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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS—18, 19(C) & 20(B-E))**

Pursuant to P.O. Ruling No. R2000-1/28, the United States Postal Service hereby provides responses to the following interrogatories of Douglas F. Carlson: DFC/USPS—18, 19(c) & 20(b-e), filed on February 15, 2000.

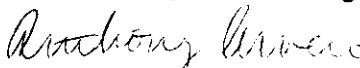
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



\_\_\_\_\_  
Anthony Alverno  
Attorney

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April 10, 2000

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DFC/USPS-18.

- a. Please confirm that the Postal Service issued a Breast Cancer Research semipostal stamp in July 1998. If you do not confirm, please explain.
- b. Please confirm that the Breast Cancer Research stamp shows the words "First-Class" rather than a number of dollar or cents. If you do not confirm, please explain.
- c. Please confirm that the Breast Cancer Research stamp was sold in 1998 for 40 cents while the one-ounce single-piece First-Class rate was 32 cents. If you do not confirm, please explain.
- d. Please confirm that the Breast Cancer Research stamp continues to sell for 40 cents now that the single-piece First-Class rate is 33 cents. If you do not confirm, please explain.
- e. Please confirm that a Breast Cancer Research stamp purchased before January 10, 1999, the date on which the single-piece First-Class rate rose to 33 cents, is or may be identical in appearance to a Breast Cancer Research stamp purchased after January 10, 1999. If you do not confirm, please explain any differences in appearance.
- f. Suppose a customer purchased a Breast Cancer Research stamp on November 1, 1998, when the single-piece First-Class rate was 32 cents. If a customer uses this stamp to mail a single-piece First-Class letter on February 15, 2000, must this customer affix a one-cent stamp or otherwise pay an additional cent in postage? If the answer is not yes, please explain.
- g. Please confirm that a customer who purchased Breast Cancer Research stamps before January 10, 1999, may still have some of these stamps in his possession. If you do not confirm, please explain.
- h. Please confirm that the customer described in (g) subsequently may purchase Breast Cancer Research stamps after January 10, 1999. If you do not confirm, please explain.
- i. Please confirm that the customer described in (g) and (h) may subsequently, either accidentally or intentionally, mix the two sets of Breast Cancer Research stamps in his possession in such a way that the customer no longer can distinguish between the stamps he purchased before January 10, 1999, and the stamps he purchased after January 10, 1999. If you do not confirm, please explain.
- j. Please confirm that the customer described in (i) also may lose count of how many stamps he purchased before January 10, 1999, and how many stamps he purchased after January 10, 1999. If you do not confirm, please explain.
- k. Please confirm that the customer described in (i) may be an honest postal customer who wishes to pay the proper amount of postage for every letter he sends. If you do not confirm, please explain.
- l. Please confirm that the customer described in (k) may be unable, despite his best intentions, to determine whether he should add an additional cent to some of the letters that he mails using his Breast Cancer Research stamps.

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- m. Please confirm that the customer described in (i) may be a postal customer who would pay less than the proper amount of postage if he believed that his underpayment would go undetected. If you do not confirm, please explain.
- n. For a single-piece First-Class letter mailed on February 15, 2000, using a Breast Cancer Research stamp, please confirm that the Postal Service would be unable to determine whether the Breast Cancer Research stamp was purchased before January 10, 1999, or after January 10, 1999. If you do not confirm, please explain.
- o. For a single-piece First-Class letter mailed on February 15, 2000, using a Breast Cancer Research stamp, please confirm that the Postal Service would have no effective way of determining whether postage on that letter was underpaid by one cent. If you do not confirm, please explain.
- p. Please confirm that the Postal Service's implementation of the legislation mandating the Breast Cancer Research stamp relies, to a certain extent, on the honesty of the public in paying an additional cent when necessary. If you do not confirm, please explain.
- q. Please provide copies of all materials that the Postal Service has prepared for educating employees and the public on the possible need to pay an additional cent when using the Breast Cancer Research stamp.  
If no materials have been prepared and widely disseminated, please explain why not.
- r. Please confirm that any problems that exist today concerning the uncertainty about the need to add additional postage when using a Breast Cancer Research stamp will continue for the foreseeable future, even after future rate increases, because the underlying postage value of a particular Breast Cancer Research stamp could be either 32 cents or 33 cents.
- s. Please describe the efforts that the Postal Service has taken to measure the postage underpayment associated with letters mailed using Breast Cancer Research stamps since January 10, 1999. If the Postal Service has not sought to measure the postage underpayment, please explain why not.
- t. Please provide copies of all documents and analyses explaining why the Postal Service could not have implemented, or chose not to implement, the legislation mandating the Breast Cancer Research stamp by issuing a stamp in 1998 that showed 32 cents postage and a second, otherwise-identical stamp on or before January 10, 1999, that showed 33 cents postage.

