide copies of all PS Forms 8125, all mailing or postage statements, and all other documents examined in connection with the audit that is the subject of this library reference, including any notes taken by the investigators or auditors. Any information that would identify a mailer or a facility may be redacted.

Response:

Objection filed on March 31, 2000.

DECLARATION

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

Linda A. Kingsley

Date: 4-4-2000

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 "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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April 3, 2000