**RESPONSE:**

- a. Confirmed
- b. Confirmed
- c. Confirmed
- d. Confirmed

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- e. Confirmed
- f. Yes. Please see DMM section P022.1.6.
- g. This is possible.
- h. This is possible.
- i. This is possible.
- j. This situation could be avoidable if receipts are maintained and consulted; if receipts are not maintained, the scenario described in the question is possible.
- k. It is the Postal Service's hope that every customer is an honest customer.
- l. See response to (j) and (m).
- m. Confirmed; however, the risk to postal revenues is minimal (1 cent per stamp), and is limited by the quantity of Breast Cancer stamps sold and not used or canceled before January 10, 1999.
- n. Confirmed
- o. See response to (m).
- p. Confirmed; however, see response to (m)
- q. See Federal Register notices published at 63 FR 38309 and 64 FR 10950 and DMM section P022.1.6. See also attached internal postal link article, Postal Bulletin notice, and DMM Quick Service Guide.
- r. The Postal Service has no basis to confirm or deny this statement.
- s. There has been no reason to do so. See also response to (m).

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- t. The relevant portion of an internal USPS analysis of Semipostal Legislation (HR 1585) dated December 15, 1997, relating to the subject matter of this question, is attached.

## Confusion continues over semi-postal

**WASHINGTON** — There continues to be some confusion about what to charge for the Breast Cancer Research semi-postal stamp.

- Non-denominated Breast Cancer Research semi-postal stamps still cost 40 cents each, but are now good for postage at new 33-cent First-Class letter rate, with extra 7 cents going to research.
- Because postal regulations state that semi-postal's postage value is set at time of purchase, it is inferred that customers who purchased stamp before rate increase on Jan. 10 and are using stamp to mail letters now are, technically, sending their letters postage due by one penny.
- However, because there is no way to determine when semi-postal stamp was purchased (whether at 32-cent postage value or 33-cent value), postal employees should not curtail, return, or mark as postage due, any letters that appear to be properly posted with Breast Cancer Research semi-postal stamp.

## Special holiday ZIP call center a success

**WASHINGTON** — Corporate Call Management earlier reported opening a facility for the 1998 holiday season to handle ZIP Code calls only. Customers were routed to this specialized center if they needed ZIP Codes and could receive up to 5 ZIP Codes per call.

Facility opened Nov. 3, and closed Jan. 22. Total of 1,105,505 calls were handled. Busiest day was Dec. 14 when 34,000 calls were handled. This meant that Call Center Agents were available for other customer calls and concerns and customers got prompt service.



**022**

Quick Service  
code

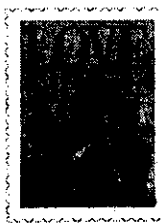
# Nondenominated Postage



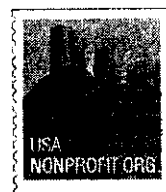
**20 Cents**  
G Old Glory Stamp  
Postcard Rate Only  
Issued December 13, 1994



**25 Cents**  
G Old Glory Stamp  
First-Class Presort Only  
Issued December 13, 1994



**32 Cents**  
Love Stamp  
Issued February 1, 1995



**5 Cents**  
Butte  
Issued March 10, 1995



**10 Cents**  
Automobile  
Issued March 10, 1995



**25 Cents**  
Juke Box  
Issued March 17, 1995



**5 Cents**  
Sheep  
Issued March 10, 1995  
Envelope (Sizes #6 3/4 and #10)



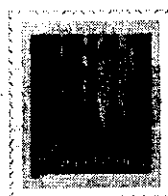
**10 Cents**  
Graphic Eagle  
Issued March 10, 1995  
Envelope (Size #10)



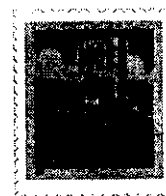
**15 Cents**  
Auto Tail Fin  
Issued March 17, 1995



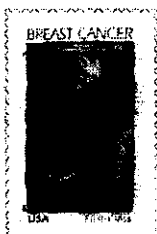
**5 Cents**  
Mountain  
Issued March 16, 1996



**5 Cents**  
Wetlands  
Issued June 5, 1998



**25 Cents**  
Diner  
Issued June 5, 1998



**Postage Value**  
32¢ purchased through January 9, 1999  
33¢ purchased on or after January 10, 1999  
Breast Cancer Research Semi-Postal  
Issued July 29, 1998  
(see P022)



**10 Cents**  
Bicycle  
Issued August 18, 1998



**33 Cents**  
H First-Class Rate  
Issued November 9, 1998



**1 Cent**  
H Make-Up Rate  
Issued November 9, 1998

DMM NOTICE

**Breast Cancer Research Semi-Postal Stamp**

Effective July 29, 1998, the *Domestic Mail Manual* is revised to establish terms and conditions for use and determination of value of the Breast Cancer Research Semi-Postal Stamp. This revision will appear in DMM Issue 54.

**Domestic Mail Manual (DMM)**

**P Postage and Payment Methods**  
\* \* \* \* \*

**P014 Refunds and Exchanges**

**1.0 STAMP EXCHANGES**

**1.1 USPS Fault**

*[Amend to read:]*

The post office may correct mistakes in selling damaged, defective, or otherwise unserviceable stamps by exchanging stamps at full postage value.

**1.2 Damaged in Customer's Possession**

*[Amend the last sentence to read as follows:]*

Each such transaction is limited to \$100 worth of postage from each customer.

\* \* \* \* \*

**1.5 Purchase Error**

*[Amend the first sentence to read as follows:]*

If a customer bought the wrong denomination stamps (or the wrong kind, size, or denomination envelope), they may be exchanged at full postage value. \* \* \*

\* \* \* \* \*

**2.0 POSTAGE AND FEES REFUNDS**

\* \* \* \* \*

*[Add new 2.10 to read as follows:]*

**2.10 Breast Cancer Research Semi-Postal Stamps**

Customers may exchange or convert Breast Cancer Research Semi-Postal Stamps for their postage value, i.e., the price of the stamps less the contribution amount, to the extent exchange or conversion of postage stamps is permitted under P014. The postage exchanged or converted is equivalent to the First-Class Mail single-piece rate in effect at the time of purchase (currently \$0.32), as supported by the mailer's receipt. The contribution amount is not included in the exchange or conversion value. If the mailer cannot produce a receipt, the exchange or conversion value of each Breast Cancer Research Semi-Postal Stamp cannot exceed \$0.32

per stamp, regardless of whether the First-Class Mail single-piece rate in effect at the time of purchase is \$0.33 or higher.

\* \* \* \* \*

**P020 Postage Stamps and Stationery**

**P022 Adhesive Stamps**

**1.0 PURCHASE AND USE**

\* \* \* \* \*

*[Create 1.6 to read as follows:]*

**1.6 Breast Cancer Research Semi-Postal Stamps**

Breast Cancer Research Semi-Postal Stamps are subject to special limitations and conditions:

- a. Breast Cancer Research Semi-Postal Stamps provide a means for customers to make contributions toward breast cancer research. Breast Cancer Research Semi-postal Stamps are offered for sale for a limited time as provided under 39 U.S.C. 414.
- b. The price of the Breast Cancer Research Semi-Postal Stamp is 40 cents. The postage value of the Breast Cancer Research Semi-Postal Stamp is the First-Class Mail Nonautomation Single-Piece first-ounce letter rate in R100.1.2 that is in effect at the time of purchase. The difference between the purchase price and the First-Class Mail Nonautomation Single-Piece first-ounce letter rate in effect at the time of purchase constitutes a contribution to breast cancer research, and cannot be used to pay postage. Additional postage must be affixed to pieces weighing in excess of one ounce, pieces subject to the nonstandard surcharge, or pieces for which special services have been elected. The postage value of Breast Cancer Research Semi-Postal Stamps is fixed according to the First-Class Mail Nonautomation Single-Piece first-ounce letter rate in effect at the time of purchase; the postage value of Breast Cancer Research Semi-Postal Stamps purchased before any subsequent change in the First-Class Mail Nonautomation Single-Piece first-ounce letter rate is unaffected by any subsequent change in that rate.
- c. Contributions to breast cancer research made through purchase of Breast Cancer Research stamps are not refundable. The postage value of Breast Cancer Research stamps for purposes of exchange or conversion under P014 is determined by the First-Class Mail Nonautomation Single-Piece rate in effect at the time of purchase, or as otherwise provided in P014.2.10.

\* \* \* \* \*



**R Rates and Fees****R000 Stamps and Stationery**

\* \* \* \* \*

[Amend the table in R000.4.0 to include the following line item:]

Purpose	Form	Denomination
Breast Cancer Research	Panes of up to 20	Purchase Price of \$0.40; Postage Value Equivalent to First-Class Mail Nonautomation Single-Piece Rate (currently \$0.32); remainder is contribution to fund Breast Cancer Research
* * * * *	* * * * *	* * * * *

—Mail Preparation and Standards,  
Marketing Systems, 7-16-98

**DMM UPDATE****Publication of DMM Issue 54**

On June 29, 1998, the Board of Governors voted to implement the R97-1 rate case. These new rates will take effect on January 10, 1999. In order to implement this rate case in the most efficient manner and provide customers and employees with the most current information, the Postal Service has delayed publication of the *Domestic Mail Manual* (DMM).

DMM Issue 54, originally scheduled for release in July 1998, will be dated January 10, 1999, and will include these new rates and mail preparation standards. Employees and customers will receive DMM 54 in December.

Extra copies of the *Federal Register* Final Rule, which contains new and revised DMM language, are being sent to each area and district implementation coordinator. This information also is posted on the USPS home page. More information about rates, mail preparation changes, and new postage statements will be published in the *Mailers Companion* and the *Postal Bulletin* in mid-October.

As required by law, nonprofit rates will change on October 4, 1998. Information about these new rates are included in this issue of the *Postal Bulletin* (see page 18) and will be included in a future issue of the *Mailers Companion*.

Postal Explorer 7.0, also originally scheduled for a July release, will be available in January 1999. In the interim, Postal Explorer 6.1 will be released to the field in early October. It will contain DMM Issue 53 plus *Postal Bulletin* changes through July 16, 1998, including the new nonprofit rates.

Area and district implementation coordinators will continue to be the point of contact for rate implementation issues.

—Mail Preparation and Standards,  
Marketing Systems, 7-16-98

**4.0 POSTAGE STAMPS**

Postage stamps are available in the following denominations:

Purpose	Form	Denomination
Regular Postage	Panes of up to 100	\$0.01, .02, .03, .04, .05, .10, .15, .20, .22, .23, .25, .28, .29, .30, .32, .33, .40, .45, .46, .50, .52, .55, .60, .75, .77, .78, \$1, \$2, \$3.20, \$5, \$11.25
	Booklets	\$0.20 (\$2.00 booklet) \$0.33 (\$3.30, \$4.95, and \$6.60 booklets)
	Coils of 100	\$0.20, .22 (additional ounce postage), .23, .33
	Coils of 500	\$0.01, .02, .03, .04, .05, .10, .20, .23, .33, \$1
	Coils of 3,000	\$0.01, .02, .03, .04, .05, .10, .20, .23, .33
	Coils of 10,000	\$0.05, .33
Precanceled Presorted Rate Postage — First-Class Mail and Standard Mail (A)	Coils of 500, 3,000, and 10,000	Various nondenominated (available only to permit holders)
Commemorative	Panes of up to 50	\$0.33 and other denominations
	20-Stamp Booklets	\$0.33 (\$6.60 booklets)
Breast Cancer Research	Panes of up to 20	Purchase price of \$0.40; postage value equivalent to First-Class Mail Nonautomation Single-Piece Rate (currently \$0.33); remainder is contribution to fund breast cancer research.

## FINANCIAL ISSUES

### I. Stamp Price/Amount of Purchaser Differential

**Issue:** What rate should be stated on the semipostal? Proposals include:

- The current First-Class rate
- The amount of the First-Class rate plus the differential
- No stated numeric rate

**Discussion:** Use of the current First-Class rate of \$.32 on the semipostal protects revenue. However, if a rate change occurs subsequent to the planned August 1998 issuance, this stamp will become obsolete.

Use of a \$.33 rate on the semi-postal - thus assuming in advance a change in rates - would also protect revenue. However, in the event that the Postal Rate Commission does not accept, or the Board of Governors does not accept or delays implementation of new rates, a semi-postal bearing a \$.33 rate would also become obsolete.

Use of First-Class rate plus differential (e.g., \$.32 rate + \$.08 differential = \$.40 semipostal face value) would minimize customer confusion with regard to the sales price of the stamp. However, it is risky from a revenue protection standpoint. For example, a customer could attempt to affix this stamp and an additional \$.20 postage on an international air mail letter. (USPS loses \$.08 on the international rate).

No stated rate best protects revenue as well as hedges against the possibility of a rate change. However, this comes at the price of some customer confusion in regard to the semi-postal sales price. Moreover, in the event that a rate change is implemented after issuance, some revenue protection risk would remain. Conceivably, semipostals purchased under old rates (at \$.32) could be used as postage after rates (presumably \$.33) are implemented. Nonetheless, the expense of recall, reprinting and redistribution would likely exceed possible revenue assurance losses.

**Recommendation:** Do not use a stated numeric rate on the semipostal. Instead, use "First-Class" or "FC".

RESPONSE OF UNITED STATES POSTAL SERVICE  
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DFC/USPS-19.

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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:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/USPS-20.

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- 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?

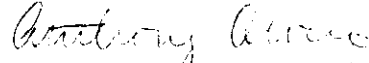
RESPONSE:

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- b. The Postal Service has no information responsive to this request.
- c. See Letter from PMG Marvin Runyon to Sen. Ted Stevens (July 17, 1997), published in the *Congressional Record—Senate* on July 17, 1997 at p. S7666.
- d. N/A
- e. The Postal Service has no mechanism in place to measure this. It has no opinion on this at this time.

## 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.



Anthony Alverno

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April 10, 2000